

6th March, 1922

THE
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(Official Report)

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OF THE

LEGISLATIVE ASSEMBLY, 1922



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LEGISLATIVE ASSEMBLY.

Monday, 6th March, 1922.

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

MEMBER SWORN :

Mr. Ayundur Vedachala Venkataramana Aiyar, C.I.E., M.L.A. (Nominated Official).

QUESTIONS AND ANSWERS.

INDIAN MUHAMMADAN OFFICERS TO LOOK AFTER INDIAN PILGRIMS TO THE HEDJAZ.

244. * **Haji Wajih-ud-din** : Are there any Indian Muhammadan officers posted in Jeddah, Mecca, Yambo, Medina and Jerusalem to look after the interest of Indian pilgrims ? If there are none at any of these places, will the Government be pleased to see the advisability to appoint one at each of these places ?

Mr. Denys Bray : There is an Indian Muhammadan Vice-Consul at Jeddah. The Government do not feel that they would be justified in considering the appointment of other officers at the present time owing to the acute financial stringency.

TAXATION ON FOODSTUFF AND BAGGAGE OF INDIAN PILGRIMS TO HEDJAZ.

245. * **Haji Wajih-ud-din** : (a) Are the Government aware that a duty was levied upon the baggage including foodstuff of the Hedjaz pilgrims at Jeddah last year by the Arabian Government ?

(b) Are the Government prepared in the interest of Hajis to advise the King of Hedjaz to remove such taxation, which is an uncalled for burden for the poor pilgrims ?

Mr. Denys Bray : (a) Yes.

(b) Copies of the Honourable Member's questions on the subject and the answers now given will be forwarded to His Majesty's Government in the hope that representations may be made through the proper channel to the King of the Hedjaz as to the hardship entailed upon Indian pilgrims by such taxation.

SAFE ROUTES TO HOLY PLACES IN PALESTINE FOR INDIAN VISITORS.

246. * **Haji Wajih-ud-din** : (a) Will the Government be pleased to state if the route to Jerusalem, Damascus and other Holy places in Palestine and Syria are safe and open for Indian visitors and pilgrims ?

(b) Are there any restrictions in force for the visitors of these places except the usual passport restrictions?

(c) Which of the routes will be most suitable for these places and what is the approximate cost of voyage to and from these places?

Mr. Denys Bray: (a) Yes.

(b) Pilgrims should be provided with individual Passports duly *viséd*, and, if they contemplate landing in Egypt *en route*, this fact should be noted in the visa. Pilgrims should hold certificates of successful vaccination against small-pox and of two inoculations with anti-cholera vaccine. They will also be required to pass through the quarantine station at Kameran. In this connection I may remark that it would be convenient to the authorities in Palestine if the pilgrims were prepared to travel in organised parties, for which special train facilities in Palestine could be arranged.

(c) The route recommended is *viá* Haifa. The cost of the journey by sea to Haifa can be ascertained from Steamship Agencies. The cost of the Railway journey onwards from Haifa is as follows :

<i>Haifa to Jerusalem, return.</i>	
First Class	430 Piastres.
Third Class	179 „

<i>Haifa to Damascus, return.</i>	
First Class	696 Piastres.
Third Class	460 „

The piastre here referred to is the Egyptian piastre, of which 6½ go to the rupee.

Further details with regard to health requirements are under inquiry and further information with regard to the Holy places in Syria is expected from the British Consul at Beirut.

The High Commissioner, Palestine, concludes his telegraphic reply to the inquiry addressed to him by Government as follows :

‘ The Indian pilgrims will be warmly welcomed and every effort made by Local Government to facilitate their journey here and return.’

Sir Frank Carter : Will the Government be pleased to state what are the Holy places of Islam ?

(No reply was given.)

UNSAFE LAND ROUTE BETWEEN MECCA AND MEDINA AND SUGGESTED STEAMER SERVICE FOR PILGRIMS.

247. * **Haji Wajih-ud-din:** (a) Are the Government aware that the land route between Mecca and Medina is quite unsafe and uncontrollable by the Hedjaz administration, the Indian pilgrims have suffered great hardships and heavy losses on their journey by this route ?

(b) Will the Government be pleased to have any of the steamer companies prepared to inaugurate a fortnightly steamer service between Jeddah and Yambo during the pilgrimage months, at least for the convenience of Medina pilgrims?

Mr. Denys Bray: (a) Government are aware that during the last pilgrim season Indian pilgrims suffered great hardships owing to the deprivations of tribes on the road between Mecca and Medina. The road is still closed, but the Hedjaz authorities have informed the Vice-Consul at Jeddah that they hope to be able to make more satisfactory arrangements for the next pilgrim season.

(b) Government cannot bring compulsion to bear on Shipping Companies to inaugurate such a service, but inquiries will be made whether any Company is prepared to undertake it as a commercial venture.

HARDSHIP OF HEAVY TAXES AT THE HEDJAZ.

248. * **Haji Wajih-ud-din:** (a) Are the Government aware of an imposition of Import duty at a very high rate by the Government of Hedjaz at the port of landing?

(b) Are they prepared to approach the King of Hedjaz, in the interest of Hajis and Indian inhabitants of the Holy places, to reduce such taxes and to alienate hardship and suffering?

(c) Are they aware of the hardship and suffering caused by the high prices ruling in Hedjaz as the result of such high tolls?

Mr. Denys Bray: (a) Yes. Besides a Customs duty of 15 per cent. *ad valorem* there is now a tax of 3 Turkish piastres (nominally equivalent to 7 annas) per package. As this is levied on every package irrespective of size, pilgrims will be well advised to pack their effects in as few bundles as possible.

(b) The Honourable Member is referred to the answer I have just given on Question No. 245.

(c) Yes, in so far as the question relates to Indian pilgrims.

NUMBERS OF PILGRIMS TO JEDDAH LAST SEASON.

249. * **Haji Wajih-ud-din:** Will the Government be pleased to quote the numbers of pilgrims who went to Jeddah during the last pilgrimage season from the provinces of Bengal, Bombay, Madras, United Provinces and Punjab, respectively, also the numbers embarked from Bombay and Karachi ports, respectively?

• **Mr. H. Sharp:** A statement showing the number of pilgrims who went to Jeddah during the last pilgrimage from the Provinces of Bengal, Bombay, Madras, the United Provinces and the Punjab is laid on the table.

The total number of pilgrims who embarked from Bombay and Karachi was 7,377 and 3,477, respectively.

Statement showing the number of pilgrims who went to Jeddah during the last pilgrimage from the Provinces of Bengal, Bombay, Madras, the United Provinces and the Punjab.

Province.	Number of pilgrims.
Bengal	1,621
Bombay	4,419
Madras	428
United Provinces	967
Punjab	2,444

PORTION OF GERMAN INDEMNITY FOR INDIA.

250. * **Dr. H. S. Gour** : (1) What is the total amount of indemnity yet paid by Germany ?

(2) And how has it been apportioned between the several members of the British Commonwealth ?

(3) What portion of it has been allotted to India ?

(4) And how much has been realized ?

(5) And how is it being spent ?

The Honourable Dr. T. B. Sapru : (1) The Government of India have no official information on the subject, but it appears from a recent cable of Reuter's that the Chancellor of the Exchequer stated at question time in the House of Commons that Great Britain had received as yet nothing from Germany by way of indemnity.

(2), (3), (4) and (5). In view of the answer to (1) these questions do not arise.

Mr. K. Ahmed : What about the Indians who were detained and imprisoned in Germany and some of whom died leaving their valuables ?

The Honourable Dr. T. B. Sapru : I want notice.

PROPORTION OF INDIANS IN THE CADRE OF DEPUTY POST MASTERS GENERAL AND ASSISTANT DIRECTORS GENERAL AND THEIR GRIEVANCES.

251. * **Mr. K. Ahmed** : (1) Will the Government be pleased to state what proportion do Indian officers bear to the total number of appointments in the cadre of Deputy Post Masters General and Assistant Directors General ?

(2) Will the Government be pleased to state whether it is a fact that the above mentioned cadre represents the only body of officers in India who have not had a 'time-scale' of pay sanctioned for them under the recent revision ?

(3) Will the Government be pleased to state in what year the present rate of pay was sanctioned for the above mentioned cadre and whether any revision is contemplated?

(4) Will the Government be pleased to state whether Deputy Postmasters General and Assistant Directors General have represented their strong grievance in the matter? If so, will the Government be pleased to state what they propose to do to remedy the said grievance and to compensate these officers from the 1st December, 1919, as in the case of all other services, against loss of legitimate emoluments, admitted as both necessary and just on account of the abnormal rise in prices and the cost of living in recent years?

Colonel Sir S. D'A. Crookshank: (1) 52·6 per cent. of the appointments of Deputy Postmasters General and Assistant Directors General are held permanently by Indian officers.

(2) The answer is in the negative.

(3) The pay of Assistant Directors General was last revised in 1905 and that of Deputy Postmasters General in 1906. The question of converting the existing grades into a time-scale is under consideration.

(4) Yes. Government are considering the conversion of the graded scale of pay into a time scale in the case of these officers.

RENT OF RAISINA HOSTELS FOR THE LEGISLATURE.

252. * **Sardar Gulab Singh:** What is the cost of the Raisina Hostels for the Legislature?

(a) Is the monthly rent for each room fixed at a certain proportion of the outlay on it?

(b) Is it not comparatively higher than that of the neighbouring houses for accommodation of the Members and the chummeries?

(c) What part of the rent is chargeable for the furniture and the establishment for the Hostels?

(d) Is any extra charge included in the said rent on account of the additional facilities, such as public rooms and motor sheds, etc.?

Colonel Sir S. D'A. Crookshank: Cost of construction and furnishing amounted to Rs. 18,60,000.

(a) The monthly rent of each quarter bears a direct proportion to the total outlay on the buildings and is calculated on the floor area of the accommodation.

(b) Yes, this being due to the fact that the outlay on the Hostels, which are three storied buildings of some architectural pretensions, was considerably greater proportionately than that on the other buildings mentioned.

(c) The total rent works out to Rs. 4·19 per unit of 25 square feet of floor area. This includes Re. ·55 per unit for furniture and Re. ·43 per unit for establishment.

(d) The assessed rent is calculated on all expenditure incurred on the Hostels including the public rooms, motor sheds, etc.

DIFFERENTIATION BETWEEN INDIAN AND EUROPEAN MEMBERS OF THE DELEGATION TO BRITISH GUIANA IN THE MATTER OF ALLOWANCES AND EMOLUMENTS.

253. * **Mr. K. B. L. Agnihotri** : Will the Government be pleased to state :—

(a) Whether the allowances and emoluments to the Indian Members of the Delegation to British Guiana were fixed at less amount than those of the European Members ?

(b) Did the Indian Members object to the differentiation in the allowances and make any representations on that point ?

(c) Have the allowances of the Indian Members since been brought in line with those of the European Members ?

(d) What was the reason for the differentiation in allowances and who was responsible for it ?

Mr. J. Hullah : (a) The emoluments sanctioned for the official and non-official members of the deputation to British Guiana are as follows :

One official member (Mr. G. F. Keatinge, C.I.E., I.C.S., Director of Agriculture, Bombay) :

(a) Rs. 2,650 or £177 a month. As Mr. Keatinge's pension amounting to £83½ per month is held in abeyance, his emoluments under this head amount to £93½ a month.

(b) Actual travelling expenses by road and rail.

(c) First class return passage.

(d) £2 daily shore allowance while in British Guiana.

Two non-official members (Dewan Bahadur Kesava Pillai and Mr. V. N. Tewari, M.A.) :

(a) A consolidated honorarium of £100 a month.

(b) The same as official member.

(c) The same as official member.

(d) £2 daily shore allowance while in London.

Terms (a), (b) and (c) were clearly laid down in the letter in which the two non-official members were invited to serve on the deputation, and are considerably in excess of those suggested when the deputation was first proposed. After definitely accepting them, Dewan Bahadur Kesava Pillai asked for permission to take with him at the public expense his son, a private secretary, a clerk, two servants and a cook, and for the concession of a reserved cabin and compartment and for an outfit allowance of £125. He further applied for an enhanced honorarium as President of the deputation. Government were unable to sanction the additional expenditure for which no budget provision existed. But after prolonged correspondence, in view of the state of the Dewan Bahadur's health, they agreed that he should be accompanied by his son, and that Government should be responsible for his son's first class passage. He was in a nursing home in London for some days and Government have also undertaken to pay doctor's and nursing bills.

If the pension of Mr. Keatinge, which cannot be reckoned as part of the emoluments for this mission, is deducted, it is clear that the terms granted to the Indian members are not inferior to those paid to their European colleague.

(b) Yes.

(c) No. It will be seen from the answer to part (a) that the treatment accorded to the European member was not more favourable than that accorded to the Indian members.

(d) The terms, which, as has been explained, do not adversely affect the Indian members, were approved by the Standing Finance Committee, and sanctioned by the Legislative Assembly.

STANDARD OF ALLOWANCES TO DELEGATES GOING OVERSEAS.

254. ***Mr. K. B. L. Agnihotri**: (a) Is it a fact that there is no definite standard of allowances and emoluments applicable to all delegates going overseas?

(b) Are the Chairmen of such delegations given any special allowance? If so, how much?

(c) If there is no fixed definite standard of allowances and emoluments, what procedure does the Government usually adopt in fixing such allowances?

The Honourable Sir William Vincent: (a) Yes.

(b) The Chairman as a rule receives a monthly honorarium, and various subsistence and other allowances fixed with reference to his position, the nature of the mission and the countries to be visited.

(c) Allowances and emoluments have been fixed in each case with reference to the special circumstances of the delegation, in consultation with the Secretary of State.

INJUSTICE OF MR. MANILAL'S DEPORTATION FROM FIJI, NEW ZEALAND AND CEYLON.

255. ***Mr. K. B. L. Agnihotri**: (a) Is it a fact that Mr. Manilal of Fiji was not enrolled or allowed to practise as a lawyer in New Zealand and Ceylon and was he required to leave those islands as an undesirable person?

(b) Did the Government of India make any representation to those Governments for this action taken against an Indian British subject?

(c) If not, why not?

(d) Will the Government be pleased to say if any independent inquiry was made by the Government of India into the matter?

(e) Had the Government of India any hand in his deportation from Fiji, New Zealand or Ceylon?

(f) Will the Government be pleased to lay on the table the correspondence that may have passed, through the Secretary of State or otherwise, between the Fiji, New Zealand or Ceylon Governments and the Government of India on this subject?

Mr. J. Hullah: (a) Government have noticed statements to this effect in the public press. Mr. Manilal appears to have left New Zealand of his

own accord. As regards Ceylon, the Government of India understand that he requested permission of the Ceylon Government to visit the island for a few weeks only, but when it appeared that he did not intend to carry out the condition on which he had been allowed to land, he was served with a notice to quit the colony.

(b) The Government of India have made no representations to the Governments of New Zealand and Ceylon regarding Mr. Manilal.

(c) The reports received about Mr. Manilal's career in Mauritius and Fiji were not such as to justify Government in taking the initiative in interfering on his behalf. Moreover, they have received no requests for help either from Mr. Manilal himself or from anybody else on his behalf.

(d) and (e). No.

(f) The papers regarding the externment of Mr. Manilal from certain parts of Fiji were published in Commerce Department Resolution No. 4918, dated the 5th August, 1920. As regards New Zealand and Ceylon, the correspondence which the Government of India possess relates to an inquiry as to the date of Mr. Manilal's return to India and a report on his stay in Ceylon. Government do not propose to lay these papers on the table.

GOVERNMENT ACTION AGAINST NON-CO-OPERATORS.

256. * **Mr. G. Bridge:** (a) Will the Government be pleased to state whether the atrocities committed by the non-co-operators at Chauri Chaura were cabled Home with the same celerity as the news of Mr. Gandhi's suspension of Civil Disobedience?

(b) Will the Government be pleased to state what, if any, steps are being taken to protect the loyal staff of the East Indian Railway from picketing, assault and intimidation?

(c) Will Government be pleased to state if it is prepared to declare illegal the mock courts of justice set up in opposition to Government in the Mofussil or elsewhere?

The Honourable Sir William Vincent: (a) The first news of the tragedy at Chauri Chaura, which took place on Saturday, the 4th February, was received by the Government of India about 6 P.M., on Sunday, the 5th, by telegraph from the Government of the United Provinces. The telegram was repeated without any delay the same evening to the Secretary of State.

(b) Troops are stationed at most of the important stations along the line and their duty is to guard the stations to prevent sabotage and to see that loyal workers are not intimidated.

(c) While the substitution of arbitration by private bodies or persons for litigation in the ordinary courts is in itself not only a reasonable but a desirable principle, there can be no doubt that the so-called non-co-operation courts are acting illegally whenever they assume jurisdiction by means of force or intimidation over persons who are unwilling to submit to them or when they employ such means to compel the attendance of persons for any object. The Local Governments, upon whom rests the duty of setting the law in motion against such courts when they consider it desirable, are well aware of this fact. Several instances have occurred of legal proceedings being taken against persons who have illegally arrogated to themselves the functions of a court of justice.

EUROPEAN SERVICE LEAVE RULES FOR THE MASTER AND OFFICIAL REFEREE
OF THE CALCUTTA HIGH COURT.

257. * **Mr. K. Ahmed**: (a) Is it a fact that the Civil Service Rules do not mention the office of the Master and Official Referee of the Calcutta High Court as one of the officials who are entitled to European Service Rules of leave and pension similar to officials of High Courts of Bombay and other places?

(b) Is it a fact that a reference was made regarding the subject by the Calcutta High Court and no step has been hitherto taken?

(c) Do Government propose to make it a rule that there should be no such distinction so as to affect any member of the English Bar (Barrister-at-Law) in such position?

The Honourable Sir William Vincent: There are no European Service pension rules. The reference from the Calcutta High Court referred to by the Honourable Member is presumably a reference received in April, 1921, in which it was suggested that the orders in Article 404A of the Civil Service Regulations should be applied to this appointment. As a preliminary to the consideration of that proposal it was decided to apply the provisions of Article 349A to the appointment and this was done in July, 1921. This means that the pension terms in Article 474A now apply to the appointment.

Local Governments have been consulted on the question of whether the provisions of Article 404A should apply to similar appointments in other provinces, and some replies are still outstanding.

2. The old European Service leave rules did not apply to incumbents of this appointment. Those rules have now been replaced by the Fundamental Rules issued under section 96B of the Government of India Act. Those rules include special and ordinary leave rules. The question as to the conditions which should govern admission to the special leave rules is now under the consideration of the Government of India. Under Fundamental Rule 75 the conditions will ultimately have to be prescribed by the Secretary of State in Council.

Mr. K. Ahmed: Has the Government taken any step to send a reminder to the Secretary of State or consider it further?

The Honourable Sir William Vincent: There is no question of sending a reminder to the Secretary of State, because we have not yet received replies from all Local Governments.

Mr. K. Ahmed: Will the Government of India expedite the matter and settle it one way or the other?

The Honourable Sir William Vincent: We will do what we can to expedite the matter.

CLAIM OF THE MASTER AND OFFICIAL REFEREE FOR APPOINTMENTS IN THE
CALCUTTA HIGH COURT.

258. * **Mr. S. M. Zahid Ali Subzposh**: (a) Is it a fact that in all the appointments made in the Honourable High Court of Calcutta, the claim of the Master and the Official Referee has not been hitherto considered at all?

(b) Do Government propose to consider the claim of the Master and Official Referee of Calcutta High Court, when any future appointment of a Judge in that Court is made?

The Honourable Sir William Vincent: (a) and (b). Appointments of Judges to the Calcutta High Court have been made in the past and will be made in the future after a consideration of the claims of all available persons for the appointments. Government are not aware that the Master and Official Referee in Calcutta has any special claims for appointment to the Bench of the Court.

Mr. K. Ahmed: Is it not a fact that Mr. Justice Ridley of the High Court of Justice in England had been elevated to the post of Judge from the post of Master in the Chamber there?

The Honourable Sir William Vincent: That is not a point on which the Government of India have any official information.

Mr. K. Ahmed: Is it not a fact that Mr. Kajiji (now the Honourable Mr. Justice Kajiji) has also been on the Bombay Bench?

The Honourable Sir William Vincent: I believe that is a fact.

UNSTARRED QUESTIONS AND ANSWERS.

MILITARY RANK IN OFFICIAL CORRESPONDENCE OF EX-TEMPORARY OFFICERS OF THE INDIAN MEDICAL SERVICE.

275. **Lala Giridharilal Agarwala:** 1. (a) How many *ex*-temporary officers of the Indian Medical Service have been allowed to retain their military rank and how many of them had served in the last European War?

(b) Are such officers entitled to be addressed by such rank in official correspondence; if not, why not?

2. In case *ex*-temporary officers of the Indian Medical Service are not entitled to be addressed by their military rank in official correspondence, how do the Government secure to such officers the retention of their military ranks for services during the Great War?

3. Will the Government be pleased to remove the anomaly, if any, by directing that *ex*-temporary officers of the Indian Medical Service who have been allowed to retain their rank should always be addressed by such rank in official correspondence?

Sir Godfrey Fell: 1. (a) The Government of India consider that the time and trouble involved in collecting this information would not be justified by the result. The names of all temporary officers who are permitted to retain their military rank are notified in the *Gazette of India*.

(b) The attention of the Honourable Member is invited to part 1 (a) of the reply given on the 23rd January last to Dr. Nand Lal's unstarred Question No. 214.

2. Such officers may make use of their military rank unofficially or socially.

3. The Government of India are not prepared to revise the orders which they have issued on this subject.

AMOUNT OF PRINCIPAL OF WAR LOANS.

276. **Raja Suraj Baksh Singh** : Will the Government be pleased to state the amount of Principal of the War Loans that the Government has hitherto had to repay (1) in cash and (2) by conversion ?

The Honourable Sir Malcolm Hailey : Up to the end of December, 1921, the total amounts of War Bonds repaid in cash and by conversion are approximately 18,34 lakhs and 30,63 lakhs, respectively.

NUMBERING OF LEGISLATIVE ACTS OF THE PROVINCES.

277. **Raja Suraj Baksh Singh** : Will the Government be pleased to state if the numbering of the Legislative Acts of the provinces is entirely in the hands of the Local Governments independently of the Government of India ?

The Hon urable Dr. T. B. Saprú : Yes.

POSITION IN THE INDIAN CIVIL SERVICE OF PERSONS APPOINTED UNDER SECTION 99 OF GOVERNMENT OF INDIA ACT.

278. **Rai Bahadur P. V. Srinivasa Rao** : Will the Government be pleased to state whether a person appointed to an office in the Indian Civil Service under section 99 of the Government of India Act would be treated as a member of the Indian Civil Service within the meaning of sub-section (4) of section 101 of the said Act.

The Honourable Sir William Vincent : Persons appointed to an office in the Indian Civil Service in pursuance of rules made under section 99 (2) of the Act are not admitted to that service. They are not therefore members of that service within the meaning of clause (b) of sub-section (3) and sub-section (4) of section 101 of the Act. These observations do not apply to persons appointed under section 97.

EXPENSES AT ELECTION OF MEMBERS OF INDIAN LEGISLATURE.

279. **Maulvi Abdur Rahman** : Will the Government be pleased to lay on the table a statement showing the expenses incurred by the Members of the Council of State and that of the Legislative Assembly in the last General Election mentioning the names of the Members with their Constituency in every case ?

The Honourable Dr. T. B. Saprú : In pursuance of rule 17 (4) of the Electoral Rules for both Chambers of the Indian Legislature, records have been prepared and are maintained in the Legislative Department showing the names, constituencies and election expenses of all candidates at every election to either Chamber. These records are open to public inspection and the Honourable Member may, if he so desires, see them at any time during office hours.

HARDSHIPS OF POOR AGRICULTURISTS OWING TO RISE IN RAILWAY FREIGHT.

280. **Maulvi Abdur Rahman** : Is the Government aware of the fact that owing to unusual rise in the railway freight, import and export of plants,

grafts, seeds, manures and other agricultural materials from one place to the other have become prohibitive to the utmost inconvenience of the poor agriculturists and the farmers? If so, will the Government be pleased to take some measure for the relief of the poor agriculturists?

Mr. J. Hullah: Plants, shrubs and perishable seeds when carried by passenger train are treated as parcels, the rates for which have been increased by 25 per cent. since the 1st February, 1921. This increase affects all goods carried as parcels. Government have received no complaints that the enhanced rates are prohibitive in respect of the articles named. As regards articles carried by goods train, Railways are authorised to vary their rates between certain specified maxima and minima and the sanction of the Government of India is not required to any changes within these limits. There has been no increase in the maximum rates chargeable for the carriage of plants, seeds or other agricultural produce by goods train, nor have Government received any complaints to the effect that the rates at present charged for such commodities on the different Railways is excessive. A representation from the Government of Madras regarding the rates for manures is under consideration in consultation with the Madras and Southern Mahratta Railway. Government will, however, be glad to investigate any specific increases in rates for the articles named which the Honourable Member may bring particularly to notice.

CORRESPONDENCE RE SUPPRESSION OF NON-CO-OPERATION AND KHILAFAT MOVEMENTS.

281. **Maulvi Abdur Rahman:** Will the Government be pleased to lay on the table copies of all the correspondence that passed between the India Government and the Provincial Governments for suppressing the Non-co-operation and the Khilafat movements by repression or otherwise?

The Honourable Sir William Vincent: Government are not prepared to lay the correspondence on the table.

DANGER TO DERA ISMAIL KHAN FROM EROSIONS OF THE RIVER INDUS.

282. **Khan Bahadur Abdul Rahim:** (1) Has the attention of Government been called to the erosions of the river Indus threatening to engulf the Military Cantonment and the flourishing town of Dera Ismail Khan, with a population of over 33,000, which is the centre of Powinda trade with Khorasan, and is the Headquarters of the District of the Waziristan Residency and of the Brigadier-General Commanding the N.-W. F. Force?

(2) Did the people—Raies, Members of District Board and Municipal Committee and other leading men—approach successive Honourable the Chief Commissioners on their several visits to the place with prayers that protective works be erected, and, if so, with what result?

(3) Will Government be pleased to ascertain what the value of the immoveable property, consisting of Military lines and Magazines, Offices, Bungalows, Police Quarters and Stations, Courts, Civil Offices, Jail, Treasury, Hospitals, Houses, Shops, Roads, Lawns, Churches, Mosques, Temples, Town Hall, School, Factories, Wells, etc., which is in danger by getting detailed

schedule prepared? What is the amount of Income-tax and Super-tax assessed on the towns-people and of the Octroi and other Municipal Income yearly?

(4) Is it a fact that a special officer was deputed some years back to report on the action of the river, and did he submit a report and project for protective works with an estimate of cost, and, if so, what action was taken by Government thereon?

(5) Is it a fact that the river since then has come perilously near the Cantonment, where new lines for the troops at a cost of several lakhs of rupees are under construction?

Colonel Sir S. D'A. Crookshank: The Government of India have no information as to the erosion of the Indus in the vicinity of Dera Ismail Khan beyond that contained in the reply given by the Honourable Mr. Sarma to a question on the same subject asked by the Honourable Mr. Sachchidananda Sinha in the Indian Legislative Council on the 16th September, 1920. The local Administration is, however, being asked to supply a further report on the condition of the river, on receipt of which a reply to his question will be transmitted to the Honourable Member.

DATE FROM WHICH PERCENTAGE INCREASE ON SALARY WAS DRAWN IN THE OFFICE OF THE DIRECTOR GENERAL, INDIAN MEDICAL SERVICE.

283. **Rai Bahadur Bakshi Sohan Lal:** Is it a fact that the ministerial establishments of all the Attached and Subordinate Offices to the Government of India and Army Headquarters Branches were granted the general sanctioned percentage increase on the salary drawn on 1st April, 1920? If so, will the Government please state why was it granted to the ministerial establishment of the office of the Director General, Indian Medical Service, on the salary drawn by them on 1st July, 1920?

Mr. H. Sharp: The answer to the first part of the question is in the affirmative so far as the Army Head Quarters offices are concerned. Information is being collected from other Departments in regard to attached and subordinate offices. The answer to the second part of the question is that the orders sanctioning with effect from 1st April, 1920, the grant of percentage increases of salary to the ministerial establishment of the office of the Director General, Indian Medical Service, were issued in July, 1920, and it was considered by the Director General, Indian Medical Service, that for the purpose of calculating the percentage increases to be granted it would be suitable and fair to take the salary drawn on the 1st July, 1920.

REVISION OF PAY IN THE DIRECTOR GENERAL, INDIAN MEDICAL SERVICE'S OFFICE.

284. **Rai Bahadur Bakshi Sohan Lal:** With reference to the answer* given by Mr. Sharp in the Legislative Assembly on 10th January, 1922, to my unstarred Question No. 41, will the Government be pleased to lay on the table a statement showing the names of men affected under the heads (a), (b)

* Vide Legislative Assembly Debates, Volume II, page 1394.

and (c), respectively, and state why full increase was not granted to the members whose cases do not fall under any of the above heads?

Mr. H. Sharp: All members of the office of the Director General, Indian Medical Service, who did not receive the full percentage increase, fall under one or other of the classes mentioned in my reply to the Honourable Member's previous question on the 14th January, 1922. The Government of India see no reason for entering into details such as the names of members affected under the various classes.

The Honourable Sir William Vincent (Home Member): Sir, I have been asked by the Honourable Sir Malcolm Hailey to make an apology to the House on his behalf to-day. He was taking, — what all Members of the Assembly will readily recognise was much needed—a week end holiday away from Delhi and unfortunately missed connection somewhere on his return journey. He will however arrive by mid-day and he has telegraphed to me asking me to apologise to the House on his behalf for his absence.

Further, Sir, I also wish to mention that I have received a Message from His Excellency which, on behalf of my Honourable Colleague, I will make over to you, if I may, for communication to the House.

MESSAGE FROM HIS EXCELLENCY THE GOVERNOR
GENERAL.

Mr. President: I have received the following Message from His Excellency the Governor General:

'In pursuance of the provisions of sub-section (3) of section 67-A of the Government of India Act, I hereby direct that the heads of expenditure specified in that sub-section shall be open to discussion by the Legislative Assembly when the Financial Statement is under consideration.'

(Sd.) *READING,*
Governor General.'

TIME-LIMIT FOR SPEECHES IN BUDGET DEBATE.

Mr. President: Under rule 46, I appoint twenty minutes as the time-limit for speeches on this day.

GENERAL DISCUSSION ON THE BUDGET.

FIRST STAGE.

Mr. Harchandrai Vishindas (Sind : Non-Muhammadan Rural): While regretting the absence of the Honourable the Finance Member, I must say that it is impossible to withhold our meed of admiration from the excellent manner of his presentation of the Financial Statement in the midst of the most arduous difficulties that he had to contend with in this most disastrous year; and it is also our bounden duty to record our sense of appreciation of the courageous manner in which, according to his own lights of course, he has taken the bull by the horns and suggested what he himself feels to be a distasteful and

unpopular measure of extra taxation. But while, Sir, I make these remarks, I have exhausted the bright side of the picture. I must inform you, that it would be impossible for the major portion of the Assembly, if I understand correctly, to accept the crushing burden of taxation that is proposed to be imposed under the present Budget. Now, salt is taxed; cloth is taxed; matches are taxed; kerosene oil is taxed; post is taxed and railway fares are increased. All these are items which directly affect the poor. Members will remember that last year when we accepted this heavy taxation, it was with the object of making the path smooth for Government in the first year of our existence. But, at the same time, I think it was the understanding of almost every elected Member that this burden would not be repeated next year,—and that was the keynote of the proposal that the fresh taxation should be only for one year and, if it was intended to be repeated, a fresh Act would have to be passed. That being so, it was the sense of the country that the end of the tether had been reached by shouldering those burdens of last year's taxation. The result of accepting the fresh taxes that are now proposed would be the starvation and ruin of the country, especially of the poor people. I think, Sir, it is recognized that in every scheme of taxation it should be borne in mind that the poorest should be as much exempted and kept apart as possible, and especially the poor of this country, who are living from hand to mouth, who only enjoy one meal a day. Therefore, I record my strong dissent against these taxes,—taxes on salt, taxes on cloth, kerosene, matches, and machinery, increase of postage and Railway fares. Now it has been suggested in the Financial Statement of the Honourable the Finance Member that as salt will cost only three annas per head in the year, it will not be felt; but it is forgotten that it is not the question of salt alone, but when you combine salt with kerosene oil, and matches which are required by the people for lighting purposes, and cloth which is a great necessity for covering the body and will be affected by excise duty, all these things put together do constitute a very heavy burden on the poor. Now, I will not trouble the House with any consideration of other items, namely, post which might not be a necessity of the poor, or machinery, or railway fares. It might be said that railway fares would be borne by such people as can travel, and only such people should travel as have the means. However, so far as machinery is concerned, its taxation will affect the development of industries and commerce, and is therefore objectionable. I do not propose to touch the taxation on liquors or other classes of luxuries as such taxation is a perfectly legitimate source of revenue. Whilst on this subject, we might accept all the conditions prevailing in the country which have been assigned by the Finance Member as causing this unfortunate state of things, namely, the general world depression in trade, the loss by exchange, the losses in our commercial departments like the railways, posts and telegraphs, and the heavy working expenses. But whilst admitting all these things, what does it come to? I am strongly of the opinion that, in spite of all that has been urged in the Budget speech of the Honourable Finance Member, there is great room for the curtailment of expenses. Now I may revert to the propriety of taxing the poor man in the manner I have detailed. What has been the poor man's capacity during the last five years? Surely it has been diminishing by degrees, and you can very easily realize this from the fact that the purchasing power of the rupee has also greatly diminished; and then you have to take into consideration the fact that people have not to pay merely the Central Government's taxes, but also to pay the Provincial taxes, and, in addition, to pay municipal taxes. When all these

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factors are taken into consideration, a very strong case is made out for opposing the whole scheme of taxation, or at least the major portion of it that I have referred to, that is proposed. Then, there is also another consideration. While you are raising, for instance, the customs duties, care should be taken to ascertain whether this will not recoil the other way, as has been pointed out in several instances in the Finance Member's speech. When you are imposing fresh taxation on an article, you must be careful to see that it will not result in the diminished import of that article and thereby not give you any advantage but only give you the disadvantage of having higher taxes but less revenue—what in technical language is called the law of diminishing returns. I am afraid that, although the Honourable the Finance Member has taken in this connection an optimistic view, he will experience in the end that this doctrine will work out, and in several cases expectations that are now being formed in the Financial Statement will not be realized; on the contrary, he will find that he has committed a mistake in imposing taxes upon those particular articles. Now where is this process going on to from year to year? Therefore, the only alternative that we can resort to is a very sweeping curtailment in expenditure, both civil and military. Now while it has been suggested that curtailment in civil expenditure is possible, it is at the same time said that the scope there is very limited, because civil expenditure extends only to 20 crores, and, even if you reduce it by 10 per cent, you will be making a saving of only 2 crores, but, if curtailment in civil expenditure is possible, why should it not be admitted that on the military side of the expenditure also it is possible? Unfortunately, from time to time, year in and year out, in spite of our repeated protests which date so far back as 20, 30 or 40 years, a definite *non possumus* has been offered by Government to any retrenchment or economy in military expenditure. Well, up to now Government have been able, have succeeded in offering a strong barrier to any suggestions for retrenchment, but I think now the time has arrived when that policy ought to be entirely changed.

I have very strong reasons for urging that there is no occasion for the country to incur the military expenditure that the Government is incurring. Before the war, there was some necessity for the maintenance of a large army. We know that there was the constant menace of foreign aggression. The Russian bogey always stared us in the face, and the people, willingly or unwillingly, submitted to being heavily taxed in order to secure the safety of the country. But that Russian bogey does not exist now. Then we have the Waziristan question, and although the operations in Waziristan do not cover the whole field of military expenditure, I think the best course is to leave Waziristan alone. I do not think that experience has taught us that we gain anything at all by the pursuance of this 'Forward policy'. This is very old history. I have some recollection of the second Afghan War in 1878. At the conclusion of the war, the Government were only too anxious to get rid of the whole business of meddling with Afghanistan. They wanted to drop it like a hot potato because their hands were burning, and several schemes were broached to 'scuttle out of Afghanistan', as the phrase then went. And after all, they were providentially able to get hold of Amir Abdur Rahman to take over Afghanistan from them. And that has always been the result at which this forward policy has arrived, and

it ought to be abandoned for ever and the heavy military expenditure incurred thereon saved. I do not think it is justifiable to retain Waziristan or to carry on any operations in Waziristan, because the gain is very little and the cost is so heavy. I dare say the Members of this House, or a large part of them, must have read the excellent article which recently appeared in the '*Times of India*', which gave very cogent reasons—with which I entirely agree—for the abandonment of Waziristan altogether.

In the days of Lord Ripon, after the second Afghan War, a non-forward policy was adopted, and it led to peace and prosperity. Then, unfortunately, Lord Curzon introduced the policy of placating the tribes by subsidies and this rebounded upon us with disastrous consequences during the recent Afghan War. All these things indicate that this forward policy should be abandoned altogether and that we should confine our activities within the limits of our own frontier. We have already got sufficient internal commitments and matters to occupy our attention and it cannot pay to multiply our obligations by going outside our frontiers.

There is another factor which has also contributed for a long time to this heavy military expenditure and that is the amalgamation of British with Indian troops after the mutiny of 1857. I will advert to that point later on and will now quote some figures to show how enormously our expenditure on the military side has increased. In 1899-1900, out of a total revenue of 39·760 crores, military expenditure amounted to 15·375 crores. As against that, in 1919, out of a revenue of 86·324 crores, the military expenditure was 44·480. So that, while the net increase in revenue was 46 odd crores, or 117 per cent., the increase in military expenditure was 29 crores or 190 per cent. Now, if we consider the ratio of military expenditure to revenue, we find that in 1899-1900, it was 38·66 per cent.: whereas in 1919-20, it was 51·52 per cent. This shows that the ratio has also been steadily increasing. Now, let us take the ratio of military expenditure to net taxation and we get these figures. In 1899-1900, military expenditure was 15·376 crores, while taxation was 18·174 crores, the resulting ratio being 84·60. In 1919-20, military expenditure was 44·480 crores and taxation was 40 crores, and the ratio was 108·15 per cent. This shows that in the last-mentioned year, the whole of the taxation and something more was absorbed in military expenditure. Then, Sir, if we calculate the ratio of military expenditure to all other sources of net Imperial revenue save taxation, which amounts to 45·461 crores, it works out to 98 per cent. Thus, this Octopus of military expenditure has been eating away our very vitals. While, as I have shown, in 1899-1900, military expenditure was 15 crores, it rose in 1919-20 to 44 crores. Last year, it was no less than 62 odd crores, besides the Waziristan and Demobilization charges, and this year also it is about the same. Now, in view of the fact, to which I have referred, that the Russian bogey and the consequent fear of foreign aggression no longer exists, there is no justification for the maintenance of a huge army at a ruinous cost at the expense of the poor of this country. It might, however, be said that this is merely destructive criticism and I might be asked why I do not put forward constructive proposals as to the directions in which this military expenditure can be reduced. Such a criticism might be justified if I stopped here and did not go on to formulate some constructive proposals. Well, Sir, I have some constructive proposals to make and the first relates to the fact that the cost of the British soldier is five times as much as that of the Indian

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soldier. At one time, the expense of maintaining seven Indian soldiers was the same as the expense of three British soldiers. Later, the cost of maintaining one British soldier was equal to that for four Indian soldiers, and now one British soldier costs as much as five Indian soldiers. I will refer you, Sir, to page 15 of the Military Estimates in corroboration of this, from which it will be seen that 65,000 odd British soldiers cost altogether 10·18 crores; whereas 185,000 Indian soldiers cost altogether only 5 crores. And those figures work out the cost of one British soldier as equal to the cost of five Indian soldiers. Indianize the Army and you effect an enormous saving.

Then, Sir, a good deal of leakage and embezzlement takes place in the Supply and Transport Departments. Unfortunately, whatever may be said from the Treasury Benches to-day, the experience of Members is that there is no proper supervision and control over the contract system. It has come out in several cases—I cannot lay my hands at the moment on a particular case—that, whereas a contract of the Civil Department costs Re. 1, for the Military Department a contract for the same staff and quantity cost 5 times as much, if not more in some cases, I do not mean to say in all cases. This is a great eating-away Department, the Supply and Transport Department, and that requires special control and special check. There are now pending six cases of frauds and embezzlements in this Department and one of them is in my city of Karachi. A whole wagonfull of Military stores was found at Kotri or somewhere and nobody knew to whom it belonged. Eventually, it appeared that it had come from Quetta and a criminal case in that connection has been going on. Therefore, I submit that a very strong case has been made out for curtailing Military expenditure. The pruning knife should be ruthlessly applied to military expenditure. There is also another reason to which I made a passing reference before. One of the causes of this heavy burden has been the original amalgamation of the British Army with the Indian Army. That happened after the Mutiny. After the Mutiny, when the East India Company made over the administration to the Crown, the British Army was amalgamated with the Indian Army. In this connection, the late Mr. Fawcett, whom we all know as being a special advocate for India and always described as 'Member for India' in the House of Commons, made this remark :

'A few years after the abolition of the East India Company what is known as the Army Amalgamation Scheme was carried out in direct opposition to the advice of the most experienced Indian statesmen. India was, as it were, bound hand and foot to our own costly system of Army administration, without any regard apparently to the fact that the various schemes of organisation which may be perfectly suited to a country so wealthy as England may be altogether unsuited to a country so poor as India'

Then there was a Commission appointed during Lord Ripon's time, the Simla Commission, which fixed the proportion of British troops to Indian troops, at 60,000 to 120,000. But soon after, when Lord Randolph Churchill became the Secretary of State for India, suddenly he raised the strength by 10,000 British troops and 20,000 Indian troops respectively. For what reason? For no earthly reason at all. On the contrary, the result of that was that with this large force an aggressive invasion of Burma took place.

Mr. President: I must ask the Honourable Member to bring his remarks to a close.

Mr. Harchandrai Vishindas : All right, Sir. I am not going into any other points, as I must finish. There is one point, however, which I must mention. So far as the Railway expenditure is concerned, I support the recommendation of the Committee that Railway finance should be self-contained, because any saving in Railway expense is always utilised for expenditure which would not be the case if Railway finance was self-contained and whatever is saved would be utilised for Railway purposes altogether. With these few remarks, I bring my observations to a close.

Rao Bahadur T. Rangachariar (Madras City : Non-Muhammadan Urban) : Sir, I gladly associate myself with the remarks made by my friend, Mr. Vishindas, about the excellent manner in which this most depressing Budget had been presented to us by the Honourable the Finance Member. Sir, I may mention that I was so carried away by his eloquence that even I was forced to cheer him and that at a wrong point. (Laughter.) Sir, while this Budget has been described as a distasteful Budget, and all sorts of adjectives have been used which I am afraid to enumerate here, I consider it as an eye-opener Budget. Sir, we have been told that we have been put on the road to Swaraj, and it is quite true that we have been put on the road to Swaraj. But, Sir, we are asked to run a race hampered by many obstacles. If it is an obstacle race we are asked to run with tight-fitting clothes, pressing us at the neck, pressing at the chest and with very nice boots, but too pointed for the naked Indian feet.

In the first place, Sir, I have to thank you on behalf of the Party for allotting us a corner. (Laughter.) We had hoped that you would have allotted us the front fair Opposition, but, with the true instinct you have, you have rightly allotted a side, for under the constitution as it stands, we cannot deliver the frontal attacks on the Budget but we can only give side-thrusts. We had asked for an opportunity for a frontal attack, but His Excellency the Viceroy and Governor General, *ex-Lord* Chief Justice as he is, has taken refuge behind the opinion of the Law Officers of the Crown. So, having missed that opportunity, you have truly gauged the situation and given us this position, so that we may content ourselves with side-thrusts which perhaps may be more effective than frontal attacks. (Laughter.) I said this Budget is an eye-opener. Sir, it has opened the eyes of every thinking Indian, nay it has opened the eyes of every thinking Englishman in the country. I was glad to see the informing, the instructive, articles in the '*Statesman*', no friend of India. (Laughter.) In the '*Times of India*', which we have always associated with the sober-minded Englishmen in this country (Hear, hear), the criticism was most delicious and most encouraging and most instructive. Sir, I said it has opened the eyes, and I am thankful to the Government of India for the very frank Budget which they have presented to the country. Early in our career it is but right that we should know, and the whole civilised world should know, what an obstacle race this infant Parliament is asked to take at its start. Let us face a few facts. In the year 1919-20, in March 1920, our revenue, our Central revenue, was 88 crores, and our expenditure that year was somewhere about 109 crores. If you take the figures, year after year, you find that the Finance Department in the last few years have been over-estimating the revenue and under-estimating the expenditure. We, as householders, in our household finance, would be acting foolishly, with great folly indeed, if we were to over-estimate our income and under-estimate our annual expenditure. But, Sir, when the Government of a large country like

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this over-estimate their revenue and under-estimate their expenditure, it is not only folly, but it is criminal folly.

Sir, what has happened? In the year 1919-1920, they budgeted for a revenue of 96 crores; they actually got 88 crores. I will leave aside the phenomenal year of 1920-21 which, by the beautiful exchange operations, produced phenomenal trade results in the country. In the year 1921-22, they budgeted for a revenue of 128½ crores and actually got 108 crores. So also, Sir, they are budgeting this year for an ordinary revenue of 110½ crores, to which they expect to add 6 crores by raising the railway rates by executive action, and, therefore, they expect to get a revenue of 116½ crores. If you go to the expenditure, you will find that, whereas they budgeted for an expenditure of 106 crores in the year 1919-20, the actual expenditure was 109·01 crores. In the year 1920-21, they budgeted for an expenditure of 129·8 crores, and the actual expenditure was 161·6 crores. In the year 1921-22, they budgeted for an expenditure of 127·5 crores and the actual expenditure is 142 crores. So that, Sir, this process of under-estimating the expenditure and over-estimating the revenue, has landed us in extravagance. You can quite easily conceive how, when fresh proposals for expenditure come up, whether it be by way of revision of pay or by way of fresh expenditure, when you think of your budgeted revenue and when you find you are getting so much, you will be tempted to sanction that expenditure; whereas, if you had rightly estimated your revenue, as you ought to have done, fresh expenditure would not have been sanctioned light-heartedly, as it has been within the last two years. Sir, I must justify the charge that fresh expenditure has been incurred light-heartedly during the last two or three years. In the year 1919-20, our civil expenditure was 16 crores—I will give the exact figure, which is 16·30 crores; and now we are budgeting for a civil expenditure of 20·55 crores. That is, within the last two years, from March 1920 to March 1922, our civil expenditure has gone up by 4·25 crores. As we are talking in crores, we are apt to forget what a crore means in this country. Let us convert it into units and then conceive the large addition which has been made within the last two years in civil expenditure alone. Sir, our debt services stood at 936 lakhs in the year 1919-20; to-day, Sir, they stand at 1,436 lakhs, that is our national indebtedness has so far increased within the last two years, that we have to pay an additional interest of 5 crores. I will not pile up figures; the time allotted to me is short, but, when we think of this, I may justly claim that we are put on the path of Swaraj with tight-fitting clothes, pressing us on the neck, pressing us on the chest, and pressing us on the feet. It will be an idle expectation, it will be a cruel test to impose upon the country to say: 'Now show your fitness for Swaraj within 10 years, within 5 years,' with these manacles placed upon us.

Sir, when last year, we were called upon to support the Budget, which some of us foresaw the country could not bear, we had no hesitation in giving our support to the Government. But, Sir, I made it clear in my speech and I daresay every one of us who supported the Government on that occasion made it clear, that it was a conditional consent to co-operate. The condition was this—and I said so plainly—that within the year we should put our heads together and see what expenditure the country could bear and how far we could effect reductions, whether they were on the military side or on

the civil side. In fact, Sir, when I moved for a reduction in the grant for the Central administration, the Honourable the Finance Member, speaking for himself and for his colleagues, gave us an assurance that he would ask the Finance Committee to go into the expenditure and make a report to this Assembly. Sir, I am a member of that Committee and I have yet to hear of any intimation or notice that that Committee has to sit upon any question of retrenchment or economy in the administration of the country. Therefore, Sir, we consider that the condition on which we gave our co-operation in sanctioning the Budget last year has not been fulfilled.

Sir, on the military budget, we listened with great respect to the views propounded by His Excellency the Commander-in-Chief and by Sir Godfrey Pell. They told us that the matter was going to be investigated by a Committee and that the whole matter of the military expenditure would be carefully considered. I had the honour, by the courtesy of His Excellency the Commander-in-Chief, of appearing before a Committee called the Military Requirements Committee. Sir, that Committee held an investigation and they gave us an opportunity to give them our views. This Assembly is yet to know what the report of that Committee is. This Assembly is yet to know what His Majesty's Government at Home and the Sub-Committee which was sitting in London have done with reference to that report. We have to gather, we can only gather from newspaper accounts that nothing has come out of that Committee. Sir, I had great hopes in that direction. Sir, there are two ways of looking at the military burden. It is all very well to succumb to experts and I am quite willing to succumb to His Excellency Lord Rawlinson in matters which appertain to the Army; but, in the matter of the financial capacity of the country, I am not willing to surrender the judgment of this House even to His Excellency the Commander-in-Chief. His Excellency the Commander-in-Chief and the military advisers of Govern-

12 Noon. ment take the view that the country should afford it, whereas we have to tell His Excellency the Commander-in-Chief that the country can afford so much—you cut your coat according to the cloth we can give you. There are a few questions of broad policy connected with military finance on which this House and this House alone can pronounce a right judgment. Sir, take the proportion of the British to the Indian element in the troops. I think, Sir, it stands to-day at 1 to 2·5—that is, one British soldier for every two and a half Indian sepoy. I say, that is an extravagant proportion. Knowing as we do that the cost of the British soldier is nearly 4½ times that of the Indian soldier, I say, (this proportion of 1 to 2·5, which might have been necessary years ago in the days of the Mutiny when the sepoy himself was a mutineer, in these days when the sepoy has shown his loyalty to the British Empire by shedding his blood for that Empire,—that you should maintain this proportion of 1 to 2·5 now is really appalling. That is one matter on which this Assembly can give sound advice.

Take again, Sir, the proportion of troops which is required for internal security. I could wish for the day when we may be able to police the country without any military. Assuming that it is necessary to maintain the military for this purpose, are three-fifths of the Infantry required for internal security? How many of us here who are called upon to sanction the Budget know what proportion of the military is required for internal security and is maintained for internal security? Sir, we were told by no less a

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personage than His Excellency the Viceroy in opening this Assembly that autocracy was at an end. Is autocracy at an end in financial matters? Who lays the plans? Who advises the ways that things should be done for the military defence of the country? We are no better off—probably we are worse off—than the '*Pioneer*' in matters of information connected with military policy or the military affairs of Government. For instance, I find the memorandum which has just now been circulated explaining the position addressed to Honourable Members of this House was supplied to the '*Pioneer*' long before it was supplied to the Assembly. Now that is what I say. We have no voice. We are deeply indebted to His Excellency the Governor General for allowing us to-day to discuss military expenditure. I wish this announcement had been made 2 or 3 days earlier so that we might have come better prepared to deal with this question. To spring this permission on us at the eleventh hour like this is giving us a permission which I am afraid it will be very difficult for us to avail ourselves of with any effect. His Excellency the Governor General has been graciously pleased to accord this permission to the Assembly, but, Sir, coming as it does at the eleventh hour, it is worse than useless. My position is this. There are various ways in which military expenditure can be cut down and should be cut down. How many of us here in this Assembly know anything about Waziristan; and, as we are told that crores and crores of rupees are being spent for occupation purposes, may I ask if we are taken into confidence—is any Committee of this House taken into confidence in that matter? These are all matters in which some of us, though we may not be military men, know the requirements of the country, we know the position of our countrymen, we know how hard it is for them to make both ends meet, we know how much this country can afford. Therefore, looking at it from every point of view, there is plenty of room, plenty of scope, for retrenchment and economy in all directions. That being so, the question of the deficit for which we are asked to find ways and means becomes important. Sir, last year we supplied the Government with 18 crores of fresh taxation, and what is the result? They come to us with a deficit. They say: 'We have spent the 18 crores and we have borrowed many more crores'. They have borrowed altogether some 70 crores. Sir, with regard to this borrowing again, how many of us were aware of it till the matter was announced and what voice have we got in it? Even the Standing Finance Committee were not aware of this borrowing. Therefore, Sir, to say that autocracy is at an end is mockery. It certainly is not at an end in financial matters. It certainly is not at an end in the matter of policy. It certainly is not at an end in various other matters. Therefore, Sir, we are in this position to-day. We have already, for one year, allowed expenditure, because we were new to the position and we did not want to rush things. But this year, if we sanction this expenditure, we will be standardising it. The world may legitimately say: 'Now here this elected Assembly has given its support to this standard of expenditure; they had opportunities and they availed themselves of those opportunities and having availed themselves of those opportunities they must have satisfied themselves that this expenditure is the rightful expenditure for the country to bear.' Can we honestly say that we have judged this expenditure and come to the conclusion that it is just the expenditure which the country should bear? Can anyone honestly claim that? Have we sufficient knowledge in that direction? Therefore, Sir, it will not be right

for us to standardise this expenditure. Therefore, the time has come for the Government now and at once to begin an earnest examination of the question. It is no use telling us, 'Oh, we will do this or do that', and when March comes round again, we shall be told again: 'We are considering the appointment of a Committee of Retrenchment, the constitution of which is still under consideration.' That will be the result; but Sir, I am afraid, it is idle to expect us responsible men who owe a duty to the country to which we belong to recognise that this is the standard of legitimate expenditure on which you should embark.

Therefore, Sir,

Mr. President: I hope the Honourable Member is not about to embark on a new subject now.

Rao Bahadur T. Rangachariar: I will not, Sir. I am not going now to tire you with speaking on the taxation aspect of the question. The necessity for taxation has not been made out, and that is the view I take; and, Sir, I wish to close with these remarks. We had instances in our ancient texts when the King took counsel with my mythical ancestors, and the King was asked to follow this advice: Take for your example the bee. Take the leech for your example; and take the calf for your example; that is, take little by little. So also every King, every Government should keep that in view. It is no use trying to hurry the people into this heavy taxation. What is it? Last year Rs. 18 crores and this year Rs. 48 crores of fresh taxation, when, as I have told you already, the whole central revenue of the country is only Rs. 88 crores. So, Sir, I close with these words. All questions of taxes of Government are finally answered in the minds of men. Side by side with this growth, this appalling growth of expenditure, there is a growth in the spread of knowledge of economic and financial matters, and, with it, the knowledge of possible alternatives to a continuously mounting debt or burden of taxation. This psychological limit is probably more important and significant than any that is purely economic and it holds within it the possibilities of revolution and repudiation. There are, in plain fact, definite limits to human endurance and they do not easily come into focus until they are dangerously close. They may be apparently lost in the mists of the future when in fact they are so close that a few years may bring them sharply into focus, but too late, as so often in history, for any effective preventive measures. To be willing to grant to-day what would have saved the situation, had you granted it yesterday, is one of the world stories that is constantly repeated without being learnt.

Baba Ujagar Singh Bedi (Punjab : Landholders): Sir, I have gone through the Budget and the proposals for additional taxation carefully. I am not a financial expert,—I am a landholder. But then, there are some points in it which are of such general yet vital interest, that even a layman like myself is expected to formulate his opinion on it. The Budget is not merely a deficit Budget like its predecessors, but to quote 'The Statesman' 'is a veritable calamity Budget.' To come directly to the facts and figures, it seems that the Government of India are apparently making rapid strides towards bankruptcy.

The Budget estimates an expenditure of 142½ crores, as against a revenue, on the basis of existing taxation and including the provincial contributions

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of 920 lakhs, which will amount to 110½ crores, which makes a deficit of 31½ crores. And this is not for the first time, but we have been shown such deficits for the last four years in succession. In 1918-19, the deficit amounted to 6 crores, in 1919-20, it amounted up to 24 crores, the final accounts of 1920-21 show a deficit of 26 crores. And if the budgeted deficit of the ensuing year, *viz.*, 31½ crores, which, judging by the sad experience of the past, is almost sure to be exceeded, is added to it, it makes a total deficit of 121½ crores in five years. And then, there is no likelihood of its ever coming to an end, since the causes at its back, as advanced by the Honourable the Finance Member, are not of a transitory nature. There is no hope of the events taking their normal course.

In fact, Sir Malcolm is faced with a desperate situation and he himself admits most frankly :

‘I do not think these deficits are due to transient causes, that we can look for better times ahead and that we should consequently be justified in leaving things as they are, in the hope that before long our revenue will once more have equalled our expenditure. I must say frankly that I see very little prospect of such equilibrium being attained within a memorable period.’

The expenditure for the ensuing year has been estimated at 142½ crores against an income of 110½ crores, which means a deficit of 31½ crores. Now the military expenses amount to 62.18 crores, while all the other expenses are only 78.07 crores. In the Budget of the current year, as finally passed by the Assembly on the basis of new taxation, the expenditure was estimated at 127½ crores, as against a revenue of 128.33 crores, thus leaving a surplus of 71 lakhs, which surplus has got converted into the most appalling deficit. In the current year, the military expenses were estimated at 58 crores and non-military at 69 crores. One simply fails to understand the reason for this awful enhancement in the Military Budget. Almost 58 per cent. of the net revenue is squandered every year for the so-called security and peace of the country. India is no doubt paying a too heavy payment for it. The expenditure under this head deserves a close and scrutinizing attention for considerable curtailment.

Here strikes me an Indian proverb :

‘Less strength and more wrath, is the omen of one’s being beaten; less income and more expenses, the house is doomed to ruin.’

Now, if the expenditure of the Government goes on increasing every day and the people are called upon to pay more and more, the house of India would be ruined and bankruptcy would be inevitable.

We must cut our coat according to our cloth.

The Honourable the Finance Member has remarked in proposing fresh taxation that there are, in theory, three courses, which can be adopted, either separately or in combination,

- (1) To budget for a deficit,
- (2) To reduce our expenditure, and
- (3) To increase our revenue.

And he is most true there.

But, Sir, the only place where we differ, is that he has failed to deliberate fully over his various alternatives. Budgeting for a deficit would no doubt be replete with many a sad consequence. But to say that there can be no scope in the reduction of the expenditure and that the only acceptable alternative is to enhance taxation does not appeal to me as sound.

Sir, I agree with 'The Statesman' in saying:

'That it is impossible to acquit the Government of the charge that it has not exercised economy to the fullest extent.'

(Vide 'Tribune,' dated March 4th.)

Let me repeat here once more with 'The Statesman':

'That the Military Budget should have reached its present proportions is nothing short of monstrous.'

Sir, to propose fresh taxation on the already over-taxed country is a death blow to the people. I, every now and then, describe the pitiable condition of the over-taxed Zamindars to my friends and express my views regarding the amelioration of that community; and I am glad to see that those views up to a certain extent have been ably and beautifully explained by my Honourable brother, Colonel Sir Umar Hayat Khan, the other day in the Council of State, in connection with the introduction of the Income-tax Bill. Had I followed the dictates of egoism, I would have kept silent until the non-agriculturist classes would have been taxed, to the same extent as the Zamindars, from whom the so-called theory of State landlordism demands no less than 50 per cent. of their produce and in some cases actually more than 30 per cent. has been levied, whether or not they get any produce from their lands at all; although all other tax-payers, including the assesseees of Super-tax, do not pay more than 10 per cent. of their income. But my conscience prompts me to raise my voice against any further enhancement of taxation, because of the following two reasons:

Firstly, if the various items referred to in the proposals for fresh taxation are accepted, the prosperity of the country would be greatly affected; and secondly, the Zamindars, whose revenue-settlement, that is taxation, never comes to an end, and who, being the favourite children of the benign Government, are never ignored, and are always the first to get their adequate share, directly or indirectly, whenever any taxation is proposed, are likely to succumb under its crushing weight. It was only the other day that the following words were uttered in the House of Commons, by no less a personage than the Secretary of State, in his justification of his policy, when his opponents made him responsible for the present disturbances in India. He says (vide 'Civil and Military Gazette', dated February 17th, 1922):

'The next great cause of the trouble in India, for which he personally could not be held responsible, was the economic situation in the world. India was highly taxed, prices were high and the population was poor. The only cure was the development of industrial and agricultural resources of India in order that the people might become richer.'

• And, Sir, the effect given to his advice to make India richer and to remove the present discontent, prevailing in the country, is a further indiscriminate enhancement of taxes and an increase in the present duty on Machinery, Iron, Steel, etc., from 2½ to 10 per cent., which are the indispensable factors of our industrial and agricultural progress. Sir, I am not here speaking in any way against the Honourable the Finance Member. Anybody in his place would have

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done the same. He has to frame his Budget according to the expenses of the country. But, Sir, I am here to oppose the expenses, so lavishly and indiscriminately incurred by the various departments.

Sir, I had a mind to speak at length on the various suggestions of increment, but I leave that to my abler friends, well-versed in finance.

It is a broad daylight fact that India is the poorest and the most highly taxed country in the world. The incidence of taxation is shown by comparison with the people's earnings; and, judged by their standard, the incidence is higher in India than in England. Even if the rate were the same, the pressure would be more keenly felt by the people of India, with their lower average income, than the richer people of England.

The Government of India, let me say, is pursuing the policy of taking and not of giving. This policy must be brought to an end, sooner or later, and the sooner the better.

With these few remarks, I would appeal to the Honourable Members of this Assembly to subject these proposals to a careful scrutiny and to think twice before they opine on the subject.

We ought to tax articles of mere luxury, like tobacco and wines, and not those articles of necessity which are the poor man's luxury.

I hope that the Honourable Members would see that the matter is not made worse than before.

Mr. Darcy Lindsay (Bengal : European) : Sir, I do not propose to take up the time of the House in backhanded compliments to the Honourable the Finance Member for the able manner in which he has presented to this House, perhaps the most deplorable Budget it has been India's lot to receive (Hear, hear) and I will at once proceed to offer my criticisms thereon.

On the expenditure side, I leave it to others to again impress upon the Government the urgent necessity for drastic retrenchment in every direction (Hear, hear) before the taxation milch-cow runs dry, as there is every indication of her doing on the present scale of extraction. It almost reminds me of that illegal *phuka* practice adopted by a certain class of milk-dealers. It is well known I believe throughout India. (*A Voice*: 'In Calcutta.') Only a year ago we were faced with a deficit of 18½ crores which was met by this House in the sanguine hope that the tide was on the turn, and, aided by anticipated retrenchment, the Finance Member's task would this year be a happy one. Yet what do we find? Unrealized expectations as to the stability of that old bugbear, Exchange, a heavy fall in anticipated receipts from all principal sources of revenue, and, last but not least, no apparent retrenchment with the appalling result of a further deficit of the huge sum of 31½ crores.

In the Budget now before the House we are, I hope, down to nearly bedrock, as regards Exchange, and it is in connection with the taxation that I propose to offer comments. I regret I cannot compliment the Honourable the Finance Member on the exercise of that imagination and ingenuity I am sure he is blessed with, for what has he given us but a repetition of just the same old taxation with a turn of the screw in varying degree according to how far he thinks the strain can be borne? The only innovation is a small excise duty of one anna on kerosine to balance the increase of one anna in import

duty, and an import duty of 5 per cent. on yarn. In, again, applying the screw with increased vigour, merely because the unhappy victims of previous years' torture are thought to have a further kick in them, the Honourable the Finance Member reminds me of the handicapper of a steeplechase, where the unwise adjustment of heavy weights so frequently tells at the last jump. Don't overweight your horses or they will break down, as in the case of wines and tobacco. Bring in other starters to help you along, even although you only impose light weights.

On the assumption that many heads are better than one, I venture to suggest to Sir Malcolm Hailey that he offer a substantial prize or prizes for competition for proposals as to new taxation and showing results. I cannot believe that every channel has been explored, and such a competition might well produce interesting figures. Our old friend, Mr. Price, would no doubt enter and deal very effectively with the taxation of silver imports, (Hear, hear) about which he addressed the House last year, and my Honourable friend, Sir Frank Carter, as a member of the Sugar Commission, can deal with sugar, and tell you whether an excise duty can be borne. Then we have possibilities in our excise duty on Timber, Shellac, Tobacco, including Cigarettes, an increase in the excise duty on Jute. I have heard it said, perhaps in levity, that a tax on Barristers and Vakils would be very remunerative. (Laughter.) I doubt whether it will meet with the support of this House. (*A Voice*: 'We are already over-taxed'.) And last, but by no means least, I suggest the issue of Premium Bonds. I believe Sir Malcolm Hailey is a gambler at heart, judging by the way in which he manipulates our finances, and, as a gambler's last throw, let me commend premium bonds as a money-making proposition; and for further information I may refer him to Sir Montagu Webb and Mr. Nigel Patton, both experts on this subject. Now that the Bengal Government propose to recognise betting on horse races as a legal form of gain, or perhaps I should say loss, and intend to replenish their Budget deficits by what they facetiously term an 'amusement tax' on betting, why should we continue to have any qualms of conscience in regard to Premium Bonds which are surely a very innocent and popular form of speculation, or, as Bengal would term it, 'Amusement' and at the same time most profitable to Government, judging by the experience of Foreign Governments? If the Honourable Member does not perhaps approve of the idea of a taxation competition, I feel tempted to suggest our panacea for all ills—an Assembly Committee with a non-official majority, were it not for the fact that experience goes to prove much time and money is wasted with but little to show. I, therefore, suggest that an expert in taxation be attached to the Finance Department who would not be encumbered by the details of administration and would have time to study our system of finance and taxation and advise the Finance Member whether or not the basis of our taxation is as broad and firm as it can be made.

In criticism of the proposed taxation, I desire to draw the attention of the House to the very disturbing effect this annual increase in taxation of the same class of merchandise has both on the trade and the public, and herein lies grave danger to the Honourable the Finance Member's expectation of much gain from increasing imports, for the trade cannot stand up against such frequent volcanic upheavals. I venture to say, the necessary adjustments in retail prices due to the increased duty in last year's Budget have even now been barely completed owing to the working off of old stock at former

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prices, and, just as the public are settling down to new and increased prices, along comes a further bomb-shell in a repetition of the increase. There is also an aspect of the case that may have escaped the Honourable the Finance Member's attention, that, in these adjustments, it is frequently not possible to pass on to the consumer the exact amount of the increased taxation, and his suffering is even more severe than it was intended to inflict. The result may well be a heavy fall in consumption, as there is a limit to expenditure without a corresponding increase in pay, and the Finance Member then awakes to the fact that the goose is dead. He sorrowfully admits this in connection with wines and tobacco, to which, I have previously referred.

As regards the increase of *ad valorem* duty from 11 to 15 per cent., I have no particular comment to make, except that the tax is unduly severe in many instances and may well retard that expansion in imports the Honourable the Finance Member so hopefully looks for. The increase in the Cotton excise duty and the 5 per cent. duty on imported Yarn seems to follow as a necessary consequence. The increase in the duty on Machinery, Iron and Steel, and Railway material is surely a retrograde step, however attractive the anticipated 4 crores 5 lakhs may appear. We are crying out for the manufacturing development of India and here we impose a serious handicap by increasing the duty from 2½ to 10 per cent. This, I advocate, should be removed or the Tariff revised. Matches and salt have come in for adverse criticism from my friends opposite, but, possibly, the objections to the increase are more sentimental than real, for it is difficult to realise how an increase of only 12 annas per annum to a household of four can be regarded as a hardship in these days of increased wages. It has to be borne in mind, when I refer to increased wages that in some directions they do not appear to be required nor do the people appear to be short of money. I think the coal district will bear with me when I say that, where a man formerly worked six days a week, and now gets double pay, therefore he works for three days only—I should imagine the extra duty on Textile goods will be more severely felt by the masses.

The gamble for a problematical extra 30 lakhs from spirits might well have been deferred to allow the trade to settle down. It was only last year, Sir Malcolm Hailey said, any attempt to raise the duties higher might yield less revenue and this year he admits to taking the maximum revenue possible. I have received a letter from a friend in the trade who writes to me as follows:

'The trade was wholly unprepared for another increase so soon after the staggering blow it received last year. Sales were seriously affected as the big drop in imports has conclusively proved, and it looks rather like vindictiveness to hit us again for so paltry a sum as 20 lakhs, at a time when the purchasing power of the public is at a very low ebb. It is confidently believed that the duty at Home will be dropped in the next Budget, it having over-reached the bounds of profitable exploitation, and, though I would not like to make a similar prediction in the present case, I am perfectly certain that far more harm will be done to business concerns directly interested than benefit will accrue to the Government. The fall in imports of whisky, brandy, gin and beer was from 807,949 gallons in 1920 to 617,049 gallons in 1921.'

The misnamed luxury tax anticipates an additional yield of 75 lakhs, in spite of the experience that, during the greater part of this year, the imports have been very disappointing. I fear a further disappointment awaits our optimist and he would be better advised to abolish this special tax altogether. I would like to know how much of the 114 lakhs budgeted for last year has

been realized. Why bicycles should be considered a luxury I cannot understand; they are not exactly a joy-ride and are in common use by clerks and artisans to take them to their work. Post office peons also use this 'luxury' in delivery work. Motor cars are also considered a luxury, and I again ask, why? I appreciate there may be a desire to check expenditure on costly cars, but to discourage motor traffic as a whole is a mistake. The taxi even is raised to the dignity of a luxury and will have to pay the 30 per cent. not only on the car but also on the tyre and tubes, and this equally applies to the many light delivery vans used in the course of business. A duty of 30 per cent. will be welcomed perhaps by American manufacturers as likely to kill the import of British and Continental cars, but I question, will the revenue gain thereby? For instance, a car costing, say, £600 or Rs. 10,000 landed, will pay a duty of Rs. 3,000 against Rs. 900 to Rs. 1,500 on the American car. I maintain that a levy of half the proposed duty would greatly increase the import of the former.

The raising of railway passenger rates by nearly 25 per cent. appears very drastic in face of the heavy increase during the past few years, and one can only hope the experience in England from high fares will not be followed here.

My Honourable friend, Mr. Subrahmanayam, will no doubt be pleased, as it may solve the problem of overcrowding. I hope suburban traffic will be given special concessions, as the raising of fares will be very severely felt by the thousands who come to their daily work by train. I would also suggest concessions to pilgrims visiting *Melas*. I realize that Railways should not show a loss, but, on the other hand, it is surely wrong to exploit the Railway to assist Budget deficits as is now being done.

I share with many Members the regret that Postal rates have to be raised, and desire to put in a plea for the retention of half-anna postage, even if it were to be confined to the familiar small embossed envelope and not to exceed $\frac{1}{2}$ tola in weight. (Hear, hear.)

Taken as a whole, I do not like the Budget: it is very severe in some directions, both on the masses and on the well-to-do, while the man of small means is hit in all directions. There is no doubt the Budget will be welcomed by the non-co-operation party (Hear, hear) and add fresh fuel to the smouldering fire of discontent, for it is generally admitted economic causes are the main factor in causing discontent. (Hear, hear.) Reduce the cost of living and you have a happy people. (Hear, hear.) Retrenchment will then follow by its being possible to reduce the Army. I admit that some increased taxation was necessary, but, under the special circumstances of the case, I contend, the country would whole-heartedly have supported the Honourable the Finance Member in leaving an uncovered deficit very much in excess of 2½ crores. He talks of bankruptcy, but I doubt if we are in quite such a parlous state. Why not prepare a balance-sheet as in the case of every business firm and see what assets the country has to place to capital account. It is only this year that certain expenditure is being debited to capital account, but why not take credit for past expenditure less necessary depreciation, and to some extent borrow on that credit, to be repaid on the prosperity years before us when the country is at peace. That happy state may be reached sooner than anticipated, if the Government will only examine the economic causes of discontent and do all in their power to remedy the same instead of, as I said before, adding fuel to the fire and giving a fresh lease of life to non-co-operation which, from all accounts, had not long to live. (Hear, hear.)

Khan Bahadur Sarfaraz Hussain Khan (Tirhut Division : Muhammadan) : Sir, in paragraph 7 of his speech, the Honourable the Finance Member says :

'Altogether then our expenditure is somewhat over 14½ crores more than we expected; and the total deficit will amount to no less than 34 crores. If you carry your minds back to the history of the last three years, the House will realize that this is now the fourth deficit in succession. In 1918-19, it amounted to 6 crores; in 1919-20, mainly due to the Afghan War, the deficit was 24 crores; our final accounts of 1920-21, swollen by many adjustments of arrear expenditure on the Afghan War and the Great War, showed a deficit of 26 crores. Adding the 34 crores to which I have just referred, the total excess of expenditure over revenue in the four years comes to 90 crores.'

In paragraph 19 of his speech he says :

'I do not think that it is possible to take up the position that these deficits are due to transient causes, that we can look for better times ahead, and that we should consequently be justified in leaving things as they are, in the hope that before long our revenues will once more have equalled our expenditure. I must say frankly that I see very little prospect of any such equilibrium being attained within a measurable period.'

Such is, gentlemen, your actual financial position as clearly shown and frankly admitted by the Honourable the Finance Member who, furthermore, with a view to enable you to solve the problem of how to meet the deficit, placed before you three courses that can be adopted, namely, (1) by budgeting for a deficit, (2) by reducing the expenditure, (3) by increasing the revenues. And, after giving his reasons for the undesirability and impracticability of (1) budgeting for a deficit and (2) reducing the expenditure to any appreciable extent, he has placed before you his proposals for additional taxation. Whatever the causes of the loss of revenue or of the increase of expenditure may be, the question of questions is, whether you are prepared to meet the whole deficit by taxation. If you do, you will be increasing popular discontent. If you do not, you will have to revise the Tariff Bill and reduce the Demands for Grants submitted to your vote.

Military expenditure is no doubt a heavy burden on our financial resources, but I am one of those who believe that the safety of a country and its peaceful development depend very largely on its military strength. Military power is the solid foundation of civil power and without civil power the fabric of social order is bound to collapse and fall into pieces. Situated as India is, the maintenance of a sufficiently strong army, kept in a state of efficiency, seems to me therefore to be an absolute necessity. But, at the same time, I must point out that no military power, however strong, can stem the tide of disaffection, and disaffection is the fore-runner of social upheaval, and social upheaval that of revolution.

Here, I may be accused of drawing upon my imagination, but that is not so. Those who had had the pleasure and the advantage of hearing the Budget debates of the late Mr. Gokhale can appreciate my meaning. The seed of real discontent was sown when the public demand for the shaping of the Budget, according to the needs and requirements of the country, was not accepted by the Government and the more Government insisted on their policy, the more the public discontent grew and increased in violence and intensity.

Now what has Mr. Gandhi done? He took advantage of the discontent prevailing in the country and inaugurated his non-co-operation movement, each item of the programme of which is calculated to alienate the sympathies

of Indians from Great Britain. But what did the Government do to combat this growing danger? Instead of looking into the inwardness of the situation, they trifled with Mr. Gandhi and relied more as it seems to me on its military strength. The result has been what you find it now, namely, agitation and irritation on the one side and repressive measures on the other. But this is past history and there is no good crying over spilt milk. Still I submit that it would not be a wise policy for a constitutional Government to multiply causes for disaffection and then run to guard against the effects of such causes.

The Honourable the Finance Member has in paragraph 3 of his Budget speech said :

‘ Thirdly, the conditions of the country have been such, partly economic and partly political, that there has been a complete stagnation of the ordinary activities of internal trade.’

I should say, improve the economic and the political will disappear automatically. Be less generous on the expenditure side of the Budget; cut your coat according to your cloth; obviate the necessity of additional taxation as much as possible; inspire more confidence in the people and then subsequently, if need be, twist the tail of agitators effectively.

In these circumstances, I would ask the Honourable the Finance Member and the Government of India to tackle the economic condition of India more carefully and I would furthermore wish that their administrative genius should save India from a financial crisis just as the military genius of Lord Kitchener and his fellow workers saved Great Britain from a military catastrophe.

Now, gentlemen of the Assembly, representatives of the people as you are, and representing the various classes and interests as you do and having the interests of the people at heart, see that you get a good return for every pice of the public money that you spend, and prove by your actions and deeds and not by words that you are the real friends of the people and thus save the country from passing into the hands of the agitators. Your actions at this juncture will be watched with very great anxiety, and the Assembly will be judged by your fellow countrymen by your work here. You have, no doubt, to labour under disabilities, the chief of which is that the Demands are divided into votable and non-votable and you are precluded from voting on the non-votable.

Just a few words regarding taxation. Placed as we are, we would be compelled by dire necessity to resort to taxation, but generally speaking, I may say, we should avoid hitting the poor and avoid taxing the bare necessities of life. The riots and strikes have mostly been found to be due to, if not wholly and solely, at least largely, to economic causes.

I was interested to read the leader of the ‘*Pioneer*,’ commenting on the Budget, saying that the Finance Member seems to have missed a valuable opportunity of placing before the Legislative Assembly and country a clear and reasoned exposition of the serious economic injury inflicted on India by revolutionary agitation, the effects of which, unless the evil is rigidly suppressed, will be more apparent in future Budgets. I quite agree with the ‘*Pioneer*’ and I take this opportunity of warning Government not to be unduly influenced by the temporary suspension of lawless activities in the land. At the same time, I must point out that mere repression will not.

[Khan Bahadur Sarfaraz Hussain Khan.]

suppress agitation. Mere repression will only increase agitation and Government will have to change its financial policy with a view to lighten the burdens of the people. With these few words, I bring my remarks to a close.

Mr. Jamnadas Dwarkadas (Bombay City : Non-Muhammadan Urban) : In the brief space of twenty minutes that are allotted to each Honourable Member to discuss the whole Budget, it would be very difficult for me to refer to all the details and criticise them in order that I may place my views with regard to the Budget before this Honourable House, and I therefore propose to confine myself particularly to some items of taxation to which I take strong objection. In the first place, let me associate myself with the criticism that has been offered in this House by my Honourable friend, Mr. Rangachariar, on the Budget, especially on the huge and unjustifiable burden of military expenditure that has been mercilessly thrown on this poor country. We have been told that we may discuss the military expenditure, but the Law Officer of the Crown has expressed the opinion that we are not entitled to vote upon the military expenditure. The very fact that there was found a necessity to refer the matter to the Law Officer of the Crown proves that the Government of India Act was not properly drawn up, but, leaving aside that argument, I submit, Sir, with due deference to His Excellency the Governor General in Council, that, although he is graciously pleased to allow the House to discuss the Military Budget, this House, I believe, strongly protests against this mere right of discussion and the denial to vote upon an item which is of such vital importance to the country. This House, Sir, I want to make it clear, is not a debating society. This House, Sir, cannot remain satisfied with the mere right of discussing an item which is going to tell so heavily on the country and its future prosperity. This House demands, and I believe demands emphatically, the right to say what it feels on this subject of vital importance. Sir, leaving aside the subject of military expenditure, I associate myself with the remark that was made by my Honourable friend, Mr. Darcy Lindsay, that this Budget is most deplorable. If I had not known intimately the views of my Honourable friend, the Finance Member, I should have been inclined to believe that probably he wanted to co-operate with the non-co-operators in making the reforms a complete failure. For, Sir, last year, in the first year of reforms, we were asked to vote an additional taxation of 18 crores. This year we are asked to face a taxation of nearly 32 crores. (*A Voice*: '29 crores.') What a good beginning we have made. In the first two years of reforms, this poor country is asked to bear an additional burden of a huge taxation of nearly 50 crores of rupees. Can there be a surer way, I ask the Government, of making the Reforms a failure? At a moment when the whole country is faced with a grave situation created by the activities of non-co-operators, I fail to understand what prompts the Government to come before the country with a proposal of this character asking it to vote an additional taxation of nearly 30 crores of rupees.

I do not speak here in the interest of one party or another.

1 P.M. Everyone of us is here to speak what he thinks is right, in the interest of the country, and I cannot help feeling that if the Government persists in their policy of asking the country to bear this absolutely unjustifiable and unbearable burden,

they will be doing everything in their power to defeat the aim that we have at heart of making the reforms a success (Hear, hear), to shake the solid faith that we have in the reforms, and to help the activities of those who are out to overthrow the Government of the country. But I come at once to the method that is suggested by the Honourable the Finance Member of meeting this heavy expenditure,—the form of taxation that the Honourable the Finance Member has suggested to this House that we should adopt; and, speaking on these additional items of taxation, I want to make my position perfectly clear in regard to this. The House is aware, Sir, that I am a member of the Fiscal Commission that has been appointed by the Government of India to recommend the best fiscal policy that is suitable in the interest of the country. While I speak here on the additional items of taxation, I want to make it clear that nothing that I will say here either commits the members of the Fiscal Commission or myself, in my capacity as a member of the Fiscal Commission, or will in any way affect the view that I may ultimately take, along with my colleagues, on the question of the fiscal policy for India. But, standing here as a Member of the Legislative Assembly representing the city of Bombay, I must offer my criticism of this policy of additional taxation, especially of the forms of taxation that are suggested by my Honourable friend, the Finance Member.

I come first to his proposal to double the salt tax. I ask the Honourable the Finance Member whether he realizes, or not, that, while the incidence of three annas per head seems to him to be a trifling sum, this doubling of the duty on salt will affect considerably the average man in India, whose income per head is insignificant. I think I am right when I say that the teeming millions of India who consider salt a necessity of life — and I want the Honourable the Finance Member to remember that most of these teeming millions are vegetarians and therefore for them salt is a necessity — have all along protested against the duty that existed on salt. Will they be prepared to bear this additional burden? I am afraid they will not. And I again repeat that increasing the salt tax is encouraging the growth of discontent among the masses who are already being exploited, whose ignorance is already being exploited, by the non-co-operators. Well, leave the salt tax aside. Let us come to the Honourable the Finance Member's proposal for increasing the Customs duty. I admit that there is a good deal of force in the argument of the Honourable the Finance Member that, when the country is faced with a deficit, Customs is one source to which he may look for additional revenue. But I submit that the Honourable the Finance Member has made a great mistake in including among his proposals that of asking the people of this country to pay an excise duty, an additional excise duty (*A Voice*: 'On cotton goods')—yes, on cotton goods. The Honourable the Finance Member says that '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'. I question, Sir, the truth of the remarks that have, with the best of intentions I am sure, been made by the Honourable the Finance Member. I ask the Finance Member whether, when he proposes to levy an additional excise duty on cotton goods, he departs or not from the principle that has been laid down by his predecessors. In 1916, when the import duty was first raised by Lord Hardinge's Government, a definite promise was given, both by the present Honourable

[Mr. Jamnadas Dwarkadas.]

Finance Member's predecessor and by His Excellency Lord Hardinge, that, however much the import duty may be raised, the excise duty, which revived all the bitter memories of the controversies between Lancashire and India of the old days, which led a great statesman like Mr. Gokhale to say that the darkest spot in the administration of India was the selfish fiscal policy that was imposed on India, which has afforded to Lancashire an unjust protection over India, in the beginning of its industrial development that that duty would remain intact, and not only remain intact but would be abolished the moment financial considerations permitted it.

The Honourable Sir Malcolm Hailey (Finance Member): Will the Honourable Member kindly give me the reference for his previous statement that the duty would never be increased?

Mr. Jamnadas Dwarkadas: I shall just quote the words of Lord Hardinge himself to prove the correctness of my statement.

Lord Hardinge said in his Budget speech in 1916:

'Sir William Meyer has explained the attitude of His Majesty's Government towards the proposal made by the Government of India that in the new taxation proposed in this Budget the import duty on cotton should be raised, leaving the excise duty on cotton at its present rate, an assurance being given by His Majesty's Government of the future abolition of the excise duty as soon as the financial situation would permit of such a course, and, further, I need hardly say that the Government of India have no desire to create controversies here in England or anywhere else at the present time by the discussion of questions affecting Indian interests; but they are glad to have had the opportunity of placing on official record their views that the import duty on cotton fabric should be raised, and that the excise duty should for the present remain at its actual figure, and an assurance given that it will be abolished as soon as financial considerations will permit.'

I ask the Honourable Finance Member whether it amounts to this, or not, that the intention of Lord Hardinge's Government, although they could not abolish it at the moment, was never to enhance it in the future.

But why has this proposal come from the Honourable the Finance Member? The Honourable the Finance Member says that he maintains the character of the present tariff. A policy was laid down in 1916—and this policy was subsequently carried out last year also,—of raising, for the purposes of revenue, the import duty as occasion required and of leaving the excise duty intact; I would ask the Finance Member whether he does or does not depart from that policy, which was laid down in 1916 and subsequently adopted by him, when he makes a proposal for increasing the excise duty? Sir, I do not want to go into the history of the excise duty. Honourable Members of the House are aware that the very mention of excise duty revives in our minds the old and bitter controversy between Lancashire and India when the interests of India were always subordinated to the interests of Lancashire. I want to ask, Sir, whether or not the Honourable the Finance Member has, unconsciously perhaps, played into the hands of the Lancashire people when he comes out with a proposal to increase the excise duty. Throughout the last year we have seen that agitation has been going on in England from day to day asking the Secretary of State to lessen the burden of the import duty and to raise the countervailing excise duty, and now the Honourable the Finance Member comes with a proposal to levy an additional excise duty. Sir, it is a fact well known to all the Honourable Members of this House that, while imported cloth is

used by only a fraction of the people of India, mill-made cloth is used by the masses of India; and when you place an additional burden of four per cent. on that mill-made cloth, it is not the mill-owner alone who will meet the extra cost from his pocket, but the poor consumer—one of those teeming millions of India—who will have to bear the additional burden of the 4 per cent. I ask the Honourable the Finance Member, when England was faced with the gravest financial considerations during the war and when every possible and conceivable avenue of additional taxation was explored, did ever any one in England venture to suggest that the production of cloth in that country should be taxed? Does the Honourable the Finance Member mean to say that, if such a proposal had been made in England, it would not have met with the greatest possible opposition from Lancashire merchants and the people of Great Britain? And yet, in India, a proposal of that character, for taxing the poor consumer for a necessity of life, is made and we are told that we must look on it with equanimity because the financial considerations of the Government of India demand that such a duty should be levied. Sir, I think that the House will be at one with me when I say that not only this House, not only the mill-owners—in whose interests certainly I am not standing here,—but the whole population of India resents strongly the levy, the imposition of this duty. If in the year 1922, in the second year of the Reforms, this proposal is persisted in by the Honourable the Finance Member, the only inference that we can draw from it is that it is not this Assembly which is to guide the Government with regard to its future policy, but that our interests are still to be subordinated to the interests of Lancashire, and that we are to be ruled in the interests of, and at the dictation of, the merchants of Lancashire. Sir, I strongly protest against this excise duty and I feel that, considering especially the times in which we are living to-day, no more unfortunate proposal could have been made by any Finance Member.

I then come to the increase in railway fares

Mr. President : The Honourable Member's time is nearly up.

Mr. Jamnadas Dwarkadas : I want to point out, Sir, that along with the excise duty, the additional duty of $7\frac{1}{2}$ per cent. on machinery and the duty of 15 per cent. on stores, dye-stuffs and sizing materials, will increase the burden on the industry of India and that all the proposals that underlie the principle of this Budget will have the effect of penalizing the industry of India, on the growth of which depends the future prosperity of this country.

Sir, one word more and I will have done. There is a proposal to increase railway fares. I submit, Sir, that, even if a case is made out for the necessity for an increase, I hope this House will see to it that no additional burden falls on the third class passengers, who are being very badly treated compared to the bulk of the revenue that they pay to the treasury. Sir, I am afraid I have exceeded the time limit, but I hope that, considering the gravity of the situation and considering the fact that we are asked to sacrifice the principle for which we have fought all these years, these new proposals for additional taxation and especially the principle underlying them will not be accepted by the House.

Mr. P. E. Percival (Bombay : Nominated Official) : I do not wish, and I shall not attempt, to speak on behalf of the Government of India, which

[Mr. P. E. Percival.]

I do not represent I only wish to say a few words as an onlooker, though possibly from a different point of view from that of some of the Members here. Now, in regard to the additional taxation, I will not add anything, except to point out that, while several Members have asked for reduction of taxation, we have not yet heard any proposal for increasing taxation, in order to make up the deficit with which we are faced. I believe, however, that the Honourable Mr. Spence has some proposals to make on those lines, There is one thing, to which I wish to refer, in the Honourable Mr. Jamnadas Dwarkadas' speech. I understood him to say that the mill-owners will not pay the additional excise duty. Well, Sir, if they will not pay the additional excise duty, they need not trouble over the matter. If the consumer is going to pay the excise duty and the mill-owner is not, then, it seems to me, it does not materially affect Bombay.

But Sir, the chief objection that has been taken to the Budget is that there is too much extravagance on the part of Government. We have often heard that the Government of India is very extravagant. We have heard that so often that people have finally come to believe it. But is that assertion supported by facts? Now, Sir, I should like to refer to the remarks of a gentleman who has spoken on this point; and I think that there could hardly be a more independent person anywhere in the British Empire. I wish to refer a speech by Lord Selborne. Lord Selborne is known more as an administrator than a politician. He was First Lord of the Admiralty; he was High Commissioner in South Africa, and he was Chairman of the Joint Committee of the two Houses which sat on the Government of India Bill. He is, therefore, an administrator with an experience of three different parts of the Empire; and this is what he says :

'The Government of India was originally formed on the most simple lines possible. Its tasks were to preserve order, to administer justice, and to collect the revenue. It really was an absolutely ideal Government after the conception of Government of the Manchester School. I do not suppose that such an economical Government has ever existed before in the history of the world'. (*Laughter*).

Those are Lord Selborne's words. If Honourable Members do not agree with him I cannot help it.

' . . . and I do not suppose that the world will ever again see its like. It is quite extraordinary for what it has done with a very small man-power and with the smallest possible budget.'

That is the opinion of an independent gentleman. I will read a few further remarks of his, which may possibly interest Honourable Members of the Treasury Bench :

'At the present moment, in my judgment, the Government of India in every Department is entirely undermanned,' (*Laughter*)—'and the men who correspond to Ministers in this Country are grossly over-worked. I want to lay the greatest stress on this—the cheapness, the economy, almost the stinginess in man-power of the Government of India at present.'

Honourable Members will see that he used the same adjective as my friend, Sir Frank Carter, used regarding the Finance Member.

Dr. H. S. Gour : Is it a contribution to '*Punch*' ?

Mr. P. E. Percival : This is a speech made by Lord Selborne in 1919

on the Government of India Act. Sir Frank Carter described the Finance Member as a stingy man; and that is the position. The Government of India is stingy. It has always been stingy. (*A Voice*: 'Shame'.) Perhaps, however, it may be asked, if the Government is so economical, why is it that we have got this deficit? I suggest that the answer can be given in two words, namely, the war. If the critics of the Government can mention any other country in the world, any civilised country, where prices are low and taxes are low, where the finances are good and the exchange is good, we shall be very glad to hear of it. There are pensioners in all parts of the world looking for such a country to live in. (Laughter.) We are told that the Channel Islands are full of pensioners trying to escape the British Income-tax.

Mr. N. M. Joshi: Go to Germany.

Dr. H. S. Gour: Or Switzerland.

Mr. P. E. Percival: At any rate people are going to the Channel Islands to try to escape the British Income-tax, which, I may mention, is 6 shillings in the pound (that is, a little less than 5 annas in the rupee), which is 3 times as high as the highest rate of income-tax proposed in the present Budget. The Honourable the Finance Member has in fact pointed out the real reason for this big deficit, namely, the abysmal depths to which trade depression has fallen. The same remark was made in the '*London Times*' in its financial review of the year 1921. It is there stated that the trade depression is the worst that has occurred for 100 years. In the same article it is mentioned that the expenditure of the British Government in 1921 was six times the amount of the pre-war expenditure so that this trouble and deficit are world-wide and universal.

One other point, which, I think, has not been mentioned by the Honourable the Finance Member, but which strikes me, is that we are faced with a double difficulty; and that is that, while on the one hand we have got a slump, on the other hand at the same time we have got high prices—that is to say comparatively high prices when compared with the pre-war prices—and this is a point which, I think, perhaps is not sufficiently remembered. If prices have increased 50 per cent, it is evident that a Budget of 150 crores now is the same as a Budget of 100 crores in the past. There is no real increase, but only a re-adjustment in accordance with the prices ruling at the present time. I do not know how far prices have increased. I see, however, in the statement regarding labour in Bombay that there is an increase of 73 per cent. in the prices of articles required by labourers there over the prices in July, 1914. This brings me to another point to which I wish to refer. It is suggested that the Budget may be equalised to some extent by curtailment of expenditure on the civil side.

Dr. H. S. Gour: Military and civil, both.

Mr. P. E. Percival: But my question is whether it is capable of any curtailment of expenditure on the civil side. The Honourable the Finance Member spoke as follows:

'We have agreed to accede to the desire of the Assembly for the appointment of a Committee of retrenchment and an announcement will shortly be made on the subject. But the field of civil expenditure over which that inquiry can range is small; it does not extend to more than 20 crores; and though retrenchment may and no doubt will be effected, it could have but a minor effect in restoring the balance.'

[Mr. P. E. Percival.]

Our body of Government servants, pensioners and so forth, are the persons who suffer more than anybody else from the increased prices. Others may have gained or may have lost, as for example, the manufacturers, traders, agriculturists, etc. But the poorly paid Government servant is bound to lose by increased prices. We shall, therefore, not be justified in reducing the pay of these Government servants. Little will be gained by so doing. It cannot be held that by reducing the pay of the low-paid Government servants, it will, to any material extent, meet the deficit. The only way to meet the deficit, Sir, is by increased taxation. (*A voice*: 'We do not want to reduce the pay of the low-paid Government servants'.) The Honourable Mr. Harchandrai Vishindas said that a very sweeping curtailment of expenditure is necessary.

Dr. H. S. Gour: From the top.

Mr. P. E. Percival: I do suggest that it cannot be done on the civil side.

There is just one other point to which I wish to refer. I have heard it stated—I am not in the confidence of the Democratic Party or of any other Party—but I understand that some suggestion is made that taxation should not be increased, because objection is taken to certain items in the Military Budget. I am sure that that is a position which will not be accepted by this House. Let us consider for a moment the constitutional position. It is simply this. There are A and B, two parts of the expenditure. A is votable and B is non-votable. Now, the Assembly may change A to A-1; and then A-1 plus B should be equal to C, the total on the revenue side. Now this amount C the Assembly may obtain in any way that they may desire, by reducing one tax and increasing another. But one cannot say that, because the Assembly do not approve of B, which is a non-votable item, therefore, they will be justified in refusing to vote the necessary taxes, in order to make up a sufficient amount on the revenue side. It cannot be held that, because the Assembly do not approve of any particular non-votable item, therefore on account of any difference of opinion in respect of that item, they would be justified in refusing to vote the necessary taxes for the administration of the country. Well, Sir, in the discussion on Mr. Mazumdar's Resolution in Simla, it was pointed out—and rightly pointed out—that this Assembly had gained a reputation for sobriety and statesmanship. I venture to suggest that that reputation was gained, more than by anything else, by the action that was taken in this Assembly last year, in March 1921, in connection with the Budget of 1921-22. Sir, I am sure the Assembly will not turn back on their decision of last year, but that they will adopt the same principle this year; that they will again rise to the occasion, and that they will do all that they possibly can to maintain the credit and the financial stability of the country.

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. Manmohandas Ramji (Indian Merchants' Chamber and

Bureau : Indian Commerce): Sir, I rise very reluctantly as I have to perform a rather painful duty. But as it is a duty all the same, I feel as in duty bound that I cannot let this opportunity slip without submitting an emphatic protest to the proposals made in the Budget by the Honourable the Finance Member.

It is indeed a matter of regret to find so high a deficit as that of 34 crores of rupees. The Honourable the Finance Member realised the gravity of the situation, as his words quite in the beginning indicate. They are :

'The world was watching to see how this, the youngest of Parliaments, would meet a test, which might have strained the capacity of many an older institution.'

True; very true; really it is a very severe test through which we are passing. But then, I am afraid I must point out that the course suggested by him is not a judicious one to meet the situation. Instead of effecting any reduction in the expenditure, he comes before the House and asks for a tremendous increase in the already heavy taxation. I am sorry to find, Sir, that there is not the slightest indication any where in the whole Budget for retrenchment. I know that we are asked to live under hopes. We have been told that we are committed to an inquiry into the steps necessary to effect retrenchment, and also that the field of expenditure, civil expenditure, over which that inquiry is to be held, is small.

May I ask this Assembly to consider and consider seriously whether it will be right on our part to go on sanctioning more and more taxation year after year, especially when we have been already informed by our worthy Finance Minister that there is only a limited scope for retrenchment of expenditure in the Civil Departments? I daresay some limited scope may be found in the Railway and Post and Telegraph Departments. The fact is that the expenses go up from year to year on the contrary.

Goods rates have been increased on the Railways; it is proposed to increase passenger fares by 25 per cent. Within the last few years passenger fares have gone up nearly $3\frac{1}{2}$ to 4 times. The Railway Department, I beg to assure the House, can spend as much money as may possibly be provided to it for expenses; while there is little or no possibility of reduction of any kind.

Then comes the great question of the military expenses. We have no control over the expenses. They must be paid, however exorbitant they might be from our standpoint. We are unable to reduce them by the Act, and we are not responsible for them. Within a short period the military expenses have gone up three times. The position we are face to face with is that, on the one hand, there is a tremendous deficit in the Budget, and, on the other hand, our conscience within tells us that the heavy burden of the increased taxes will be too much for the poorer people of the land, and they will not be able to tolerate the same even unpleasantly. Let us survey the whole situation calmly.

We voted for increased taxation to the extent of nearly 18 crores last year and within two years very nearly 50 crores. To make up this deficit we have to sanction a large increase in taxes, as for instance, 25 per cent. in passenger fares, 10 per cent. on the already high duty on sugar of 15 per cent., *i.e.*, altogether 25 per cent. on that important commodity of daily

[Mr. Manmohandas Ramji.]

consumption. Machinery, ships and ship-building materials and Railway materials will have a duty which will be four times, *i.e.*, from $2\frac{1}{2}$ per cent. it will have to go up to 10 per cent. under the proposed increases. Locally manufactured piece-goods $7\frac{1}{2}$ per cent.; the duty on salt is proposed to be doubled. An enormous increase in income-tax and super-tax has been proposed. The postal rates have been doubled. Duty on yarn used on hand-looms is to be 5 per cent.; duty on matches to be four times, *i.e.*, from 6 annas it will jump up to 24 annas per gross boxes. It may be noticed very clearly that the majority of the taxes have to be borne by the poorer people of India. Salt, matches, postcards, tobacco, locally manufactured cloth and the like commodities have to be consumed by the masses of the people, who are poor everywhere, but specially so in this poverty-stricken land, poor India, *Gharib Hindustan*. The average increase in taxation within the last two years comes to one rupee and eight annas per head per annum.

Now let me say a word regarding the proposed increase in cotton excise duty. This duty is obnoxious and a very contentious history. If this duty is sanctioned, it will bring 5 crores and 3 lakhs of rupees instead of 2 crores and 20 lakhs, or roughly 2 crores and 80 lakhs more than last year. Let us now compare this increase with the proposed increase in the duty on the imported piece-goods. It is proposed to increase it from 5 crores to 6 crores and 81 lakhs. Locally produced cloth tax will increase by 2 crores and 80 lakhs while imported piece-goods have been calculated to bring in only one crore and 81 lakhs more of tax. Is this fair? Is this the way in which you are going to protect your industries? This is all evidently quite alright for the Manchester merchants, but not for us Indians, permit me to point out. We are all aware how bitterly Lancashire agitated and waited in a deputation on the Secretary of State last year, and we all know that our Government had to yield at last. I assert positively that no country or nation on earth could have tolerated such a treatment from its Government even for a moment. What right has Lancashire to dictate? I forget, Sir, that this is India and anything and everything will be possible and will do here. But permit me to point out to Lancashire that those days of dictating have gone and we are able at least to shape our own fiscal policy as we like now. The injustice does not stop here; it goes a step further still.

All the stores, dye-stuffs, sizing and finishing ingredients have been proposed to be taxed with a duty of 15 per cent. to be paid twice over. Machinery of all kinds and the spare parts thereof will bear a duty of 10 per cent. if the present proposals are to be accepted. This proposal, Sir, to subject machinery to a tax of 10 per cent. means a tax on Capital. May I ask if this is wise or just? Can a tax be imposed on Capital justly, or even wisely? I shall not answer this question. I shall simply quote the words of our distinguished past and present Finance Members.

When the Tariff Amendment Act (XVI of 1894) came up, the then Finance Member, Sir James Westland, made the following remarks :

'Imported machinery we all accept as necessary to exempt, any other course would be tax on Capital, a tax on our own manufactures and a protection to competitors outside India.'

He further said :

'The exemption of Machinery we based on the principle that it was undesirable to burden it with a 5 per cent. duty, Capital employed in the productive industries of the Country.'

Then again last year only did our Sir Malcolm Hailey, when introducing the Budget, say :

'In the interest of India's industrial development increased taxation on Machinery-Metal and Railway plant, is undesirable.'

It will be observed by the Assembly that both Sir James and Sir Malcolm deprecated the idea of taxing Capital, and yet it is our misfortune this year that even the broad principles and the chief policy is neglected by the very same gentleman who propounded it only so far back as only 12 months, only one single year of 365 days. (Laughter.) The reason is not far to seek or search. The deficit in the Budget is rather heavy and you cannot under any circumstances reduce your military expenses. Poor India has to pay countervailing excise duty on all stores and dye-stuffs twice, and also a duty on Capital! The Government of no other country could have dared to do such things. I strongly protest against raising excise duty and duty on machinery.

Let me examine the proposal to raise this countervailing excise duty more closely. Mills will have to pay by way of tax 5 crores and 3 lakhs next year against 2 crores and 20 lakhs of last year, while imported foreign goods, I mean piece-goods, will pay 6 crores and 81 lakhs next year against 5 crores of the last year. The above figures prove very clearly that the Indian manufacturer will have to pay much more than his competitor from a foreign land. Besides this a further burden will fall on the Indian manufacturers. They will have to pay nearly 10 lakhs more by way of taxes on stores, dyes and spare parts. They will have to bear further freight charges on coal, and machinery. In all, I think, the Indian Mills will have to pay 3 crores and 50 lakhs, while the duty on imported foreign piece-goods will be only 1 crore and 81 lakhs more.

This measure, permit me to point out, will protect Lancashire mills very largely and the Japanese mills only to some extent. Pray note very kindly that this charity will be at the expense of the poor Indian people. We are all aware how Lancashire agitated so that countervailing excise duty may be imposed, and the result is there, all too well known to you all to need any mention here. No other country or nation could ever bear this treatment at the hands of its Government. But this is poor India! Helpless India! May I ask if it is governed to protect foreign industries?

If the Honourable the Finance Member wanted to make up the deficit in the Budget, he should not have touched this important industry alone, but the burden should have been equally distributed over all Indian industries, such as the Iron and Steel Industry, Jute Mills, Coal Mines, Oil Mills, Flour Mills, etc. All these are companies, big concerns, why not tax them all, if that tax is justified from any standpoint or view? Why have you selected this particular industry to be penalised?

Besides this, Sir, poor Indians will have to pay double rate of tax for salt; for matches they will have to pay four times. Within the last four years, we have spent 90 crores of rupees. The taxation has been increased by 50 crores within the short period of two years, which works out at the rate

[Mr. Manmohandas Ramji.]

of 1½ rupee more per head. Now, Sir, the question is how far and how long this increase in taxes will continue. By retrenchment you can certainly save a few lakhs here and a few lakhs there, but that will not help you unless you can reduce your military expenses by 20 to 25 crores. It rests with the Government now whether they will or can reduce the military expenses. If they do not do it now, I am afraid it will be impossible for them to govern this country. People have been taxed to their utmost capacity, they are quite unable to pay any more taxes. Reduce the expenses of the Military Department, even at the risk of efficiency and even safety; withdraw from Waziristan, reduce civil expenses, Indianise your services, and do everything possible to effect economy, otherwise it will be difficult to govern India.

The Indian Merchants Chamber suggests a diversion of 6 crores of interests in paper currency reserve and excess of gold standard reserve to revenue; they also consider cancellation of notes with dismay and fear a serious financial crisis, which will prove disastrous to trade, industries and Government finances.

Under all these conditions, and for all the other reasons that I have advanced, I consider that I must protest very strongly and oppose all demands for new taxation except increase in customs duty, with the exception of machinery and stores. I further consider that it would be best for this House not to become a party to the increase of taxes, but let the Government take the responsibility and do as they like: let them reduce the military expenses or increase the taxes as they choose or think best for themselves, for their stability and for the good of the country they are governing. Let the entire responsibility be theirs.

Haji Wajih-ud-din (Cities of the United Provinces : Muhammadan Urban : Sir, the present Budget comes as a great shock and the public in general is rather thunderstruck by the extraordinary increase all round. We anticipated a deficit, no doubt, as the prevailing circumstances are such that a deficit was sure and certain, but, when it was an admitted fact that the country is passing through highly disastrous conditions, the population is on the very verge of bankruptcy, and the discontentment was due more to economic causes than to anything else, so, under the circumstances, Sir, it was not a sound policy to adopt such measures as may rather add to than alleviate the present sufferings and hardships. The present Budget, if adopted just as proposed, I may be excused for saying, would be nothing more than to fan the flames, and would certainly increase the depression all the more in the commerce and industry of the country, thus helping to widen the discontent in the public mind. The poor are already badly hit, and no doubt the increase in postal rates, passenger fares, and duty on articles largely consumed by the poor, will, no doubt, render them totally insolvent. I may be allowed to say, Sir, that the Government are not retrenching their expenditure as much as they ought to do, and that they should have found money from other sources than merely from trade and commerce. Sir, if the Budget were carefully scrutinized, it would be clear that the Government has not exercised economy to the fullest extent possible. The Government are well aware how far the present Reforms are approved by the country and it is feared how much more the continuous increase in the already heavy taxes and duties since their inauguration will render them still unpopular.

I am afraid, Sir, the non-co-operators will find another opportunity to perturb the public mind which is already greatly disturbed. (Hear, hear.)

I would have been very glad to see the actual luxuries taxed twice as much as before, but it is highly disappointing to find many necessities of life among the luxury schedule of 30 per cent. and several of the highest necessities being proposed at somewhere near cent. per cent. Take for example, matches and salt. Can any one say that they are something else than the urgent necessities of life? The average price of ordinary matches is something about Rs. 1-8-0 per gross, and to tax them Rs. 1-8-0 per gross is surely nothing less than cent. per cent. As for common salt, I may say, Sir, that the pre-war rates were about 6 pies per seer. Even in times of war, when it was difficult to get hold of this commodity for want of wagons, the price did not go up more than one anna per seer. But now we are going to tax it at a rate of one anna per seer. (Hear, hear.) May I venture to ask my Honourable friend, the Finance Minister, who is going to suffer from this enormous and unjust taxation? None but the poor, whose daily diet is nothing but bread and salt. Sir, it is very easy to say in this spacious hall that the salt duty will tax only three annas per head per annum, but it is very difficult to realise how this three annas will be spared by the poor and how many heads will suffer for this three annas. A Persian poet has rightly said :

‘Oh, you, Sir, whose foot not a thorn has pierced, how can you know the condition of those who are hit on the head by the sword of misery.’

Kerosene is another instance of those daily necessities on which the duty is being enhanced. The selling price will no doubt be proportionately increased, and again the poor man, who has a very limited means of livelihood, is bound to suffer. I quite agree with my Honourable friend, Mr. Darcy Lindsay, in saying that bicycles can never be considered a luxury when they are now generally used by peons both in Government and business offices throughout the country. As the House knows, I am the owner of one of the cycle importing firms in the United Provinces who import and deal largely in cycles, and I know very well that the number of purchasers of cycles who use it for pleasure purposes is very small.

Besides the increase in duty, Sir, there is going to be an all-round increase in goods freight of 25 per cent. from the 1st proximo, which will mean another substantial advance in rates on all those stuffs, and I am afraid the country will be left short of a ruinous state. By the increase of prices the consumption is bound to be reduced, as we have already experienced, and therefore, the object of increasing the revenue will not be attained at all. May I suggest to tax gold and silver, which are so freely imported into India and are only luxuries, to double the duty on liquors, the great nuisance of the country, and to transfer precious stones, piece-goods and other textile fabrics, perfumery and marbles, from part V to part VI, as well as aeroplanes from part III to part VI; and I am sure by doing so we are to get revenue increased without cutting the throats of the poor.

Again, Sir, any increase in postal rates is another hit, especially to the poor, and an advancement from the declared policy. I would never agree to the abolition of pice postcards and half-anna envelopes, but I would suggest, Sir, that the three-pice postage may be abolished and from $\frac{1}{2}$ tola to $2\frac{1}{2}$ tola an anna may be charged, but up to $\frac{1}{2}$ tola the same $\frac{1}{2}$ anna may be continued.

[Haji Wajih-ud-din.]

It is not fair that an anna should be charged on letters passing through Indian territory which is a very limited radius if compared with 2 annas charged on letters passing between India and Australia—from one end of the world to the other. May I suggest, Sir, that a universal rate of 3 annas be fixed for all foreign countries either in or out of the United Kingdom to make up the deficit in postal income.

In conclusion, I earnestly hope that my remarks will receive kind and careful consideration of the House to meet the critical situation of the country.

Mr. R. A. Spence (Bombay : European) : Sir, I would not for one moment that this Assembly should believe that I am not in sincere sympathy with the Honourable the Finance Member when he stands before this House to make his *apologia pro anno suo*. He has my sympathy in the woes which he enumerates; he has my admiration for the manly vigour with which he faces his difficulties and my high hopes that he will be able to overcome them. But when he tells this House that no part of this deficit could have been avoided, I would remind him that he closed the last year's debate with a statement that this House had given him all that he asked for and with a query as to why he should be pressed to take more than he asked for? Also, when he says that his rosy computations of the average rate of exchange throughout the year passed this Assembly without challenge or criticism, well, I cannot bring my memory into line with his

The Honourable Sir Malcolm Hailey : I rise to a point of order, Sir. I did not make the statement attributed to me by Mr. Spence; and if his memory is so good I would ask him to repeat the exact words which I did use in that connection.

Mr. R. A. Spence : I will try to bring my memory into line. I have not got the exact words for the moment; and I am afraid that the Honourable Member's memory may be a little bit better than mine, but I understood him to say that. I apologise. Anyhow, it is a very good thing that the Finance Member has a good memory. I must congratulate him on that. But, despite his good memory, I am afraid—with the tears that I am shedding this moment over my lack of memory—that this Budget is indeed a Budget of tears, and tears will contribute nothing to revenue, unless perhaps it would be to the salt revenue and that only in exiguous degree. But I must express my admiration for the way in which the Honourable the Finance Member in this transitional period of our fiscal recreation has adopted a policy of levying taxation upon consumption rather than upon production. Generally, I shall abstain from the criticism, that so many Members have gone in for, on the actual contents of the Budget. But approving, as I do, the policy of taxation of consumption, I can but express my regret that the Honourable Member has faltered in his faith, in word though not in deed, by the introduction of that disastrous word 'excise,' the lasting anathema of every manufacturer in India. What he has proposed is not an excise tax; it is in reality again a tax on consumption, and if he will but re-name it so—and from his speech he evidently does intend it to be so—I am sure that much of the opposition^o which this obnoxious word will produce will disappear

Mr. Jamnadas Dwarkadas: Not at all.

Mr. R. A. Spence: I hope so. I want it to disappear. Moreover, I find myself unable to comprehend why, with yarn, one of the staple products of India, he should desire to place any lower duty on the importation of the half manufactured material which is, as we all know, in direct conflict with the productions of this country, than upon the importation of the articles which are manufactured therefrom, thus giving a clear bounty to competitors in raw material. Again, I would point out that there already exists a material industry in India connected with the manufacture of cigarettes of low price. This industry is stimulated and wisely stimulated by the fact that the duty on unmanufactured tobacco is comparatively a low one, but the effect of this wise provision is discounted by the fact that the duty imposed upon imported cigarettes is an *ad valorem* one, thus stimulating the competition of that which this country can produce, while sterilizing the trade in that which it cannot. Now, the Honourable the Finance Member is better acquainted with figures than I am; but I doubt if he will contradict me in what I say now, that is, that the figures of last year show that, if this duty were changed from an *ad valorem* duty to an all-round duty of Rs. 4 per pound on cigarettes, the revenue would have been materially increased.

One of the reasons which the Honourable the Finance Member has given for no change in the duty on cigarettes is that any change would produce a smaller revenue, and, if you come to think of a tax of 75 per cent. on the value of the cigarettes, naturally any change higher would produce a smaller revenue, but I maintain that the duty changed from an *ad valorem* one to one of Rs. 4 per lb. would give the Honourable the Finance Member a bigger revenue than he is getting at present. I only hope that he will agree with my figures, and we all want more money. I say that the revenue would be materially increased, but the protection of the existing industry would in no wise be impaired and the importation of a better article than can be locally produced would not be beyond the bounds of possibility.

Well, Sir, to my mind two points stand out steadily to be conserved by all lovers of India. These are stability of Exchange and some effort to produce a scheme of forward finance which will lead to the eventual assimilation of the indigestion patch in our finances created by the war. On these two points the Budget which is before us is less remarkable for what it contains than for what it omits. I would remind the House that the period of pre-war prosperity which visited India was almost entirely built up on a stable Exchange which enabled our stream of commerce to flow abroad into those channels which most required its irrigation unchecked by serious fluctuation. Now, the Budget newly introduced, with its threat of the forced resumption of sales of Council Bills, is most depressing in its forecast of Exchange, and, the lower the fall of exchange, the greater will be the loss to India by this operation. The Honourable Member—I am doubtful, my memory is so bad—but still I think that the Honourable the Finance Member has clearly foreseen this, for in his remarks upon Exchange, he, the prophet of 1/8, holds out to us no higher possible prospect than 1/4. Last year the Honourable the Finance Member laid a leaden hand on luxuries, and stern ascetic that he is, classed in this category such everyday essentials as umbrellas and motor cars. But there are two conspicuous luxuries imported into this country which in value outweigh

[Mr. R. A. Spence.]

almost any other import and yet of one the Honourable the Finance Member would appear to have said :

'By Jove I am not covetous for gold.'

and of the other

'Silver thou pale and common drudge, I'll none of thee.'

With regard to gold, I would like to disarm criticism by saying that I am referring to gold that is used in the arts, if that might satisfy the Honourable the Finance Member for the moment. But, as you will understand, taxation by way of import duty of these two important imports would not only help the Exchequer directly, but would serve to steady Exchange and minimise the effect of the resumption of the sale of Council Bills. Now what India wants, I am not going to repeat again that little story of my friend, the Honourable Mr. Abul Kasem, who told us about wants, but what India wants is neither high exchange nor low exchange, but a steady exchange which would enable her to enter the world's markets with her surplus exports untrammelled by one of those fluctuating factors which forecast friction and forbid fruition. I desire to commend this matter to the consideration of this Honourable House and ask them to consider it without the prejudice which is derived from precedent.

Turning to another point, I would remind the Honourable Member that but a year ago he expressed his desire, and lamented his inability, to be honest with his creditors. Since then, two committees have sat and reported on the subject, but no word of reference to their deliberations has found a place in his weighty and well considered Budget speech. Is he still of the opinion that he would wish to be honest were honesty so expensive as virtue ?

The Honourable Sir Malcolm Hailey : What about ?

Mr. R. A. Spence : That was, you may probably remember, Sir, about the committee which sat about the 3½ % loan.

In commercial practice it is the common habit of Companies to provide for a debenture loan by laying for a period of years an equal charge upon revenue to provide for interest and sinking fund, but the Government of India has never been the pupil of Commerce, always its preceptor, as witness that compendious tome, the Indian Companies Act, which enjoins upon all and sundry that they shall, under divers pains and penalties, prefer their public accounts in a manner different to that in use by the Imperial Government. Were the method common in the uninstructed and popular world employed by the highly-trained and carefully-selected Government of India, the funds which the Honourable the Finance Member has already allocated for this purpose would be sufficient not only to redeem in their due course the loan to which they are specifically attached but would serve also to attach a sinking fund of one half per cent., to the 3½ per cent. rupee loans held in India enabling them to be extinguished by repayment in 60 years at par.

What would be the effect of the re-distribution of these funds already allocated? There would be no further drain on the already exhausted revenues, but the old premier security of India, still a favourite, despite its diminished charms, would increase again in favour until by a pure process of arithmetic it carried with it all Government securities on to a higher plane of price and rendered more easy, first, the considerable loan

which the Honourable the Finance Member counts that he can raise this year in India and, finally, the eventual absorption into a funding loan of that to which I have already referred as the indigestion patch in our finance.

Ten years ago, a Finance Member who proposed to raise a loan of 25 crores in India in a single year would have been classed as a madman. To-day he is not. It is not so difficult, but at what a price, what a price for ourselves, what a price still more to our grand-children when prosperity has returned and eaten up the aftermath of war !

Let but the House have sufficient patience with me to consider these two points. Doubtless, there will be many critics of that which the Budget contains and indeed it is a hard task, it is a bitter task, to vote such heavy new taxation, but let the House devote some small degree of its attention not only to what the Budget contains but also to it what it omits and, with that facility which is given to trade by steady Exchange, with that ease which is given to finance by generally lower interest, the next year of our finance, which comes before us for consideration, may be one of greater ease to ourselves, of greater prosperity to this country, and of less deep anxiety to the Honourable the Finance Member to whom we all owe a debt of gratitude for the guidance that he has given us.

Mr. T. V. Seshagiri Ayyar (Madras : Nominated Non-Official) : Sir, the Budget which was introduced this year has been received with a chorus of disapproval and disappointment throughout the country. There have been four successive years of deficit, and the deficit has been mounting by crores of rupees. Therefore it is impossible for this Assembly to shoulder the responsibility, having regard to what is in store before us. Sir, the Honourable the Finance Member has told us that the position is not likely to improve soon, and, although Mr. Spence has been more optimistic than the Finance Member in believing that better years and greater prosperity are before us, I believe the House will agree with the Finance Member that there is no near prospect of our returning to normal conditions. Under these circumstances, Sir, this House will have to consider deeply whether it can commit the people of this country to the Budget which has been presented to us. If it is a passing year of deficit, we might with a clear conscience vote for some of the items which the Finance Member has asked us to vote for. But, Sir, with the prospect of such a Budget as this continuing for years to come we will have to see whether we should undertake the responsibility that the Finance Member has asked us to do. As has been pointed out by Mr. Manmohandas Ramji, I think this House will be justified in telling the Finance Member, we will have none of that responsibility. You have brought us to this position. You have for years together been heaping up the deficit and you should not ask us to share your responsibility, because the responsibility is too heavy ; the responsibility is solely of your making.

Sir, I had intended to speak this afternoon about the position in which we find ourselves and to omit any reference to the details of the Budget, because many Honourable Members have spoken about the details and we shall have in the days to come something to say about them. But, Sir, the remarks which Mr. Spence has just now made compel me to say a few words upon one or two points which he has mentioned.

Now, Sir, he said that objection to the excise duty was because it had a

[Mr. T. V. Seshagiri Ayyar.]

very bad history, and because it was protested against ever since it was brought into existence. He proposes to give this vicious dog a good name and call it 'consumption' and make it grow fatter. Now, Sir, if Mr. Spence's memory, which seems to be failing very often, serves him right, he will find that the 4 per cent. duty which is intended to be added to the import duty is exactly countervailed by the 4 per cent. duty which has been added to the excise duty. It is 11 per cent. at present, and is raised to 15 per cent., and in order to placate Manchester, you are raising the 3½ per cent. excise duty to 7½ per cent. It is exactly what is known in mercantile parlance as countervailing excise duty. It is against this countervailing duty that we protest. It may be said—probably some colleagues of mine will say—that we have examples of excise duty in Japan. But if you look at the history of Japan, you will find that there is no countervailing excise duty. There is excise duty of a kind, but undoubtedly there is no countervailing excise duty in Japan. Nor do you find in England anything like a countervailing excise duty.

Now, Sir, with that ease of conscience which has characterised the speech of Mr. Spence, he has suggested that there should be a duty upon yarn. If this duty upon yarn is put on, the Finance Member will find that he is throwing out of employment about 6 million people who are now dependent upon its free import. I am coming from a part of the country where this foreign yarn is being utilised by the hand-loom industry. My friends from Bombay have told you that you are killing the power-loom industry by the imposition of the excise duty. You would undoubtedly kill the hand-loom industry if you are going to impose a duty of 5 per cent. upon yarn. Let there be no mistake upon that matter. The hand-loom industry is the only industry which is really at present competing with the goods we have from Manchester, and, if you are going to put a 5 per cent. duty, you would throw out of employment a large number of people, and the Madras Government especially will have to provide relief camps for the people. Therefore, Sir, I want to enter my emphatic protest against the suggestion which has been made that there should be an import duty upon foreign yarn. Now, Sir, the Honourable the Finance Member has patted us on the back and said that we have behaved like good children, and that we should in this year also behave like good boys and pass the Budget which he has presented to us. I hope he will not end by saying that we have behaved like naughty boys. Sir, the world should understand what the position of this House is with regard to Finance. We have been handicapped in every direction, and we are asked now, after having been put in that position, to vote for a heavy deficit Budget. Our hands have been tied by increasing the pensions, by increasing the salaries and by increasing the cost of the machinery of administration, and, what is more, we have been told that we cannot lay any hand upon the heavy, all-consuming Military Budget; the fiat has gone forth that the Law Officers of the Crown have advised that that matter cannot be voted upon by this Assembly. If that is so, then it is the Government that should take the responsibility. If the Government are going to have Rs. 62 crores for the Military Budget, let them find ways and means. Let them not say that the House is responsible for the expenditure of this country. Now, Sir, as regards the Military Budget, I was reading the day before yesterday a Reuter's telegram to the effect that when the Geddes Committee sat, the Committee hoped that India would reduce the military force in this country by about 7,000 men. The Chancellor

of the Exchequer tells us now that it has since been found that they cannot make the reduction. Why? I hope that somebody would explain why it was thought at an early stage, when the Geddes Committee was sitting, that it would be possible to reduce the military by about 7,000 men and why the Government has advised now that they cannot reduce it by even a single battalion. I should like to know the answer upon this matter. Sir, it has been said that it is wrong to say that half of the income is being swallowed by the military budget. Some writer in a paper has told us that you must take into account the amount which is being collected in the provinces, and that, if you take the Budget of the provinces as well as of the Government of India, you will find that one-half is not the amount which is being spent upon the military. Sir, if you take that view, you must also take the expenditure which is being incurred upon the maintenance of the Police. A large amount of money is being spent in the provinces for maintaining the Police. If you take the amount which is being spent in maintaining the Police, and take the amount which is being spent upon the military, then take all the amounts which are budgeted for in the various provinces and by the Central Government, you will find that the expenditure upon these military and quasi-military forces is not less than one-third of the amount which is being received by way of revenue. Now, I ask the Finance Minister to say: 'Is there any country in the world which spends half of its income upon the military? Is there any country in the world which spends one-third of its income upon the military?' Now, Sir, it may be said that, to a certain extent, the situation in the country compels the Government to maintain this large military force.

May I be permitted to say that, although a great deal of responsibility rests upon the people who have contributed to the unrest which is prevailing in the country, the Government is not altogether without responsibility for what is going on now. Some of us, night and day, have been trying to induce the Government to take steps to bring about a reconciliation, to bring about peace and good will. All our efforts have been treated with contempt. We have been told that we are fools for the pains that we have taken. That certainly has accentuated the situation. That certainly has made the position of the country worse, and if you say now that you are going to retain the military strength and that you are not going to disband a single unit of these 7,000 soldiers which you had promised the Geddes Committee you would do, you cannot say that the people of this country alone are responsible for the state of things that you find to-day. Sir, we have been told that the hard fibre of the English and their determined attitude would see that the country is saved from anarchy and that peace and order would be maintained. If you are going to rely upon this kind of weapon, then certainly we in this Assembly have with regret to tell you that the responsibility should be solely yours and we shall have none of it. Sir, I want to say a few words upon the position in which this House finds itself. The Honourable the Finance Member has told us that it is on this House that the responsibility for accepting or rejecting the Budget would rest.

The Honourable Sir Malcolm Hailey: Did I? I do not remember saying that.

Mr. T. V. Seshagiri Ayyar: Certainly he told us that we have behaved like good children and that he hoped we would behave like good children this year also.

The Honourable Sir Malcolm Hailey: I am afraid I never used the words which the Honourable Member attributes to me.

Mr. T. V. Seshagiri Ayyar: In the speech on the Budget you did say something like it. Probably I have put a very bad paraphrase upon your language, but there is no doubt that those are your sentiments.

This is what you said :

'The responsibility was heavy, for the world was watching to see how this, the youngest of Parliaments, would meet a test which might have strained the capacity of many an older institution.'

Certainly, that means that we have once before behaved very rightly towards you, and you expect us to behave again rightly. Now, the question that forces itself upon one's attention is this. Are we given a free hand? Are we in this country the masters of our financial position? I have already referred to one aspect of the question, namely, that we have not a free hand in regard to the shaping of the military policy. I told you also that our hands have been tied by the increase of pensions, increase of salaries and increase in the cost of administration. Again, so far as the Gold Standard is concerned, it has been fixed at two shillings for a rupee. Are we responsible for this? Have we any right to vote against this policy? Have we any right to say that the rates between gold and silver should not be a two-shilling standard? Then, again, what about the Gold Standard Reserve? Have you attempted to bring the Gold Standard Reserve here? Have you been able to do it, and have you been able to coin gold here? You have not given us any rights, and can you say that we have fiscal autonomy that will enable us to deal with our financial administration in the way in which we would have to deal with it?

Sir, take the position of the credit which this country now enjoys. In the days of the East India Company, they were able to borrow at the rate of 5 per cent. in 1842 and 1843. Later on, they were able to get money at 4 per cent. and, even after the Mutiny, the Crown was able to get money at 3½ per cent. In 1896, it was able to get money at 3 per cent. Since 1896, the credit has gone so low that in 1921, we were obliged to pay 7 per cent. In 1914 and 1915, we had to pay 5 per cent., in 1919, 6 per cent. and in 1921, 7 per cent. That shows, Sir, that the credit of this country has gone very low.

Sir Montagu Webb: What about the War?

Mr. T. V. Seshagiri Ayyar: Now, Sir, Sir Montagu Webb asks me whether the war is not responsible for this high rate of interest. Certainly India has never been engaged in war. India has all along been enjoying peace. India, no doubt, assisted England with men and money, but certainly there has been no war in this country and, if you have been able to borrow at a high and heavy rate of interest, that shows that you have no credit in the country; therefore it is impossible that you can ever ask this House to meet the responsibility either by borrowing or by relying upon credit.

Sir, there is one matter upon which I should like to say a word only because the time is pressing; and it is this. The Finance Minister can rightly say that none who has hitherto spoken has suggested any constructive programme. With his permission, I would say a few words upon that matter. The contributions from Native Princes were fixed at a time when the cost of the Administration was hardly a third of what it is now and when the cost of

the military undoubtedly was not one-third of what it is at present. Now, Sir, I ask the Honourable the Finance Member, has he ever directed his attention to that? Has he ever considered whether it is possible to levy a further contribution from these people who enjoy peace and prosperity in consequence of the heavy expenditure which we have incurred? There is one other matter which I would mention. I have privately talked to the Finance Member upon that and I have also written to him upon that point. I have drawn his attention to the fact that the Permanent Settlement is a matter which is ruining the peasants and a change in which is capable of bringing in a good revenue to the country. It is true that it is a matter relating to the provinces. Unless you repeal the law (Madras Regulation XXV of 1802), the provinces cannot do anything in the matter. The provinces are, no doubt, directly interested in raising more revenue, but it is your Act which is standing in the way of the provinces reaping the benefit of such a policy as that, and, therefore, it is your duty to bring about the possibility of raising more revenue by a change in the Permanent Settlement. I do not think that I have exhausted all the avenues from which money can be got, but I must certainly say that the expenditure which you are now saddling the country with is beyond its capacity. There must be considerable reduction in the expenditure, both on the civil and the military sides. There must be an honest attempt to see that the expenditure is not allowed to grow more and more. If that is attempted, I am quite sure that you will be able to meet the situation. As has been pointed out by the Finance Minister, this is not a stray instance of taxation. This is likely to be a recurring one and a permanent one. I must say that this House will not be justified in passing the Budget, as presented to us, unless we have some guarantee that further attempts will be made to reduce expenditure and to ease the situation in the country.

Prince A. M. M. Akram Hussain Bahadur (Calcutta and Suburbs: Muhammadan Urban): I rise, Sir, to offer to the Honourable the Finance Member my sincere condolence on the financial situation of the country which was revealed to us last Wednesday, and I wish, if I may, to make a few general remarks of a common-place character. These may not contribute to the wisdom and sagacity of this Assembly in tackling the crucial problem, but will go to strengthen those common-sense principles, which, from the very fact of their being too common place, are apt to be overlooked. The heavy deficit of 34 crores in our Budget Estimates for the current year is more or less double of the anticipations of last year. That the figures of the Honourable the Finance Member should have shown so great a disparity between the forecasts and actuals is a matter of great regret. Be that as it may, the country is faced with a grave financial breakdown and in this connection a few observations perhaps will not be out of place. It is to my mind a principle of no small moment, as applicable to corporate bodies as to individuals, that the expenditure must never, or seldom if ever, be allowed to exceed the income. Nay, the adjustment between the revenue and expenditure must always be so arranged as to leave a surplus which should go to swell the reserve upon which we must depend in times of exceptional need. That, Sir, may be a very common and elementary principle, but none the less a very wholesome and potent principle, which the Government cannot remember too well. In contravention of that principle, what do we see? We see that the Government for the last 4 years running have been spending

[Prince A. M. M. Akram Hussain Bahadur.]

far in excess of what their normal revenues entitled them to. Instead of drifting along haphazardly, spending money thoughtlessly, it were better perhaps if Government presented to the Assembly a cut and dried programme of their expenditure not only in the current but also in the following year. If there is unfortunately reason to anticipate that the normal revenues of the country will be inadequate to meet the requirements—requirements which must obtain the sanction of the Assembly first—money may be raised to meet the situation by fresh taxation before the Government committed themselves to the incurrence of expenditure. It seems to me that there would be little difficulty to get the support of the Assembly to do that, provided that the House was convinced of the immediate utility of each item figuring on the programme of expenditure. To my mind, Sir, that would be a course by far more preferable to the one in practice now, *viz.*, that of spending money *ad lib* and then by showing a deficit in the Budget to win the sympathies of the Assembly and obtain its consent to increased taxation. This may be a more strategic move, but it certainly is not one commensurate with safety. On the other hand, it is fraught with the grave risk of a further enlargement of the gulf existing between revenue and expenditure which it is sought to bridge over. It is of imperative necessity that, by practising steady economy resulting in yearly surpluses, we build up a big national reserve and thereby relieve the poor man's sufferings by a diminution of taxation.

I trust I shall not be misunderstood by the Honourable Sir Malcolm Hailey. We share with him to the full the misfortune which is as much of this Assembly as it is his. We sincerely regret that his regime of office as the keeper of the Public Purse should by circumstances of an uncontrollable character, be so abundantly strewn with such wide and varied difficulties for the creation of which he, at any rare, was not responsible. I am inclined to think that a good deal of the dearness of money is due to world causes as pointed out by him, and is to a great extent the direct sequel of the great European War, from the effects of which it will be some time before we completely recover. There is something else which may have an appreciable bearing upon the finances of the country, and, in this connection, it will perhaps be not inopportune to take note of the forces of disruption which tend to increase the internal disturbances and the menace to security of life and property which manifest themselves fairly frequently. Thanks to the firm policy of Government which has at last been decided upon. I, for one, am not without hope that matters will sooner or later right themselves and follow the normal peaceful course. I have taken cognizance of a possibility of complications because it behoves us to be circumspect. To be forewarned is to be fore-armed, for it may so happen that, owing to these revolutionary tendencies in the country, the Budget of the Honourable the Finance Member may assume a different complexion indeed. I hope, however, that these fears may never be realized and may prove quite groundless. We should, however, do well to provide sufficient funds to Government not only for their present legitimate needs, but, also, if the Assembly is as cautious as I should myself like to be, to enable them to tide over their possible unforeseen difficulties in the near future. With this object in view, I shall heartily support the proposition of Government to raise additional money by increased taxation in so far as it may be equitable and just and only to the extent to which this already over-burdened country is able to stand it. And

I hope this Assembly, imbued as it is with a spirit of co-operation and determined as it is to shoulder the responsibilities and burdens of the State, should accelerate the passage of measures which will bring in additional revenue, if possible even in excess of the present needs of administration. Let us not apply our pruning knife to cripple the resources of Government. That instrument should be reserved only for items of expenditure. The various demands for grants, so far as may be possible, should be met with a sense of responsible generosity.

Sir, no one can for a moment deny that a beneficent and efficient Government must require money to bring into fruition those objects of public utility which benefit countless thousands, and to maintain security and peace both from outside aggression and from internal disorders. It is, I think, the good fortune of this country that it is governed by a race that is not likely to show a clean pair of heels at the first signal of danger and one that has given through ages ample proof of its tenacity of purpose and dogged determination. To a deep thinker, it ought to be a matter of pride that it has the privilege of being under the protection of a confidence inspiring people; for the ends justify the means. This country, therefore, as long as it does not succeed in a complete and effective self-organisation for its own defence, must ungrudgingly pay for the up-keep of that Army upon which it has depended for its safety so long. It is no use to bewail the large percentage of the country's revenue which the military expenditure consumes and must necessarily consume. The high ratio existing at present can only be lowered with the increasing freedom of the country from internal troubles and the greater preparedness of its people to rise against a common foe in times of war and a progressive co-operation with Government in times of peace.

Regarding those items of expenditure over which this Assembly exercises its right of vote, considerable progress can be made, if we set our faces resolutely against all costly schemes of doubtful necessity and in personal nature for some time to come, until the finances of the country are rehabilitated once again. There is, to my mind, Sir, considerable scope for discretion, for economy, perhaps also for retrenchment; and, if we carefully go about the business with the requisite thoroughness and precision, I am positive we will be able to do much good. Circumstances may render it essential to tap the resources of the country, but they must be applied to the best advantage and for the most pressing need of the country. I hope, therefore, Sir, that, while expenditure must face the severest scrutiny of this House, we should, in the matter of placing money at the disposal of Government, on which depends primarily the efficient administration of the country, clear our minds of all passions and prejudices and discuss and deliberate upon each and every demand on its intrinsic merits. We must not unwarily and unintentionally thwart Government in their necessary equipment of money. We should not oppose their desire to raise duties and taxes unless we have some alternative suggestion to replace specific proposals. The high and unprecedented deficit which we all deplore has to be met somehow. The manner in which we treat the country's need for money will be the true criterion of our high sense of responsibility and an assured test of our fitness and foresight in the eyes of the world, a test which we stood so nobly in the first year of our existence. With these words, I appeal to the House earnestly not to lose sight of the fact that they have to preserve as well as to augment their reputation for sagacity established last year. May Heaven guide them in the right path.

Sir Vithaldas D. Thackersey (Bombay Mill Owners' Association : Indian Commerce) : Mr. President, I could not help sympathising with the Honourable the Finance Member when he unfolded his tale of woe in presenting the Financial Statement on March 1st. I would call this Budget, for want of a better word, an Insolvency Budget, both in respect of the financial position and in respect of the method of taxation. Before I go to the figures presented before this House, I should like to associate myself with the remarks of the previous speakers in condemning the large and increased expenditure on the military side of the Budget. I also associate myself with my Honourable friend, Mr. Jamnadas Dwarkadas, in his condemnation of the excise duty and the duty on machinery. I will not, therefore, take up much time of the House in speaking about the excise duty as I had intended as a representative of the Mill Owners' Association on this Council. The Honourable the Finance Member told us the other day that sheer financial necessity compelled him to make proposals to levy the duties which he had suggested. But in doing so, I submit, Sir, that he has overlooked the sound principles of taxation in his great anxiety to find the money. He thinks (he has not said so, but from the language used in his Financial Statement it appears so) that the excise duty on cotton goods proposed by him is quite sound, because it is a consumption tax. May I refer him to the debates in the year 1894 when Sir James Westland and other Members of the Government, one after another, admitted that they did not approve the proposed Bill as based on a sound principle of taxation, but that they had to levy that tax because they were compelled by the Secretary of State to introduce that Bill. Further, we must give due credit to those Members, for when voting for the Bill, they one after another got up and said that they had to vote for it on account of the mandate; otherwise they were opposed to the Bill. Now, the times are changed when the Finance Member, in the second year of this young Parliament, as it has been called, comes forward and says that, because of sheer necessity the increase in the excise duty is based on a sound economic principle of taxation. At that time, Sir, protests were made inside the House and outside in the country. The great movement of *Swadeshim* had its birth from that day. When sheer protests did not count for anything, the people started the movement of *Swadeshi* on that occasion. The Congress every year passed Resolutions of protests, the Industrial Conference also passed Resolutions of protests and there was absolute unanimity in the country against the excise duty. My Honourable friend, Mr. Jamnadas, has already told you about the declaration of Lord Hardinge. I may further refer you to the speech of Sir William Meyer in introducing his Financial Statement of 1917-18. Now, Sir, no country in the world taxes its own industries, and particularly industries like cotton industry, which, owing to favourable circumstances in India, if properly encouraged and helped, would be able to supply 80 per cent. of the requirements of the country. (Hear, hear.) The industry at present supplies 40 per cent. of the country's demands. If my calculations are correct and if the machinery which has arrived now and the extensions contemplated by the mills are taken into consideration, by next year they will be able to supply perhaps 60 per cent. of our demands.

I am sure this House will never subscribe to any policy which will prevent the Indian cotton industry from supplying 80 per cent. of the Indian demand. The remaining 20 per cent., which is very fine count, and which is used by the rich, may be imported from abroad. The great objection to this duty is

the way in which it is levied. It is not a tax on profit; it is a tax on production, and it weighs most heavily when a depression in trade occurs. On the one hand, owing to a depression in trade, you show a loss in your mills; in the same year, you pay a lakh or a lakh and a half for taxation. The weaker Companies, in such circumstances, go to the wall, and their liquidation is hastened by a policy of this kind of taxation. The cycles of good trade and bad trade come to this industry as they come to any other industry. You will find—let us not go to very old times—taking the present century, that 1901-02 was a year of depression; 1907, 1908 and 1909 were years of depression, and 1913-1914 was a year of depression, when eight or ten mills went into liquidation and sold for a song. It is only during the last four or five years, owing to the difficulty of securing machinery, that the present prosperity has lasted, and the advantage of this prosperity is that our production during the next two or three years will increase by 20 or 25 per cent. Everyone in the country has a chance of taking up this industry and it will increase the prosperity of the country and supply the needs of the people. There is no monopoly in this industry.

Sir, the principal competitor in the Indian market is not Lancashire. It is Japan. With their bounty-fed freights, their cheap freights for importing raw materials both from India and America and sending out their production in their bounty-fed boats; with their home market fully protected, where they can sell their goods at a higher rate, in order to enable them to dump goods in India and elsewhere; all these reasons make Japan a great competitor of India. So far as Lancashire is concerned, in the history of our industry, the millowners have never asked that Government should protect their industry. All we say is that a home industry is not to be taxed simply because you are having an import duty for revenue purposes.

According to the proposal of the Honourable the Finance Member, the Indian cotton industry is to be placed in a worse position than at present. Government propose to increase the duty on imports by 4 per cent., but they have increased the duty on machinery by $7\frac{1}{2}$ per cent. and on stores by 4 per cent.; and in that way they have increased the cost of production to a greater extent than 4 per cent. Now let us consider this duty from the point of view of the consumer. There is no doubt, and I quite admit the statement of the Honourable the Finance Member, that the duty is ultimately paid by the consumer. It is only in times of depression, when competition to sell goods is keen owing to the supply being greater than the demand, that the tax is borne by the industry and, during such times there is greater harm done to the industry; but in ordinary years it is paid by the consumer. Then let us calculate what the consumer shall have to pay by this duty. If you will look into the accounts of a Joint Stock Company, you will find that the total amount of duty paid, income-tax and super-tax, and the duty on stores and other articles, come to about 10 or $10\frac{1}{2}$ per cent. on the cost of production. If you increase the duty by 4 per cent., it will come to over 15 per cent. on the cost of production. Now 15 per cent. more from the poor would mean about 3 annas per pound or 1 anna per yard, taking the average cloth. Now, what do you think one man requires? The poorest man who wants to clothe himself without any luxury, must have 10 yards at least per year, perhaps one pair of dhoties and 4 or 5 yards further to cover himself. I think 10 yards would hardly be enough for this purpose, but let us put it at 10 yards. In that way, by this duty you are taxing the poorest

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of the poor 10 annas per head, and, as the Government know clothing for a person is as necessary as food and salt.

The Honourable Sir Malcolm Hailey: I must really apologise for interrupting, but I am very desirous to get the Honourable Member's exact point. Would he mind letting me know whether he attributes that to the 4 per cent or to the total taxation?

Sir Vithaldas D. Thackersey: The total taxation levied on the Indian mills will work out to 15 per cent. We have to remember, Sir, that, whether Lancashire pays nothing or pays 15 per cent., any burden that you put on the Indian cotton industry whose production is used by the poor, falls on the poor. Even if you imported Lancashire free, that would not help the poor, or, if you put 30 per cent., that would not help the poor. The poor use our cloth, and they have to pay what you charge on the home industry. So far as the coarse cloth is concerned, there is no outside competition. It is the internal competition of the mills which brings down rates, and the very fact that every fourth or fifth year you get a depression in the trade is sufficient indication that there is free and open competition.

Now, Sir, how much does the cotton industry pay to Government? Take last year. It has paid in the form of income-tax and super-tax about 3 to 3½ crores, and there is the excise duty of 2¼ crores—a total of 5½ crores. If the needs of the country are greater, if industries must be taxed, then the cotton industry has not the slightest objection to bearing a further share of the responsibility of governing the country well. But let that tax be on all industries equally, and not on the cotton industry alone, because the facility of collecting it in the cotton industry, as I am told, is greater. To say that facility of collection rule should govern the decision in this matter is not a right argument.

Now, Sir, I said at the beginning of my remarks that I consider this Budget to be an Insolvency Budget. The House will permit me to explain why I think so.

For the reasons that I shall enumerate later on, the position of Government is very serious indeed; and I wish to make myself very clear on this point; because any action we may take, or the Government may take, will bear greatly on our credit. We find that, in the next year, Government have provided for raising Rs. 25 crores in Indian loan, £17½ millions in England, *i.e.*, about Rs. 25 crores, and Treasury Bills to the extent of Rs. 131 crores; and the rest of their requirements, *viz.*, 39 crores, they wish to transfer to the Paper Currency Reserve; that means that, during the next year, the Government is going to have or must have Rs. 212½ crores in order to conduct the affairs of the country. If there is any difficulty in securing the loan or if their credit is jeopardised, then I think not only will Government suffer, but the whole country will suffer and there will be great confusion in the country. We must admit that, and we must have a clear notion about this critical position of the Government. Now, anybody who has anything to do with these loans and commercial matters will agree with me that before the war, in 1912, 1913, and 1914, when Government wanted to raise Rs. 4 or Rs. 5 crores by loan, there was a tour of the Finance Member, going to Calcutta, consulting the merchants and the bankers and then going to Bombay and finding out how the loan of Rs. 4 or 5 crores could be raised.

Five years earlier still, it was only a question of Rs. 2 or 3 crores. Now Government has taken the responsibility of conducting the country on the assumption that they would be able to borrow Rs. 212½ crores in the next year. I am afraid Government may not be able to get Rs. 131 crores in Treasury Bills if trade revives. Even at present, Government are borrowing through their Treasury Bills at a higher rate than the Presidency Banks are willing to pay for a poor three months' deposit. It is not the want of credit of Government; it is the enormous amount of money, the floating debt, that causes this high rate of interest. It also affects the merchants because the higher the rate Government pays, the merchants have to pay a still higher rate; the amount of money circulating in the country is the same. The merchants and Government are competing against each other and try to secure the same money, and the rate of interest in the whole country goes up; a most unsatisfactory feature, so far as this part of the financial condition of Government is concerned.

Now, Sir, let us consider what the causes of this condition are. In the first place, the condition has been brought about by the way, by the careless way in which the expenditure has enormously increased.

If our military expenditure had been during the last two or three years what Lord Meston suggested or thought proper, we would have saved perhaps 60 to 65 crores of rupees in that one item alone. Then the salaries of all civil officers were increased. When I was in London in 1919, I was authoritatively told that it was suggested from India that the salaries of all the civil officers should be increased and that India would be able to bear the burden, owing to the exchange rising to 2 shillings and on the assumption that the exchange would never come down and the profits would cover more than the increase. To-day it is 1s. 3½d. With regard to this, I may say in passing that my Honourable friend, Mr. Spence, in his speech to-day wants Government to stabilise the exchange; but, when I brought forward a Resolution to appoint a Committee to inquire into the manner in which the exchange can be stabilised I did not then get the support of my friend. I hope, when the matter comes up again in September, I will get his support.

Now, Sir, the causes of our present troubles date back to the year 1917-1918. In the early stages, owing to war exigencies we helped England and sent our exports. But there was not sufficient reason why, after the war was over in 1918-1919, we sent our exports without receiving payment for them in cash. When I was in London in 1919, the figures I saw there—if my memory serves me correctly, if I am wrong the Honourable Member will correct me,—our balances in London were between 150 and 170 million pounds. What we did was, we exported our goods and other requirements of the war and we received payment in gold in London, invested it there and reduced our resources in India. It brought about the currency crisis. I will not lengthen that argument, because I have already alluded to it when I moved my Resolution regarding currency and exchange. Apart from our loss of credit when the currency crisis came in, all our money was returned by the Reverse Councils at Rs. 8 to Rs. 10 per £. We received payments for our goods in sterling at Rs. 15 and when remittances were made to India, they worked out to Rs. 8 to Rs. 10 per £. I do not know how much India lost by this process, whether it lost 50 crores or 70 crores, but a Government Department alone can calculate exactly the loss sustained.

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Then came, Sir, that mad policy of raising our exchange from 1s. 4d. to 2s. in spite of strong protest, and following it up by the still madder policy of selling Reverse Councils and forcing Reverse Councils,—for what object, we, at least, in India did not understand,—with the result that the loss that we incurred in this transaction was enormous. But may I ask why the Government of India did not follow or insist upon following the same method which America followed when it sent its goods to England? England bought a large quantity of munitions from America. What America said was: 'Give us the value of the goods.' When England could not remit cash, she commandeered American securities in England and handed over to America those securities, and for the balance of its dues borrowed money in America. If we had followed the same policy, England may have commandeered our gold securities in England; or, at least, if we had insisted upon the British Government giving us receipts in rupees, these crores and crores of rupees would have been saved and the condition of our finances would not have been brought to this unenviable position.

Mr. President: I would ask the Honourable Member to bring his remarks to a close.

Sir Vithaldas D. Thackersey: Yes, Sir, I will finish now. I will not go into this matter any further, but I will place before the House the conclusions I have arrived at after studying the Budget. In the first place, Government should reduce their Budget loss by at least 11 crores of rupees. Under the Paper Currency Act, Government have credited 6 crores of rupees, being the interest received on the investments of the Paper Currency Reserve and the excess in the Gold Standard Reserve over and above the figure of £40 millions, to the Paper Currency account. The said Act was passed, when we valued our securities at 2s., but now the exchange is 1s. 3d. and I do not think anybody believes that it will ever go to 2s. I think therefore that our Gold and the Gold securities in the Paper Currency Reserve should be revalued on the basis of 1s. 4d. and the said 6 crores of rupees be credited to revenue.

The second item I object to is that we are debiting to revenue 5 crores and 6 lakhs of rupees which we pay as annuities for the purchase of Railways. I can understand debiting to revenue interest charges, but I cannot understand how you can debit to revenue our capital charge, that is, the amount we pay in instalments to the old shareholders for the purchase of Railways. It is really not a revenue charge. It is a capital charge. In that way, about 8 to 10 crores may be saved. My further conclusion is that Government must make up their minds before the Finance Bill is placed before us on the 20th instant whether they are prepared to reduce the military expenditure or not. It is on that declaration that the decision of this House will depend. If Government are prepared to take us into their confidence and make an honest attempt to reduce the expenditure in the Military Budget (I can understand that we cannot reduce the expenditure by 20 crores in one year; it will have to go on slowly but surely), if we can get such an assurance, namely, an honest attempt to make a reduction in the military expenditure, then this House will have to consider to what extent we should meet the deficit by taxation, and thus place the financial position of the Government of India on sound lines. But, if Government are determined that it is only by extra taxation that

people should be governed and not by retrenchment, then I think the House will have to consider whether it should take the further responsibility of taxing the country to the extent of Rs. 30 crores this year without any guarantee that the military expenditure would be reduced.

Lieut.-Col. H. A. J. Gidney (Nominated Anglo-Indian) : Sir, I am prepared to run the gauntlet of the derision of this House, as did one of the former speakers, by expressing my sympathy with the Honourable the Finance Member in the position in which he finds himself to-day in presenting the Budget to us. At the same time, I must offer him my sincere congratulations for the fearless, honest and frank way in which he has presented a most unpalatable Budget to a House which seemed prepared to be dissatisfied with it. I think, some Members are inclined to take the view that the heavy deficit this year is the result of the sins of omission and commission on the part of Government for a few years only. I do not agree with this. I look upon it as the cumulative effect of many years of financial profligacy on the part of Government. It seems to me that in the good old days of 'good' and 'plenty,' when we had such paying departments as the Railways and Opium, which were the plums of Government, their surpluses were readily seized and lavishly used to make good the expenditure incurred on various other less profitable Departments of Government. Those days have gone, and the Government now find themselves confronted with a financial situation of their own creation of an enormously swollen expenditure and very little income. Government surely must have anticipated this deficit that has gradually and yearly increased in size. When I discussed the Budget last year, Sir, I likened this House and the Government to a married couple, the House as the husband, and the Government as the wife. One knows that the income of a husband depends on the output of his wife. If that wife were a spendthrift before marriage, the husband would surely not give her his cheque book to use *carte blanche* and to spend what she liked. The husband would and does expect his wife to consult him in her expenditure. Now what the Government (the wife) is doing to-day is to ask the husband (this Assembly) to give her 140 crores or so of income, but in the spending of this sum she is only willing to consult us to the extent of about 60 crores. Well, Sir, that sort of married life cannot really continue happy for very long.

In fact I saw early evidence of matrimonial trouble during its first year, when last year's Budget was presented to us. However, trust was re-established but as the months rolled on and this House had more opportunities of knowing how Government was spending her income, it seriously considered the advisability of a judicial separation. The Government also saw this development and, to appease our cry for participation in the voting on the Military Budget, His Excellency the Viceroy has, to-day, told us that he is pleased to allow us to *only discuss* the Military part of the Budget ; but, I am afraid, this has not improved our married life very much and now comes this awful Budget with its still more awful deficit and, I am fearful, judging from the wails we have just listened to, that the husband (this Assembly) is contemplating suing for an early divorce unless its demands are satisfied. I would regret this and would plead to the House and ask them to be patient for a little longer and not to end this married life so soon, for, what the Right Honourable Edwin Montagu has joined together let no Budget put assunder.

[Lieut.-Col. H. A. J. Gidney.]

On the facts put before us last year, this House took up on itself the serious responsibility of imposing a very heavy burden of taxation, in one form or another, on the country. We did this in the belief that we were meeting a definite position. We know now that the Finance Member's anticipations have gone sadly astray. I would be the last to blame the Minister himself or that hard-working Department which he leads, but I do feel that there are some *dangerous links* in the system. My fear is that the Honourable the Finance Member may be as far wrong again next year in his forecast as he has been in this. I must confess that I do not understand how the probable revenue of the country is calculated. I do know, however, that the calculations seem to accord very badly with the facts when they materialize, and I would like to feel that the very best advice obtainable had been sought. One is sometimes inclined to suspect that, in this ancient city of Delhi and in that far away town of Simla, mechanical logic replaces the warmer and more human company of facts and experience. I wish that I myself were a businessman, in touch with the throb of the market, so that I should have something of my own against which to test the revenue anticipations of the Finance Member.

In my own mind, I have some serious misgivings. There comes to my mind the fable of the goose and the golden egg. The Finance Member, I know, would be the last to deliberately destroy such a promising specimen, but inadvertently, he might be led to damage its outturn. These heavy import duties, magnified as they are, when it comes to retail prices, cannot but reduce consumption. There has been little, if any, considerable fall in the price of imported goods, and people—those particularly whom I represent—are these days already reduced to living at a minimum. A further increase of prices must mean for many of them an economy in actual necessities. I am grateful that the Finance Member has not touched the income-tax, as it affects the majority of these people, but I should regret bringing them to the straits to which I greatly fear the proposed taxation will bring them, unless I were assured that the general revenues of the country are likely thereby to materially benefit. Higher prices, due to heavy taxation, with a decrease in consumption—amongst of course the poorer people—and with the revenue left just where it is, is not a proposition which appeals to me. My point is that the Finance Member was wrong this year. He may be wrong next year and I do hope that those in this House who are in a position to form an opinion will tell the House whether they think that the Finance Member's figures are likely to be realised.

One point I do make and, if my information is correct, it should appeal to the Honourable Sir Malcolm Hailey. I would ask the Government to make a concession on return fares on Railways. I have heard instances of many an Indian left with nothing for his return journey after a visit to the bazar, and I believe that a concessional return fare would have been sufficient to induce him to lock up this amount of money before his temptations overcome him. I should indeed expect this concession to result in a net profit to Government. I allude to third class passengers.

Still I must face the fact of substantial deficit next year and, *'faute de mieux,'* I must accept the Honourable Finance Member's estimate of its amount. I have given much thought to the various alternatives suggested for meeting it. I had thought that, perhaps at the expense of men's lives, and

while possibly endangering the existence of the Empire, India's finances, during the past few hard years, had been carried on on too theoretical lines. The war was fought as much for the future as for the present generations and I have had notions at times that our ancestors should help to pay for it. I had running in my mind that a national debt these days is no longer a luxury but a necessity. I was told, however, that living on credit and indulging in Budgets with unbridged gaps in them meant swollen prices. I felt inclined to answer that the Honourable the Finance Member's proposals to bridge the gap resulted in much the same state of things, but by a shorter and less pleasant course.

I have come, however, to the conclusion that one cannot indulge in a big loan policy while our income is not within streets of our expenditure. I am not at all impressed by the ordinary banking argument that Government loans take money from the market and thus handicap industry and raise prices. When Government recovering expenditure is reduced to its lowest point and ordinary revenue is not far below it, I would have the courage to launch out into a terrific loan policy and put our Railways into a position of being the profit-making department which it should be.

The expenditure question requires very much more detailed study than these few days allow us, and, besides, we in this House have already expressed our views on that subject and expect results later on from the Government. I see before me an enormous expenditure of 142 crores. I see an income of 32 crores below that. We must, as the Finance Member said, although in other words, either mend our manner of life, or organise our wage earning capacity, or resort to the 'Matrajan'. After deep consideration, while keeping my eye firmly on the first alternative, I turn away from the last and choose, at present, the second course. I shall generally support the taxation proposals of Government. I do so with misgivings but, assuming their figures are right, I agree with their method of dealing with the deficit. As I have said it is after much consideration I favour taxation rather than meeting the deficit by a loan. Even though I believe in the not too distant rehabilitation of Indian trade and even though taxation will hit me, I go for it because it is sound finance. I believe the Cotton duties, although severely criticised by Members from Bombay, are not unfair in the present circumstances. I think the Salt tax appropriately raised. I am doubtful of the yields expected from the taxes but they have touched the right men. I fully expected an outcry in this House, but I submit that those who believe in sound and practical finance and who have the final good of their country at heart *must* support the Government proposals as outlined by the Honourable the Finance Member.

There are, however, two aspects of this Budget which, above all else, I would like to refer to.

(a) *The Military Expenditure*.—I admit the reduction of the Army in India has reached its *absolute* safety limit. We cannot in the present restless condition of India dare to reduce our Army, even by a *single* man or a single gun. This, of course, means a heavy expenditure and India must bear the burden. I admit that in regard to a necessary Army, the judicious expenditure of money, however big the sum be, is, in the long run, true economy, and that it is a dangerous practice to introduce in it a battle of 'efficiency *versus* economy'. Yet I have some misgivings on certain

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Departments. I refer especially to the Supply and Transport Department. This, I submit, should be controlled and directed by expert business men and not by Army men who, after long years of service, have gained what amateur knowledge they possess, at the expense of the tax-payer and the Indian exchequer. There is no doubt that this Department, as also the Military Works Department, bristles with, and offers many opportunities for, large retrenchments, especially in the purchase of local food stuffs, *e.g.*, Ghee, etc. If the expert Committee of Accountants who are touring India now and have just inquired into the Postal Department were to concentrate their energies on the Military Works and Supply and Transport Departments, I feel sure that undreamt of economy would be effected and without any decrease in efficiency. I would like to draw the attention of the Army authorities and of the Government of India to another point in this connection; and that is as to whether the 'Services supplies,' rendered by and obtained from England ('effective and Military works') the cost of which is put at 7.75 crores and $\frac{1}{5}$ crore, respectively, cannot be made the concern of India? I submit that, if this country can be made to manufacture many of the military requirements now imported, it would not only save loss by exchange, but find occupation for a very large population. Encourage local enterprise and industries, render the country self-supporting and self-contained which, above all, would let the people feel that the tax-payer's money, spent on Government account, especially in purchasing stores and food-stuffs for the army, is retained in their own country. If not at first, certainly in course of reasonable time, it would result in cheaper out-put and save steamer freights and time. During the great war, new and sudden demands were made on this country and in directions foreign to its experience. I believe that Government will testify unstintingly to the loyal and whole-hearted manner in which the country rose to the occasion. If it did not fail in hasty improvisations in an emergency, may it not be trusted to improve and progress under fostering care and calmer considerations? Let the people realise that a self-contained India is the goal towards which Government is moving; that the bonds of red-tape can be relaxed—that India is not held in leash so that activities may not clash with the vested interests of the English manufactures. I make these remarks mainly with reference to stores. Encourage this. Give practical and live evidence of this and I say that not all the *Mahatmas* will cause the slightest deviation from peace and loyalty.

I moreover have to make a few remarks on the Military Transport Department. I submit, Sir, that there is no need whatever for the retention of this Department. I also submit that greater care and foresight should be displayed in the Railway expenses connected with military camps, *e.g.*, Artillery Camps when Batteries, railed from distant places, are camped in one station for practice. These movements are often effected with little regard to economy.

I now take the Army Medical Services: I submit, this sum can be materially reduced if the authorities would get it out of their heads that they *must* maintain an expensive European Nursing Service for the British troops in India. The fetish that white troops *must* have white nurses is an antiquated idea. I submit that this expenditure is unjustified, especially when we are faced with this appalling deficit and when an equally efficient and cheaper

Nursing Service can be easily obtained in India. Then there is the Administrative Medical Staff. Then I come to the Administrative Staff of the Army Medical Department. I see no reason why there should be two Directors or Heads of the Medical Services in India with their large staff, *viz.*, the Director of Medical Services in India and the Director General, Indian Medical Service, when their duties overlap so extensively. This is a luxury, not a necessity. I submit that their duties so frequently overlap that one man with an adequate staff could carry out and efficiently carry out the medical needs of the country and of the Army. This duplication of labour is imposing an unfair and absolutely unnecessary burden on the Indian Exchequer. The Director General, Indian Medical Service, with an adequate staff, is quite enough to discharge the medical needs of the Army in India.

Economy can also be effected by a reduction in the personnel of the Army Headquarter administrative and clerical staffs and the Military Accounts Department where work is duplicated, triplicated and quadruplicated. There is no doubt that one looks with awe at present-day military expenditure and I feel sure, it will be bitterly attacked in this House, but we must remember that, although it is very expensive to maintain, yet it is as equally necessary, both in checking internal lawlessness and in the external defences of India which, themselves, have of late, swelled this very expenditure. A cheap, ill-equipped army is money wasted.

The Military Budget before us, excluding 'non-effective charges' and 'Marine' according to Statement B. appended to the Finance Member's introductory speech of the 1st instant, commits Government roughly to 58.49 crores gross, *viz.*, Rs. 53.81 for effective charges and Rs. 4.68 for military works. The net expenditure is Rs. 49.39, after deducting military receipts estimated at Rs. 4.27 and one-seventh crores respectively.

It is not clear how much of this represents

(a) Normal Military expenditure in India and Burma.

(b) The cost :

- (1) of the normal garrisoning of our recalcitrant Frontiers (as opposed to Frontier cantonments like Peshawar, etc.), and
- (2) entailed in directions other than (b) (1), *i.e.*, Expeditions, Punitive measures, etc.

In this connection, I would, ask this House to remember the discussion which took place at the last Simla Session of the North-West Frontier Policy Resolution which was moved by Sir Sivaswamy Aiyer. In this, amongst other matters, he drew attention to the heavy annual drain the North-West Frontier made on the Imperial Treasury. In opposing that Resolution I pointed out that the North-West Frontier Province, in its integrity as an independent administration, assumes its greatest importance in Indian eyes when viewed in regard to its connection with the problems of Indian defence and Military expenditure and, viewed in this light, it overshadows every other consideration and must, perforce, rule out every other factor. On the same occasion, I remarked that the matter had an 'All-India' bearing, and that the Frontiers constitute the only spot geographical conformation has rendered vulnerable to attack or invasions from the North.

[Lieut.-Col. H. A. J. Gidney.]

With your permission, Sir, I shall quote from my speech on that Resolution. I said:

'The North-West Frontier, from the Pamirs to the Sea, is the most important land Frontier of the British Commonwealth and, for this reason, its defence and maintenance was not a matter solely of Indian importance. India, I submit, holds that Frontier not only for her own protection but to guarantee the integrities of Imperial soil.'

I said that the day was not far distant when it may be widely recognised that India alone should not be called upon to bear the whole cost of defending this Frontier. That day, I believe, has come, especially when we realise how great is the cost of maintaining and guarding this Frontier. I again submit to-day, but with greater reason, that Indian finances cannot possibly bear this burden unaided and that the solution of the problem—the saving to the Indian Treasury of this tremendous additional drain will be facilitated if it were possible to create and maintain from the Pamirs to the Persian Gulf a cordon of territory under Imperial control and maintenance. This will not only enable us, with a measurable degree of safety, to reduce the strength of the British Army in India but would also lessen our enormous and staggering military expenditure. India, no one will deny, is an asset of our Imperial Empire and if the cost of safeguarding it against attacks by sea is almost entirely borne by the English Exchequer, the mere fact of land forces, replacing naval intervention, not for purposes of internal safety but to ward off ingressions, *i.e.*, to retain this asset of the British Empire should not justify dissimilar treatment and, if the pushing of our frontiers further into the 'No man's land,' and even its maintenance has been in pursuance of a policy initiated by the Home Government or is accepted by the Home Government, in either case solely for maintaining the integrity of this Imperial asset—it rather strengthens the claims of India to be freed from the whole or an appreciable part of this burden. In it I see the greatest means of retrenchment in the Military Budget and I offer it for the very serious consideration of His Excellency the Commander-in-Chief, the Government of India as also the Home Government

My last point is with reference to a most important matter, I should say one of the most important matters, which has helped to not only swell our last year's and this year's Military Budgets but has all but paralysed our Railways and crippled our commerce. I refer to the non-co operation movement and the political strikes that are of daily occurrence in India. The Finance Member has unfortunately very lightly referred to this aspect of Indian finances in his speech. I wish he had placed greater importance and stress on this. There is no use our being blind to the fact that to Mr. Gandhi and his Lieutenants India owes, to a greater extent than anything else, her present crippled and dislocated commercial position.

I can almost hear some Honourable Members reply. No—this is largely due to the non-fulfilment of the promised two shilling exchange. Let me even admit this as true, but surely this only touches the very fringe of the matter. Need I remind the House what drains the Imperial Treasury has had to bear on the Moplah revolt, to mention but one of our national tragedies? Then, look at what the present political strikes on the East Indian and other Railways are to-day costing India, with its coal-bearing fields closed to her rapidly developing enterprises and here I take this public opportunity of mentioning with great pride, with pardonable but justifiable pride the splendid manner in which my community has, to a man and child, come to the rescue of the

Railways and India. I say, it is time that this political agitation was stopped, for so long as it is tolerated by Government, so long will the commercial enterprises and Departments in the Government be worked at a dead loss, as we see in the Budget before us. Mr. Gandhi may talk till he is blue in the face of his soul force. If he utilised his great talents in giving money force and man force, he would be doing as much good for India as his soul force and non-co-operation to-day are ruining her. I submit with emphasis that the ruinous effect on our finances by the non-co-operation movement and political agitation is of very serious and grave concern to the tax-payer—to the millions whose interests we voice in this Honourable House. I ask the Honourable the Finance Member, how much of the deplorable deficits in the Budgets during the past four years, aggregating 90 crores, are ascribable *directly* or *indirectly* to these political activities. If we are to put our own house in order by retrenchment or extra taxation, to rehabilitate our resources, it is imperative that the contributory causes of our moribund condition should be analysed. It may reasonably be assumed that misrepresentation has had a start and that every pie of new or additional taxation is put forward as one more living proof of the despotic hell of Government. It is, therefore, in fairness to Government, in fairness to the misguided and in fairness to truth that the Finance Member should lay these convincing statistics on the table and promulgate them broadcast.

Rai Bahadur Bishambhar Nath (Allahabad and Jhansi Divisions: Non-Muhammadan Rural): Sir, I sympathise with the Honourable Sir Malcolm Hailey in the difficult situation in which he finds himself on account of the heavy deficits which again rudely stare us in the face. In fact, I admire the candidness with which the Honourable the Finance Member has, in his speech introducing the Budget for the year 1922-23, disclosed the position of the Government verging on bankruptcy, and I appreciate his desperate struggles in maintaining it solvent. Last year, when we were called upon to meet the deficit of 19 crores, we thought we had seen the end of gloomy scenes. Having done our part, we imagined the Government do its own, curtail its expenditure substantially and adapt its financial policy to the real needs of the country. We had fondly hoped that better conditions would await us in the future. But, Sir, I confess we were sadly mistaken in our surmise. As the Honourable the Finance Member has so vividly shown, the deficits are not due to transient causes, and there is therefore very little prospect of an equilibrium between revenue and expenditure being attained within a measurable period. No doubt, falling exchange, continued depression in world trade, and other causes pointed out by the Honourable the Finance Member, are some of the important factors in bringing about the present financial crisis, but have not these causes been in operation all over the world? How is it then that of all places, our country should get affected most adversely and feel the pinch most acutely? The fact is that there are other contributory causes, both immediate and remote, which are equally responsible for our adversity. I admit, the Honourable the Finance Member can by himself no more control the latter than he can regulate the former, but I am afraid the Government, of which Sir Malcolm Hailey is a distinguished Member, cannot be wholly exonerated for bringing about the financial disaster. Dabbling with exchange, as they did last year, and refusal to cut down the army according to the needs of the country, are some of the instances which illustrate my point. Sir, the real root of the trouble is the autocratic system

[Rai Bahadur Bishambhar Nath.]

which characterises the Government, and its persistent, nay callous, disregard of public criticism. Indian publicists have cried themselves hoarse, and for years together, for the reduction of the enormous military expenditure, but they have cried in vain. Far from reducing it, the Government has steadily increased it, so much so that, from 16·96 crores in 1884-85, it has now gone up to more than 62 crores. Why, in spite of the strong criticism of almost all the non-official Members of the Assembly last year, the figure for the next year continues the same. Not satisfied with the absorption of more than half the revenue of the State, the Military Department cries for more. No wonder if it leads one to exclaim that India exists for the Army, and not the Army for India. If the Government had followed the advice of our public men, the national militia would have come into existence long ago, and the Military expenditure had not been allowed to grow to these enormous dimensions. Our promising youths had got the necessary training in the Military Colleges established in the country, but the Government would move very slowly in the matter if it would move at all, and would not convince the people by its action that it has changed its policy of distrust for that of confidence.

What is true of military service is equally true of others. The process of Indianization of the higher services in the Civil, Railway, and other Departments is extremely tardy. Salaries are not being fixed according to the standard suited to the means of the country, and thus serious attempts are not being made to make the administration of the various Departments less expensive. The Government would not let us touch the items in the Budget which absorb the larger portion of the revenues. Of course, it would spend the money in any way it likes, but would subject us to the odium of finding money for it. When we want responsibility and power, it is said our constituencies are narrow, and the number of our voters very limited. When our approval for the money Bills is solicited, the whole world is supposed to watch how the 'youngest of the Parliaments' realises its responsibilities. How long will this system continue, and where will it ultimately lead us, passes my comprehension. The conditions are so hopeless that within the last 4 years, as the Honourable Finance Member admits, we are involved in a deficit of 90 crores. Not much useful purpose, therefore, can be served by the suggestions relating to the minor items of the Budget, nor can the evil be remedied in my opinion even by the pruning knife of the Honourable the Finance Member alone. The situation demands thorough overhauling of the whole system, and the sooner it is done, the better for the country and the Government.

A word about the additional taxation, and I have done. I am not sure whether the new encumbrance will not form the proverbial 'last straw on the camel's back'. The people are already groaning under the taxes with which they were saddled only last year. Now it is proposed to pile on them fresh burden, regardless of their capacity to bear it. On account of the dearness of commodities, life to the poorer classes has already become very hard. Fresh taxation on the necessaries may make life simply unbearable for them. If the Government is bent on taxing, for God's sake let it leave aside salt, excise, machinery, petroleum, matches and postcards. Some will retard the growth of indigenous industries, and others will hit the poor very badly.

I would not like to take the time of the Honourable Members any further. I have only to remark that the present situation appears to me quite alarming. On one side, I find the Government bankrupt, self-complacent, labouring under false conceptions of prestige, impervious to public criticism, and unyielding to popular will, even in matters affecting the vital interests of the nation. On the other, I see the people suffering and discontented, steeped in poverty and ignorance, but newly awakened to their state of helplessness and misery. They are fast recovering their self-consciousness. Further proposals of heavy taxation, if adopted, combined with the repressive policy of the Government already in force, may, I am afraid, drive the people to desperation. At least the symptoms do not augur well. Will the Government take the warning? It is not yet too late for it to mend its ways. I hope it will realise the real state of affairs, and meet the crisis in a sympathetic, broad and statesmanlike manner.

Bhai Man Singh (East Punjab: Sikh): Sir, it is a matter for regret that I have to say to-day that the financial policy of the Government of India has been a failure. It has been a history of increased expenditure, deficits, increase of taxes and loans. They say, the last straw breaks the camel's back, and this year we have reached the limit which the country can not bear. Most of us have laid the blame on Sir Malcolm Hailey, but, Sir, with due deference to the previous speakers, I sympathise with him rather than blame him. It is not so much the fault of our Honourable Finance Member as the fault of the policy which we have been following up till now in managing Indian finances. Our whole administration is so very expensive that it cannot compare with any other country in the world. If we compare, for instance, the pay drawn by our highest official in India, we find that it tops the list. A Member of the Governor General's Council here draws Rs. 80,000 while the salary drawn by the Governor of the State which pays the highest salary in the United States is about 10,000 dollars a year. If we take the dollar to be equal to 4 shillings or say Rs. 2, it comes to about Rs. 20,000 a year; while even the Governor General of Canada draws only 50 thousand dollars, equivalent to 1 lakh of rupees. The Secretaries in the United States of America draw much less than that and receive only 12,000 dollars equal to Rs. 24,000 a year. Similarly, Sir, in England, the British Prime Minister himself draws £5,000 a year, which would be equivalent to Rs. 50,000 a year according to the rate of exchange which is adopted in the Budget before us. Similarly, we see that the Civil Services in India are most highly-paid as compared with any other country, while the revenues of all these countries are much higher than those of India. Nobody on earth can say that India is so very rich a country as compared with these countries and that Indian administrators should be paid so high. It is always argued, Sir, that without giving high salaries, without spending more money, we cannot have efficiency. But, Sir, there is always a limit to efficiency as to everything else. In my school-days I used to hear a well-known proverb 'Cut your coat according to your cloth.' Poor India, with her backward industries cannot pay so much money; why should we require such highly-paid men? For God's sake, we would be satisfied with less-paid people, but we cannot bear all these burdens. Again, Sir, it is this very policy which has been the ruin of our finances up till to-day; and we have never stopped for a minute to look back and see whether we are drifting, we have never thought, not only of decreasing our expenditure,

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but we have never seriously thought of extending our industrial resources. We do not increase the wealth of the country but we go on increasing the expenditure. How on earth can we expect to have safe finance? Every wise financier, every wise business man would always think that his debts should have some limit and that his expenditure should be commensurate with his power of raising money; but this is not the case with us. It is not those who may be sitting on the tops of Olympus or those who are born with a silver spoon in their mouths, but those who are working and have worked their way in the world, those who really know the state of affairs, who know the daily life of an Indian, it is they who know fully well that it is a real problem for a vast majority of Indians 'how to make both ends meet'. Now, Sir, if you are going to burden this poverty-stricken people with such heavy taxation every year, how can you expect them to live? It would mean nothing but sheer misery to them. I can very well understand the strong voice raised in this House against this expenditure. Sir, there is another difficulty of ours. One could say: 'All right; the expenditure is there; but we should make a start for decreasing it; there should be a turning point wherefrom you can say, well, it does not matter about the past, it does not matter about the present even, but let us see to the future.' But, Sir, have we made a real start? Have we really thought of doing some substantial reform in our financial policy? Take the military expenditure. I do know and, of course, nobody can deny that every country requires an efficient army for its defence. But can any military expert say that, under the present circumstances, any country can depend altogether on its standing army? The only way of decreasing our military expenditure would be by creating a strong local militia. If during the great war we could get so many recruits who knew absolutely nothing of military operations but after getting three months' training or so, were sent to the battle-fields and proved to be efficient soldiers, why, Sir, can we not depend on a local militia? Why should not the Government make an immediate and appreciable beginning towards the creation of a local militia and decrease the standing army? If the Punjab alone could supply about one-half of the recruits during the last war, why should we not expect that a similar response would be made to our demand for a local militia if we mean to train and prepare our young men for the military services. That is the real thing, and, if this suggestion of mine is acted upon, then we can make a decrease in the standing army, but I do not find any real or active step being taken in this direction.

On a previous occasion, Sir, the Honourable Sir Malcolm Hailey said that India is not altogether self-dependent for her defence, and that she has to depend for her defence on the army and navy of England. I submit that, make us self-dependent; for that I think every Member of this House, nay every Indian would be perfectly willing to bear any burden if he could be satisfied that you are making the Indians self-dependent for the defence of India. Whenever there is a demand for making us self-dependent or of Indianising the services, you say, that we are not fit. But whose fault is it? We are not given sufficient training, we are not given sufficient chances to make ourselves fit. This reminds me of the old story in Shakespeare's 'As you like it'. Poor Orland's brother would give him no training and would still call him worse than an ass. Well, Sir, I wish to know definitely what is the programme before the Government? Where is the definite programme which lays down that

within 5 or 8 or 10 years we will be made fit to defend our own country. If there is any definite programme, all right, this military expenditure could be justified under such circumstances to some extent, at least there could be a compromise. But we do not find any satisfactory programme of this nature.

We prayed last year for a decrease in military expenditure. That has not been attended to. I do not find any appreciable decrease in the standing army when I compare the figures with those for the last year, nor do I find any attempt made towards Indianising the army. Until and unless we try to Indianise the army, nay Indianise all the services, and try to create a local militia, we cannot possibly expect to decrease our military expenditure, and the real defect lies in the policy itself. Our angle of vision is quite different from the angle of vision of those occupying the Government Benches. They should look at the whole thing from our point of view; they should know that we are poor; they should know that we are to be made self-dependent for our defence and for our trade, and therefore they should tell us that in so many years they would give us our own army. Then of course, we could have some satisfaction.

We may compromise and finish here, there, or anywhere. If we look at the causes that have brought about this system of high salaries of services, I think there were two reasons for that; of course, here I speak subject to correction. One was that at a certain time—I am speaking of old, old times, when perhaps no care was taken of the interests of Indians and the Services were all in all—some of the servants of the Company Bahadur thought that India was a fit place for exploitation. They fixed this high standard of pay. Secondly, there is a difference between the standard of living of an average European in India and of an average Indian here. Our plain demand now is to fix the standard of pay according to the average standard of living of Indians in all branches of the Services. If we want Europeans to come and work amongst us, let them come and work on that standard. They might be given a little allowance in the form of overseas allowance or something of that sort. But if we recruit in our civil, military, medical or any other services on our present standard of pay, surely it will be impossible to reduce any expenditure even now or in the future. From the beginning up to now there have been very few years in which there has not been a deficit. You will find instance after instance where we had to raise taxation, where we had to show deficits and where we had to borrow. Even our borrowing power seems to have reached the extreme limit. We have to pay a higher interest than even some of the banks. That shows that our borrowing power is at stake. Why should not the Government, if it were only for sheer financial reasons though for nothing else, try to stand and look back and refuse to proceed in the direction in which they have hitherto been proceeding and begin the Indianisation of the services in right earnest and why should it refuse to make a substantial move in the reduction of all expenses?

I have only a few words to say about the new taxation. I know that the time will come when we will discuss the details of it. But there is an item which is perhaps not subject to our vote. It is the proposed increase of railway fares for passenger traffic. That, I understand, can be done by the Executive Government under the provisions of the Railway Act. Well, Sir, Railway fares have been increased a good many times during past years. I need not bore the House by recounting the different stages. But if there is to be any increase at all in the fares, I would say that the whole burden should fall on the rich people

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and not on the poor. If any increase is to be made, let it be made in the first and second class fares, and let not the poor people, who already cannot easily afford to travel, be burdened at all, or if it can not be helped in any case, let them be burdened as lightly as possible. In saying this I am voicing the sentiments of a very large majority of my Honourable colleagues in this Honourable House.

In the end, Sir, I have to submit that the Government is responsible for a large portion of the Budget. We can only vote on a fraction
5 P.M. of it. I have not calculated the figures. I think we can vote only on 20 crores or so. Therefore, Sir, it would be very unfair to expect that we should be a party to the proposed heavy taxation to meet demands for which we are not responsible. We would be perfectly honest, we would be perfectly doing our duty when we say that the Government has decided upon incurring all this expenditure, the Government has not listened to our request, it has not satisfied us that they have made a real and earnest attempt to decrease the expenditure or to take a definite step under which we can expect a definite decrease even within the coming years, the Government should also take the responsibility of this new taxation and we wash our hands of this matter. If you say that, it would be perfectly logical, it would be perfectly moral and it would be perfectly constitutional. The present state of our finances just reminds me of a saying of a great saint of India. He used that for spiritual purposes, but, if it be not supposed to be sacrilegious on my part to apply it to our business affairs here, I would say :

*' Mohe aise banaj sion nahin kaj,
Jit ghatah mool nit badhah bijaj.'*

' I have nothing to do with such a business, wherein my capital is going down and down, is being wasted every day and the interest against me is increasing daily.' This is the present state of our finances, and, unless we really take the situation seriously, even if we manage to get through the difficulties for a year or two, the crash is bound to come, and in the interests of the Government of India itself, in the interests of the trade of the country and in the interests of the Indian public, a real change of policy should be immediately adopted.

Mr. J. F. Bryant (Madras : Nominated Official) : I do not attempt to deal with the Army Budget for a moment, but only wish to attack a few gratuitous statements which have been made in respect of it. It has been assumed, and assumed wrongly, that the Army is the source of all our misfortunes. I will not go so far as to say that the Army is an end in itself, far be it from me to put forward such a proposition. But I will go so far as this, that if there was not an Army, there would be no golden eggs. The cost of the Army is the insurance which you pay against burglary, and, without the Army, India will assuredly be the poorest country in the world. As it is, India has now become one of the richer countries of the world, and that, I think, gentlemen, is a position which is not generally understood.

The last speaker, or rather the last speaker but one made a remark that this was one of the most heavily-taxed countries in the world. It was an extraordinary statement. It cannot for a moment be left unchallenged. Let me take my own country. We pay there in taxation, not 140 crores, we pay (with the rupee converted at the rate of 2 shillings) over 1,000 crores, and that 'with a

population of only one-sixth of that of this country. (Cries of 'What is the income?') Converted into rupees at the present rate of exchange it would be over 1,500 crores, and—I would emphasise it,—paid by a population only one-sixth of that of this country.

Now, I come to the Honourable the Finance Member. He has been subject to attack after attack throughout the day. It has been imputed to him that he has laid an additional taxation of 18 crores upon this heavily-taxed country. What are the figures? If you examine them in detail, you will find that he is almost a public benefactor. If anything, he has benefited this country to the tune of some 2 crores. He set out hoping to be 18 crores up: he ended by being 20½ crores down. That, I think, is a fact which the House has overlooked. He has, it is true, attempted to impose an additional burden of 18 crores upon this country. But mere attempt without any positive result—with a minus result—is hardly an offence. I think that, on the evidence, he may be given the benefit of the doubt.

I should like to turn to a group of speakers who attacked the salt tax, the increase in railway fares and the increase in income-tax. (*A Voice*: 'Would you mind speaking up, Sir?') They have been actuated by the entirely wrong assumption that those items were heavily taxed. I maintain, Sir, that nothing is farther from the truth. Take for instance, salt. Salt used to be taxed Rs. 2-8-0 and not 1-4-0 and that was at a time when the people who consumed the salt only got half the income they are getting at the present moment. (*A Voice*: 'What about increase in prices?') Let us go into the question more in detail. I think it was Mr. Darcy Lindsay who assured us that the persons who consume the salt, or at any rate a fraction of them, are now, in spite of increased prices and in spite of increased taxation, living in relative comfort by working three days a week whereas they formerly worked six days a week. I think that was his statement. If such be the case, it will be a positive benefit to this country to impose on them such taxation as would make them work at any rate 3½ days instead of 3 days. We would then not be faced with that heavy deficit in railways to which the Honourable the Finance Member has drawn attention, which is partly the outcome of short hours at the coal-fields.

In regard to railway fares, it has been assumed throughout the House that we have come to the limit of taxation. I have not the figures with me, but you may take it that the railway fares are a mere fraction of what they are in my own country. It is a quarter, I think. I speak subject to correction. At any rate, it is about a quarter.

I come to income-tax. It has been assumed that this country cannot pay any additional income-tax. What is the income-tax of this country? Of course, it varies, as it is on a sliding scale, but, roughly speaking, it is about one anna in the rupee, at any rate for the middle classes. In England, it is six shillings in the pound. (*Sir Montagu Webb*: 'That is the lowest rate, I think'.) It is, roughly speaking, 5 annas in the rupee, and land also pays income-tax as well as land-tax. Now, I come to another group of speakers. They made an attack upon countervailing duties. With one exception, they are all rich men. They are mill-owners or are interested in the cotton industry in Bombay. It was not the import duties they attacked. Oh, no. They were perfectly satisfied with them. They were perfectly content to let the import duties alone. They rather welcomed the increase in the import duties

[Mr. J. F. Bryant.]

because they form a protective wall round the country. That wall means an increased price for their own wares. It means that they would draw increased dividends and that is why they asked the Honourable the Finance Member to withdraw his wicked proposal of annexing that extra profit which would otherwise go into their own pockets. It was most iniquitous, I admit, but still, on the whole, I think I would prefer the Honourable the Finance Member to reap the benefit of his exertions rather than to let that benefit pass into the pockets of mill-owners.

Then Mr. Seshagiri Ayyar said something. He made an astonishing statement. He said: 'did the Finance Member realize that by the small additional tax on yarn, some six million people would be thrown out of employment in this country?' I have a great regard for Mr. Seshagiri Ayyar; I have known him for a great many years; I come from his province, and am actuated by the highest sentiments of respect for him, but I think that his is a most alarmist statement. I assume that, in spite of the tax, the requirements of yarn in this country will be exactly the same as before; people will use as much cloth as before, and the outturn of these six million people will be the same. The tax on machinery will assist them since it will deter to some slight extent the rich mill-owners from setting up new mills to compete with them. That is the long and the short of it.

Then, his constructive proposal was almost as unsound as his other arguments; it was almost the only constructive proposal that I heard to-day with the exception of those of Mr. Darcy Lindsay. The long and the short of that constructive proposal was this: He proposed to lead a foray into the provinces, to upset their financial arrangements, to repeal the Permanent Settlement, and when he had done all this, when he had thoroughly upset the provinces, when he had thoroughly upset the Zamindars, he would bring back not a single shilling. That, I think, was the extent of his constructive proposal.

Gentlemen, it is not my intention to defend this Budget. Far be it from me to do so, but I think I have pointed out a few of the considerations which have led me to suppose that some of the attacks upon the Honourable the Finance Member are a little wide of the mark.

The Assembly then adjourned till Eleven of the Clock on Tuesday, the 7th March, 1922.