

7th March, 1922

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LEGISLATIVE ASSEMBLY DEBATES  
(Official Report)

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THIRD SESSION

OF THE

LEGISLATIVE ASSEMBLY, 1922



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# CONTENTS.

	PAGE
<b>TUESDAY, 28TH FEBRUARY, 1922</b> . . . . .	2617-2652
Questions and Answers.	
Unstarred Questions and Answers.	
Votable and Non-votable Heads of Expenditure.	
The Code of Civil Procedure (Amendment) Bill.	
The Land Acquisition (Amendment) Bill.	
The Code of Criminal Procedure (Amendment) Bill.	
The Code of Criminal Procedure (Amendment) Bill.	
The Hindu Coparcener's Liability Bill.	
The Married Women's Property (Amendment) Bill.	
The Indian Penal Code (Amendment) Bill.	
<b>WEDNESDAY, 1ST MARCH, 1922</b> . . . . .	2653-2688
Budget for 1922-23.	
Message from the Council of State.	
The Delhi University Bill.	
The Indian Finance Bill.	
The Police (Incitement to Disaffection) Bill.	
The Press Law Repeal and Amendment Bill.	
Messages from the Council of State.	
<b>THURSDAY, 2ND MARCH, 1922</b> . . . . .	2689-2739
Governor General's Assent to Bill.	
Statement of Business.	
Governor General's Assent to Amended Standing Orders.	
Resolution <i>re</i> : Establishment of Railway Industries.	
Resolution <i>re</i> : Relief for Distressed Parts of Malabar.	
Resolution <i>re</i> : Privy Council in India.	
Reading of Newspapers in the Chamber.	
<b>MONDAY, 6TH MARCH, 1922</b> . . . . .	2741-2812
Oath.	
Questions and Answers.	
Unstarred Questions and Answers.	
Message from H. E. the Governor General.	
Time-limit for Speeches in Budget Debate.	
General Discussion on the Budget.	
<b>TUESDAY, 7TH MARCH, 1922</b> . . . . .	2813-2899
Unstarred Questions and Answers.	
General Discussion on the Budget— <i>contd.</i>	
Vol. II—Pt. III.	

WEDNESDAY, 8TH MARCH, 1922

2901-2914

Statements laid on the Table.  
Governor General's Assent to Bills  
The Indian Ports (Amendment) Bill.  
The Indian Official Secrets Bill.  
The Cotton Transport Bill.  
The Hindu Ceremonial Emoluments Bill.

THURSDAY, 9TH MARCH, 1922

2915-2966

Communication from Mr. Speaker.  
Business for the week ending March 13th.  
Resolution *re*: Release of Ali Brothers.  
Resolution *re*: Committee of Inquiry on the causes of the Moplah Outbreak.  
Resolution *re*: Committee on Railway Risk Notes.  
Resolution *re*: Re-institution of the Ports of Chittagong and Calcutta for the Hedjaz Pilgrim Traffic.

SATURDAY, 11TH MARCH, 1922

2967-2998

Statement laid on the Table.  
Questions and Answers.  
Unstarred Question and Answer.  
The Resignation of Mr. Montagu.  
Election of Committee on Public Accounts.  
Election of Standing Finance Committee.  
Demands for Supplementary Grants.

TUESDAY, 14TH MARCH, 1922

2999-3077

Statement laid on the Table.  
Questions and Answers.  
Unstarred Questions and Answers.  
Motion for Adjournment.  
The Budget—List of Demands—*contd.*

WEDNESDAY, 15TH MARCH, 1922

3079-3144

Oath.  
The Hindu Ceremonial Emoluments Bill.  
The Budget—List of Demands—*contd.*

THURSDAY, 16TH MARCH, 1922

3145-3219

Questions and Answers.  
Unstarred Questions and Answers.  
Message of Farewell to H. P. H. the Prince of Wales.  
Statement of Business.  
The Budget—List of Demands—*contd.*

FRIDAY, 17TH MARCH, 1922 . . . . . 3221-3312

- Question and Answer.
- Unstarred Question and Answer.
- Bill passed by the Council of State.
- The Budget—List of Demands—*contd*

SATURDAY, 18TH MARCH, 1922 . . . . . 3313-3339

- Questions and Answers.
- Unstarred Questions and Answers.
- Financial Adjustment between the Home Government and the Government of India.
- Uninterrupted sitting of the Assembly.
- Message from H. R. H. the Prince of Wales.
- The Budget—List of Demands—*concl'd*.
- Resolution *re*: Re-appropriation between Demands in the matter of Reduction.

MONDAY, 20TH MARCH, 1922 . . . . . 3391-3472

- Questions and Answers.
- Unstarred Questions and Answers.
- Library of the Indian Legislature.
- Motion for Adjournment.
- The Budget—The Indian Finance Bill.

TUESDAY, 21ST MARCH, 1922 . . . . . 3473-3553

- The Budget—The Indian Finance Bill—*contd*.

WEDNESDAY, 22ND MARCH, 1922 . . . . . 3555-3618

- Statements laid on the Table.
- Bill passed by the Council of State.
- Precedence for Finance Bill.
- Motion for Adjournment.
- The Budget—The Indian Finance Bill—*concl'd*.

THURSDAY, 23RD MARCH, 1922 . . . . . 3619-3677

- Questions and Answers.
- References to Proceedings in another place.
- Unstarred Questions and Answers.
- Statement of Business.
- Resolution *re*: Election by Indian Legislature of Representatives of India to Imperial and International Conferences.
- Resolution *re*: Measures for increasing Cotton Cultivation in India.
- Resolution *re*: abolition of Posts of Divisional Commissioners.
- Resolution *re*: Measures for providing cheap and speedy justice in India.
- Resolution *re*: Appointment of Council Secretaries.



SATURDAY, 25TH MARCH, 1922 . . . . .

PAGE  
3679-3722

Message from the Council of State.  
Election of Public Accounts Committee.  
Election of Standing Finance Committee.  
The Indian Merchant Shipping Bill.  
The Indian Ports (Amendment) Bill.  
The Cotton Transport Bill.  
The Press Law Repeal and Amendment Bill.  
The Indian Official Secrets Bill.  
The Criminal Tribes (Amendment) Bill.  
Resolution *re*: India's participation in the British India Exhibition.  
The Hindu Coparcener's Liability Bill.  
Resolution *re*: Message of Regret at the Resignation of Mr. Montagu.

MONDAY, 27TH MARCH, 1922 . . . . .

3723-3769

Statements laid on the Table.  
Questions and Answers.  
Unstarred Questions and Answers.  
Election for the Public Accounts and the Standing Finance Committees.  
The Ranchi Mental Hospital Bill.  
The Criminal Tribes (Amendment) Bill.  
The Cantonments (House Accommodation) Amendment Bill.  
Resolution *re*: Adoption of Railway Finance Committee's Proposals.

TUESDAY, 28TH MARCH, 1922 . . . . .

3771-3850

Questions and Answers.  
Present Position as regards Burma Reforms.  
Unstarred Questions and Answers.  
Motion for Adjournment.  
Governor General's Assent to the Indian Finance Bill.  
The Hindu Ceremonial Emoluments Bill.  
The Indian Penal Code (Amendment) Bill.  
The Charitable and Religious Trusts (Amendment) Bill.  
Message from the Council of State.  
Resolution *re*: Appointment of Council Secretaries.  
Motion for Adjournment.  
Prorogation of the Session.

APPENDICES . . . . .

1-25

Vernacular Speeches and Translations.

INDEX . . . . .

1-131

# LEGISLATIVE ASSEMBLY.

Tuesday, 7th March, 1922.

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

## UNSTARRED QUESTIONS AND ANSWERS.

### ADMINISTRATION OF MR. G. P. ROY AS POSTMASTER GENERAL, BENGAL AND ASSAM.

285. **Mr. K. Ahmed:** (1) Will the Government be pleased to state how long Mr. G. P. Roy was Postmaster General, Bengal and Assam, and who held the charge before him?

(2) Will the Government be pleased to state what was the average travelling allowance drawn by Mr. G. P. Roy monthly and what was the average travelling allowance drawn monthly by his predecessor?

(3) Will the Government be pleased to state how often Mr. G. P. Roy visited Darjeeling and Shillong during the year 1920-21?

(4) Will the Government be pleased to state how many offices of the Superintendent of Post Offices and how many Post Offices were inspected or visited by Mr. Roy as Postmaster General, Bengal and Assam? Is it not the practice of officers to record their remarks in the Order Book after inspecting or visiting an office? If so, on how many occasions after such inspections or visits did Mr. Roy record his remarks in the Order Books?

(5) Is it a fact that Mr. G. P. Roy prohibited officers under him from having furniture made locally and had furniture supplied from Calcutta?

(6) Will the Government be pleased to inquire and state who supplied these furniture and whether the supplier or suppliers were *bona fide* dealers in articles of furniture?

(7) Was there any tender invited from the well-known Calcutta firms and whether their quotations were compared with those of the present supplier or suppliers?

286. **Mr. K. Ahmed:** (1) Is it a fact that Mr. J. R. Booth, the late Postmaster General of Bengal, on the eve of his departure from Bengal issued certain orders *re* employment of Muhammadans in the ministerial appointments in the Department and ordered that the next five vacancies from the date of the orders will be given to Muhammadans?

(2) Are the Government aware that these orders were superseded and cancelled soon after Mr. G. P. Roy had assumed charge by an order that only one-third of the total number of vacancies in the ministerial line should go to Muhammadans?

(3) Will the Government be pleased to lay on the table a statement showing the total number of vacancies in the ministerial line filled up since the orders issued by Mr. Booth and how many of them have gone to Muhammadans?

(4) Is it a fact that recently Mr. G. P. Roy selected about eighteen Inspectors who were all Hindus?

**Colonel Sir S. D'A. Crookshank:** The information is being collected and a reply will be given as soon as it is available.

#### TECHNOLOGICAL STUDENTS SENT ABROAD.

287. **Mr. B. S. Kamat:** (a) Will Government be pleased to state the total amount spent by the Government of India during the ten years ending March, 1921, for the purpose of sending students abroad for studying technological subjects; will they also please state the total number of scholars sent abroad during this period and the average cost incurred for each successful scholar?

(b) Of the above Government scholars, will Government be pleased to state, as far as they can trace, how many are engaged at present—

(i) in Government service, either as teachers in their special subjects, or otherwise;

(ii) in industrial concerns; and

(iii) in pursuits quite unconnected with the technical subjects in which the scholars had specialised at the cost of the State?

(c) Out of these scholars, are there any who to the knowledge of Government have distinguished themselves either in research work or as professors?

**Mr. H. Sharp:** (a) The Government of India do not possess full information, but the Honourable Member is referred to the statement which I laid on the table on the 5th September, 1921, with reference to the reply given to a question by Mr. Eardley Norton on the 15th March, 1921, during the Budget discussion.

(b) and (c). Here again Government have not full information, but the attached statement gives some of the information required.

*Statement relating to State Technical scholars.*

Financial year.	Province.	Name of scholar.	Nature of studies.	Occupation after return to India.
1911-12	Madras	M. C. Sitaram	Weaving	Weaving Expert for the Society for the promotion of National Education and working partner of a dyeing factory newly started in Madras under the name of Brothers and Company. Receives Rs. 150 per mensem from the Society.
		H. Sakham Rao	Textile manufacture	Chemist and dye-house master at the Sholapur Spinning and Weaving Company, Limited. Pay Rs. 575 per mensem with free quarters.
	Bombay	P. V. Mehd	Manufacture of tanning extracts and their use in tanning.	Partner in the Pioneer Magnesia Works, manufacturing magnesium chloride and Epsom salts at Ahmedabad. Monthly income above Rs. 700 per mensem.
	Bengal	H. D. Bennett	Mechanical and Electrical Engineering.	Obtained a commission in the Royal Engineers. Now in England.
		Phani Bhusan Ray	Ditto	Deceased (1917). Was employed in the Electricity Department of the Bristol Corporation.
	United Provinces.	Ram Chandra Srivastava.	Manufacture of sugar.	Resigned his appointment with Messrs. Beg and Company, Cawnpore, and is at present in Europe engaged on the purchase of machinery and other business.
	Eastern Bengal and Assam.	Abinash Chandra Datta.	Silk weaving, dyeing and refining.	Sub-Deputy Collector in Assam, 4th grade, Rs. 250 a month.
	Central Provinces.	M. Ghulam Ali Mohammadi.	Manufactures of oil, fats and their products.	Assistant Director of Industries and Commerce, Government Soap Factory, Hyderabad (Deccan). Salary B. C. Rs. 900 per mensem.

## Statement relating to State Technical scholars—contd.

Financial year.	Province.	Name of scholar.	Nature of studies.	Occupation after return to India.
1911-21—contd.	Coorg	K. M. Muttannah	Mechanical Engineering.	Has not yet obtained any employment. It appears that he is unwilling to accept an initial salary of less than Rs. 300 per mensem and that employers are not willing to give such a high rate. At present in Bellary under medical treatment.
	Ajmer-Merwara.	Ram Pal	Cotton spinning and weaving.	Scholarship cancelled owing to Mr. Ram Pal's failure to proceed to England.
	Madras	Mr. Tombat Sakharan Rao.	Electrical Engineering.	Assistant Engineer and Manager, Messrs. Crompton and Company, Electrical Engineers, Madras (Rs. 300 per mensem).
1912-13.	Bombay	D. N. Nagarkati	Paper making	Director of Industries and Commerce under the Nizam's Government on Rs. 1,200 (British coin) and house allowance of Rs. 150 (Nizam's coin) per mensem.
		E. C. Henriques	Architecture	Assistant Architect in the office of the Consulting Architect to the Government of Bombay on Rs. 700 per mensem.
	Bengal	P. R. Duncan	Mechanical and Electrical Engineering.	Obtained a commission in the Royal Engineers. Return to India on completion of scholarship not yet reported.
		Chandra Sikhar Sarkar.	Ditto	Was Assistant Electrical Engineer, Tata Iron Works, Sakchi. Pay Rs. 300 per mensem. Allowance Rs. 30. Has started a business of his own at 30, Clive Street, Calcutta.
	Punjab	Lakhmi Das Kochhar.	Tanning	Manager, Messrs. Haji Noor Mohammad and Haji Eisa, Tanners, Daravi, Bombay. Rs 500 per mensem.
	Bihar and Orissa.	Bhubananda Dass	Mechanical and Electrical Engineering.	Working as a Consulting Engineer, Bombay. Claims to be doing well.
	Central Provinces.	K. C. Mitra	Electrical Engineering.	Was Assistant Electrical Engineer, Oudh and Rohilkhand Railway, Lucknow. Salary Rs. 300 per mensem Died in 1920.

*Statement relating to State Technical scholars—contd.*

Financial year.	Province.	Name of scholar.	Nature of studies.	Occupation after return to India.
1913-14.	Madras	P. K. Rajmanikham	Leather goods industry.	Vice-Principal, Leather Trades Institute, Madras. Drawing Rs. 450 in a graded scale of Rs. 300—25—600.
	Bombay	Chunilal Purshotamdas Shah.*	Pottery	Manager of a pottery and fir clay mine at Than (Kathiawar). Gets Rs. 500 per mensem plus two anna share in the business. Also gets a salary of Rs. 400 per mensem from the Government of His Highness the Gaekwar of Baroda for services as Pottery Expert to the State.
	Bengal	Ramesh Chandra Roy.	Mechanical and Electrical Engineering.	Has refused to return to India.
	United Provinces.	Abdul Rahim Khan	Sugar industry	Present address not known. Was employed in Java on Rs. 3' 0 per mensem; lodging and boarding free.
		Krishna Lal.	Sugar industry	At present out of employment.
	Punjab	Lohuri Mal Khosla	Flour milling	Assistant Miller, Delhi Flour Mill Company, Limited, Delhi, Rs. 250—300. Quarters, light and fuel free with bonus on extra outturn.
	Bihar and Orissa.	Abdul Hakim	Chemistry as applied to minerals and metals.	General Foreman on the Gas Producers in the Tata Iron and Steel Company, Limited, Jamshedpur. Salary Rs. 300 per mensem.
	Assam	Bidyandana Dowara	Mechanical and Electrical Engineering.	Engineer Assistant, Assam Oil Company, Digboi, Upper Assam. Pay Rs. 150 per mensem.
		C. J. Brandon, A.R., I.B.A.	Architecture	At present employed as temporary Assistant Architect in connection with the building of New Delhi. Pay Rs. 50 per mensem.
		Ram Lal	Mechanical and Electrical Engineering.	Scholarship terminated after a year. Refused to return to India.

\* Proceeded to England in 1915.

## Statement relating to State Technical scholars—contd.

Financial year.	Province.	Name of scholar.	Nature of studies.	Occupation after return to India.
1914.	Madras	D. M. Amalasawala.	Sizing and weaving	Temporary weaving expert for 3 years in the Department of Industries, Madras. Pay Rs. 600— $\frac{50}{2}$ —900 per mensem. Present pay Rs. 600.
	Bombay	P. R. Udwadia *	Architecture and Building construction.	
	Bengal	U. N. Banerji†	Mech. Engineering.	Assistant Loco. Superintendent, Indian State Railways. Pay Rs. 460 including temporary allowance of 15 per cent. and average house allowance of Rs. 46 per mensem.
		O. L. D'Souza alias Dalton.‡	Electrical Engineering.	Has joined his father in business at 72, Serpentine Lane, Calcutta, as Electrical, Mechanical and General Engineers.
	United Provinces.	Bashir-ud-Din Ahmed.	Municipal and Sanitary Engineering.	Scholarship withdrawn.
	Panjab	Arjan Das†	Textile Industries	Died in England in 1918.
		W. J. Sorby‡	Mechanical and Electrical Engineering.	Assistant Loco. Superintendent, Oudh and Rohilkhand Railway (State). Salary Rs. 460 per mensem.
	Central Provinces.	B. S. B. Bhargava§	Mining	Serving as Mining Engineer under the Gwalior State for establishing iron, cement, marble and other industries, on Rs. 300 per mensem.
	Assam	Kashinath Saikia§	Paper pulp industry	
	Baluchistan	Abdul Ghafoor Khan.†	Electrical Engineering.	Electrical Engineer, Public Works Department, Delhi. Salary Rs. 675 per mensem.
1915	Bengal	Khagendranath Ghose.	Electrical Engineering.	Return not yet reported.
	Punjab	Khalil Ahmed	Metal work	Resigned scholarship.

\* Proceeded to England in 1916.

† Proceeded to England in 1915.

‡ Scholarship kept open until his release from military duty.

§ Was trained wholly in India.

*Statement relating to State Technical scholars—contd.*

Financial year.	Province.	Name of scholar.	Nature of studies.	Occupation after return to India.
1915— <i>contd.</i>	Bombay	R. S. Sathe*	Pressing and refining of castor oil.	Is in charge of the British Indian Oil Mills, Garden Reach, Calcutta, managed by Messrs. M. M. Issatani and Sons, 5, Ezra Street, Calcutta.
		N. G. Bal*	Ditto	Filling in a term to appear for the Bombay Boilers Act Examination.
	Bengal	Birendra Nath Dey.†	Architecture	Failed at final examination for the Associate of the Royal Institute of British Architecture and abandoned his architectural studies.
	Madras	Muliyil Karuven	Higher Electrical Engineering.	Assistant Engineer in the Andhra Valley Power Supply Company, Limited, Bombay. Pay Rs. 400 per mensem.
1916	Bombay	Mahadeo Balkrishna Hudlikar.‡	Tanning and leather manufacture.	A Managing Director in Messrs. Norvikar, Hudlikar and Company, Managing Agents of the Mysocrome Trading Company, Limited, of Bombay. Draws Rs. 750 per mensem.
	Bengal	M. V. S. Bailey	Motor Engineering	
	United Provinces.	Mahesh Chandra Gupta.	Sanitary Engineering.	
		Purushottam Dass Kapur.‡	Sugar Engineering	
		E. C. Gentry	Architecture.	

\* Stipend of Rs. 75 per mensem, granted to enable them to pursue a course of instruction in India for a period of one year.

† Was studying at Glasgow when the scholarship was granted him.

‡ Received preliminary training in India for one year. Mr. Hudlikar proceeded to England in 1917.



*Statement relating to State Technical scholars—concl'd.*

Financial year.	Province.	Name of scholar.	Nature of studies.	Occupation after return to India.
1917	Bombay	G. D. Kelkar	Glass manufacture.	
		N. V. Modak*	Sanitary Engineering and sewage disposal.	
	Bengal	Cyril Pearce†	Railway carriage and wagon building.	
	United Provinces.	Jogesh Chandra Mukherjee.	Tanning.	
	Punjab	Bhagat Madan Gopal.‡	Pottery.	
		Malik Karam Singh ‡	Paper manufacture.	
1918	Central Provinces.	Jal F. Karani	Mechanical Engineering.	Scholarship cancelled.
	Madras	Rama Prasad	Electro-Chemistry with special reference to electric furnaces, electrolysis and the manufacture of fertilizers from atmospheric nitrogen.	
	Bengal	E. C. Barlow	Tanning.	
		J. M. Das	Iron smelting and the working of bye-product coke ovens.	
	Punjab	S. Dogar Singh	Ceramic industries	
	Bihar and Orissa.	Nirendra Nath Ghosh.	Metallurgy of iron and steel.	

\* Awarded stipends of Rs. 75 per mensem for one year for preliminary training in India.

† Scholarship held in abeyance till his release from military duties.

‡ Awarded stipends of Rs. 75 per mensem for one year for preliminary training in India.

## GENERAL DISCUSSION ON THE BUDGET—*contd.*

### FIRST STAGE—*contd.*

**Mr. N. M. Samarth** (Bombay : Nominated Non-Official) : Sir, this year's Budget has been described in yesterday's debate by some as distressing, deplorable, as an Insolvency Budget and so on. I, Sir, am a robust optimist. I see a silver lining to every cloud and I look upon this Budget as a hopeful sign of the times, an indication of coming events, a shadow, if you would prefer to call it, of coming events : and I mean by coming events the days soon to dawn when this House will have complete power of the purse. It is not for the first time that we have been having a long series of deficits. As the House will remember, when the East India Company was made to deliver its possessions to the direct control of the Crown, one of the charges made against the management of the Company was that the finances were so hopelessly bad that it must be a bad Government and must be replaced by the direct control of the Crown. I will remind the House of a speech made by John Bright, the great Tribune of the people and one of the stoutest champions of Indian aspirations in the House of Commons in those days. About the time the Proclamation of 1858 was issued, he made the following observations. Speaking of the East India Company and the management of its finances, he said :

- ' If there were another charge to be made against the past Government of India, it would be with regard to the state of its finances. Where was there a bad Government whose finances were in good order? Where was there a really good Government whose finances were in bad order? Is there a better test in the long run of the condition of the people and the merits of a Government than the state of the finances? And yet, not in our own time, but going back through all the pages of Mill or of any other History of India, we find the normal condition of the finances of India has been that of deficit and bankruptcy. I maintain that, if that be so, the Government is a bad Government. It has cost more to govern India than the Government has been able to extract from the population of India.'

Well, Sir, history is going to repeat itself. In the past, it led, as I have said, to the direct assumption of the possessions of the East India Company by the Crown. I hope that the series of deficits that we are having now will lead to the direct possession of the power of the purse by this Assembly, much sooner than is perhaps fancied by the Assembly. From that point of view, I look upon this Budget as a hopeful sign of the times.

Sir, what is at the bottom of these bad finances? As every one has said, it is military expenditure, the octopus of the Military Department, that is swallowing up our revenues. It cannot last long. We have no power to subtract even a rupee from the Military Budget. Of course, we have been permitted to discuss it; but what is the good of discussing a Budget which we cannot reduce even by a pie? Therefore, the situation is that this House is asked to vote a Budget and to vote taxation upon a basis which excludes from its purview more than half the revenue and expenditure of the Government of India.

Sir, I have been a severe critic in my day of the military policy of the Government of India. I say that crores and crores of rupees are being poured into the military adventure called Waziristan. I know that since 1919 it has been decided to occupy Waziristan and make it into an administrative unit like Baluchistan. The Sandimān policy may have succeeded in Baluchistan on account of the great personality of the man and on account of the peculiar conditions in Baluchistan. But last year, as you know, from November 1920

[ Mr. N. M. Samarth. ]

to March 1921, ten crores of rupees were spent in Central Waziristan. (*The Honourable Sir Malcolm Hailey* : 'Six crores'.) From November 1920 to March 1921, ten crores were spent there. Eight crores besides were added to our expenses on account of the increased pay of the British soldiers which the War Office sanctioned—a sanction over which we had no control and in which we and the Government of India have no voice. That made up 18 crores, which was nearly the amount of the deficit for which we budgeted last year. The whole of it was due to the British Army in India and to this military policy in Waziristan. Whatever may be said about the Waziristan adventure from the military point of view, from the financial point of view, I oppose it; and I take it that I express the sense of the House and of enlightened public opinion, English and Indian, outside this House, when I say that that policy must be abandoned. And what is that policy? Waziristan is a mountainous barren tract of country. Its people are generally unable to maintain themselves; they are war-like and have never owned the suzerainty either of the Amir of Afghanistan or of the British; independent and democratic in their ways and habits of life, they decline to be brought under subjection by any party. The Amir, I think, did a wise thing from his point of view in allowing the British to manage them. The British have pursued the policy of occupation since 1919, and, if I am not mistaken, the idea is that there is a large amount of mineral wealth in Waziristan, oils and other minerals, which have yet to be explored and which will ultimately make the country self-supporting. I consider that a Utopian idea, a dream, a vision, a delusion, a snare, a mirage (Laughter), in the pursuit of which I am not prepared to allow crores and crores of the Central revenues to be sunk.

Another aspect of this military policy is this. I want the Government of India, the Governor General in Council, to be master in its own house. I ask, is the Governor General in Council in regard to the military policy in India master in its own house? I say no, and if I am wrong, let me be corrected. If the Governor General in India is not master in his own house, if our military policy is to be dictated by the Chief of the Imperial General Staff at the War Office in London and by His Excellency the Commander-in-Chief in correspondence with the War Office—it may be, over the head of the Viceroy—then I say, it is a vicious system, mischievous in practice and wrong in conception, and it must be done away with as soon as possible. If the Governor General in Council is responsible in fact and in theory for the whole army organisation and military policy in India, then this House can bring the Governor General in Council to book. But if he is not, it is idle for us to speculate as to what the policy will be; it is idle for us to complain in regard to the policy pursued, and we are absolutely helpless, as helpless as the Governor General in Council probably is in these matters. Take, for instance, the War Office transactions. I have not been able to unravel the mysteries of the War Office transactions in the Military Budget. The House will remember that on the Esher Committee Report I made a point that, if Indian troops are to be sent overseas, every pie spent on them must come from the British Treasury. I was assured by the Honourable the Finance Member that that would be so. I want to know how much the Indian Government has received from the War Office up to now for the overseas troops which have been during the war and since the war engaged outside India. What has been the rate of exchange which has been given to us by the War Office? What has been the loss in those

operations and who is going to suffer by it? Not the Government of India, but the general tax-payer in India; and is it right that that should be so? If that is not right, then surely the Honourable the Finance Member will enlighten us as to what he is doing in order that we may get every pie of what we are entitled to. Then, again, expenditure is, as I said on a previous occasion, a matter of policy. What is the policy which the Military authorities have in regard to the Military organization in India? I was one of those who gave evidence before His Excellency the Commander-in-Chief's Committee of Military Requirements. Well, I have been waiting since then to know what the recommendations of that Military Requirements Committee are. They have gone Home. They went Home to the Sub-Committee of the Committee of Imperial Defence. Mr. Sastri (now the Right Honourable) was appointed by the Secretary of State to be on that Committee. Has he been able to attend any single meeting of that Committee? Who represented the Indian Legislature there on that Committee? Who represented the Government of India on that Committee? Were any representations made to that Committee on behalf of, and with the authority of, the Governor General in Council by General Sir Claud Jacob or were those representations made by him over the head of the Viceroy and the Governor General? Well, Sir, let us know what the policy of the Military authorities is. I understood again when I was in Simla (I hope to be corrected if I am wrong) that a Committee was sitting for some months to devise a scheme for the Indianisation of the Army. What has happened to that? Are you going to Indianise the Army or are you not, or are you going to make us wait till the Greek Kalends for that contingency? As everybody knows, surely His Excellency the Commander-in-Chief must know, when the British Army was first formed, it was officered by what are called 'Black Commandants' in Kaye's 'History of the Sepoy War,' that is, British troops commanded by Indian officers. That policy was subsequently given up and to-day we are told that no such officers can be appointed unless they have gone through a long series of training, which may be 10 years, 15 years or 20 years. I will give the reference to His Excellency the Commander-in-Chief. Let him see Kaye's 'History of the Sepoy War' and see what the organisation of the British Army in India was when the British Army was first formed and by the aid of which the British conquered India. Well, Sir, let us have a policy. Let us know that you are going to Indianise the Army within a certain reasonable length of time. Then, there will be some hope in the country. The people will know that the machine is moving in the direction of making this country a self-governing unit of the British Commonwealth, so that it may defend its own borders. That does mean, with its own officers. If that is not going to be so, then I am afraid the day will be hastened when this House, instead of being merely restive, will be resentful of the disabilities under which it suffers.

Sir, the Honourable the Finance Member said again that, so far as Civil expenditure went, there was not much scope for retrenchment. I wonder what was the good of our debating that Resolution here only the other day about appointing a Committee of officials and non-officials to bring about retrenchment, if that is the state of things. I decline to believe, Sir, that no effective retrenchment or substantial retrenchment is possible even on the Civil side. I fail to see why establishments are still entertained as they were in the pre-Reforms days in regard to subjects which have been provincialised, which are transferred subjects now in the different provinces. 'Education'

[ Mr. N. M. Samarth.]

is a transferred subject, 'Agriculture' is a transferred subject. 'Industries,' I was here reminded by the Honourable Mr. Chatterjee, the Secretary, the other day, is a transferred subject, and yet the old establishment is there, as though nothing had happened, and as though no reform had taken place and no provincialisation of these subjects had taken place. Well, Sir, there is a great deal of scope for retrenchment there at any rate. There is a great deal of scope, if the Honourable the Finance Member so chooses, in retrenching the higher staff. There are Secretaries, Joint Secretaries, Deputy Secretaries, Under Secretaries and so on. The Government of India Act of 1915 laid down certain appointments as reserved only for the Indian Civil Service. The Government of India Act of 1919 removed from that list many of the appointments and yet perhaps you find the same number of officers there, engaged perhaps under different nominations. Well, there is a Joint Secretary, Additional Joint Secretary, Deputy Secretary, Additional Deputy Secretary, and so on and so forth. Has there been any earnest effort made to bring about a substantial reduction in that respect in accordance with the spirit and the letter of the Government of India Act of 1919?

There is another point, Sir, so far as the Civil administration is concerned. There was a Resolution moved by my friend, Mr. Jamnadas Dwarkadas, the other day about Indianisation of the Services. Well, what is the Government of India going to do in respect of that? Surely, one way of bringing about economy and retrenchment is to Indianise the Services. I mean by Indianisation of the Services the stoppage of recruitment in England for all these Services, throwing open the door for recruitment to Indians and domiciled Indians and all those who have settled in this country in order that the Services may be Indianised. That will lead to economy and a great deal of retrenchment. It is no use, when the Resolutions are moved, telling us that the Government sympathise with those Resolutions and then afterwards, on account of over-work, probably sleeping over those Resolutions. Effect has to be given to them, and, if the Government of India is in earnest about it, let them take us into their confidence, let them take this House into their confidence, and tell them what steps from day to day, from time to time, they are taking in these directions. Unless these things take place, there is hardly any hope of the finances improving.

Sir, I do not now wish to go into the reasons which have compelled the Honourable the Finance Member to bring about this Budget. It will be remembered that last time, when the Budget was under discussion, when the Finance Bill was under discussion, I was one of those who requested this House and the Honourable the Finance Member to raise the import duty from 11 to 12½ per cent. and I protested against 1s. 8d. being taken as an average of exchange. (Hear, hear.) Of course, the House at that time was not inclined to listen to what I considered a reasonable demand. (*Mr. Jamnadas Dwarkadas* : 'Except the Bombay Members'.) Yes, except the Bombay Members to whom it was as clear as daylight what was going to happen. But, if our suggestions had been accepted at the time, then much of the difficulty, at least a great portion of the difficulty under which the Finance Member laboured in framing this Budget this year would have been removed. Well, it is no use crying over spilt milk, but here is the Budget with a heavy deficit of 31 crores for next year, with an indefinite liability for Waziristan.

If I am not mistaken, the policy of the military authorities is to spend about 8 crores per annum in Waziristan for another five, six or ten years before they think they can occupy it completely and make it an administrative unit. This House is not going to submit to that sort of drain on our resources. As I have already said, the Honourable the Finance Member could have, if he so choose, put his foot down, as one of his predecessors did, upon this adventure. Sir Auckland Colvin, one of his predecessors, as Finance Member, predicted that an increase in the British Army and Indian Army over the maximum that was laid down by the Simla Army Commission of 1879 was bound to lead to adventures on and beyond the frontier, on the part of the military authorities, and he protested against it on two grounds: first, that it was not needed in Indian interests; and secondly, if it was needed at all, it was Imperial interests that were concerned, and consequently Indian revenues should not be taxed. I pointed that out on a former occasion.

I again come to that point, Sir; I say, if, from the military point of view, you think that this policy which you are pursuing is necessary, then right along from the North-West Frontier down to the frontier down below all the expenses which are needed for that, the whole of that military expenditure should be shared between the War Office and this country. It is not purely in Indian interests. It is in order to prevent foreign aggression on India. If foreign aggression is to be prevented on India, it is as much the interest of the United Kingdom to see that India is saved to the United Kingdom as it is the interest of India to see that it prevents foreign aggression. His Excellency the Commander-in-Chief says 'No'. He nods. I must say, if that is not going to be so, India is not going to submit to this extra taxation. Where would England be without India, and I ask also where would India be without England? Our interests, the interests of both, are interlinked, interlaced, and, in a matter of this kind, it is not purely India's interests that are concerned; it is the Imperial interests that are also concerned and both must share in this extra expenditure and not India alone should be made to bear the whole of it.

Well, Sir, what are we going to do then to bring about pressure to bear on the Government of India in regard to this curtailment of military expenditure? The House will remember, early in the Session I brought forward a Resolution that the Local Governments may be given a voice in the military expenditure of the Government of India. The House was then new, and many of the Members were carried away by the persuasive eloquence of the Honourable the Finance Member when he put it to them: 'Look here, you have got powers under the Government of India Act to control your military expenditure, and you are being asked to give away those powers and relegate them to the Local Governments of the different provinces.' A great many of the Members were, I am sorry to say, deluded by that, and I put it to them that it was not open to us even to discuss, without permission of the Governor General, the Military Budget, and it was certainly not permissible to us to vote on it; and the Honourable the Finance Member said: 'you have got powers in your own right to bring reductions in the military expenditure.' This is what the Honourable the Finance Member said on that occasion:

'The Assembly, according to the Honourable Mr. Samarth, cannot even discuss military expenditure. I think we had to-day a proof that they can at all events enter on

[ Mr. N. M. Samarth. ]

such discussion, and I think we shall find during the Budget debate that their powers of effectively discussing and criticising military expenditure are by no means limited or insignificant. In fact, I myself have no doubt that the Assembly will find that in a short time, as a result of its direct powers of control over civil grants and of its indirect powers of criticism through Resolutions and of its power of refusing to vote taxation that it will have those large powers of influencing our finances which it was intended by Parliament that it should exercise.

I trust that the House will exercise those powers.

**Dr. H. S. Gour** (Nagpur Division : Non-Muhammadan) : Sir, the almost universal congratulations bestowed on the Honourable the Finance Member, and the almost universal condemnation of his Budget are clear indication that, though the Honourable Member's Budget is mathematically right, there is something intrinsically wrong with the policy which underlies it. We have been told that we, the youngest of Parliaments, have shown ability and responsibility in dealing with matters of vital policy. Sir, we cannot justify these compliments which have been lavished upon us by the Honourable the Finance Member than by bringing to bear upon the discussion this morning that ability and independence for which this Assembly has already earned a reputation.

Sir, during the last two years the expenditure of the Government of India has been rising by leaps and bounds, and the Budget figures of last year, compared with the Budget figures of the ensuing year, will convince anyone that the Government of India is suffering from unwonted prodigality. The Government of India could not have been unaware that in doing so they are setting at naught the considered opinions not only of this House, but the considered and unanimous opinions expressed by the financial experts of the civilised world assembled in the International Conference at Brussels, at which the Government of India was adequately represented. Will the Honourable the Finance Member be surprised to hear what were the conclusions of that Brussels Conference? These are not the speeches delivered under the stress of political necessity, but these are the conclusions recorded by the leading financial experts of all the leading nations of Europe and America. In their unanimous report occurs the two following passages which I ask the Honourable the Finance Member to ponder over and reflect on. They say :

'Nearly every Government is being pressed to incur fresh expenditure, largely on palliatives which aggravate the very evils against which they are directed. The country which accepts the policy of Budget deficits is treading the slippery path which leads to general ruin (*the Honourable the Finance Member* : 'Hear, hear'); to escape from that path no sacrifice is too great. (*The Honourable the Finance Member* : 'Hear, hear'.)

I hope the Honourable Member will cry out 'Hear, hear' to my next quotation from the Conference :

'The statements presented to the Conference show that, on an average, some 20 per cent. of the national expenditure is still being devoted to the maintenance of armaments and the preparations for war. The Conference desires to affirm with the utmost emphasis that the world cannot afford this expenditure.'

I pause at this stage for some ejaculation from the Honourable the Finance Member :

'Only by a frank policy of mutual co-operation can the nations hope to regain their old prosperity.'

Then again at page 10 this is what the experts said :

'The country which accepts the policy of Budget deficits is treading the slippery path which leads to general ruin. To escape from that path no sacrifice is too great. It is, therefore, imperative that every Government should, as the first social and financial reform, on which all others depend, restrict its ordinary recurrent expenditure, including the service of the debt, to such an amount as can be covered by its ordinary revenue.'

The Honourable the Finance Member is somnolent :

'The Supreme Council of the Allied Powers in its pronouncement on the 8th March declared that 'Armies should everywhere be reduced to a peace footing, that armaments should be limited to the lowest possible figure compatible with national security, and that the League of Nations should be invited to consider, as soon as possible, proposals to this end.'

Later on, they italicise these words and point out that in no case should military expenditure exceed 20 per cent. of the revenues. Sir, what is the percentage of military expenditure to the revenues of this country? Is it 20 per cent. — the maximum fixed by the financial experts at Brussels? Is it 25 per cent.? Is it 30 per cent.? Is it 40 per cent.? Is it not in the neighbourhood of 50 per cent.? This, I submit, is the crux of the whole question. We live here to feed that all-devouring, all-consuming, that all-desolating Moloch, the Military Department. Year in and year out, we are told that this Department exists from dire necessity. Last year the Honourable the Finance Member, in opening his Budget speech, said, the military expenditure of this country would be justified by His Excellency the Commander-in-Chief. I venture to think that the Honourable the Finance Member was here guilty of a dereliction of duty. It is not for His Excellency the Commander-in-Chief to lay down a policy justifying military expenditure. It is his duty to execute the orders which the Civil authorities give for the purpose for which the military expenditure is voted by the Central Government. I submit, Sir, the question is, therefore, not a question for the Military Department to consider. It is a question for the Civil Government to consider. It is a question upon which the Civil Government must formulate a definite policy. We want an assurance from the Honourable the Finance Member as to whether he is going to adhere to the policy enunciated by the Brussels Conference. Is he going to lay down a policy that no more than 20 per cent. of the revenues shall be devoted to military necessities? I submit, Sir, the question in this case is not what the Military want, but what we can afford to give them. Public opinion in this country has been crying itself hoarse, from the days of the late lamented Mr. Gokhale down to the present time, asking the Central Government to enunciate a definite military policy, but the matter has been permitted to drift. We intend to ask the Honourable the Finance Member to define and declare to this House the policy of his Government on the subject of military expenditure, and unless he does so, we shall feel constrained to use all the constitutional powers which the Government of India Act confers upon us to arrest the further progress of this Budget. Sir, the Budget is presented to us every year, but what is the relation which this Budget bears to the real figures, to the actual receipts? Take, for instance, the gross receipts of the last year's actuals. In the import duties the increase varied from 20 to 50 per cent. My calculations are rough. Increased realisations were below 10 per cent. Now they have been increased from 35 to 400 per cent. in the case of import duty on machinery. The Budget which has been presented to you



[Dr. H. S. Gour.]

expects an increase of about 50 per cent. that is, a rise from 37 crores to 51 crores. Railways increase from 10 to 30 per cent. The actual increase that was realised is  $2\frac{1}{2}$  per cent. The passenger rates are to be now raised by 25 per cent. Expected increase 20 per cent. What will be the actuals I shall presently disclose. Salt: proposed increase 100 per cent.; expected realisations 85 cent. Posts and Telegraphs: increase about 20 to 30 per cent.; net decrease 6 per cent.

Now, the proposal is to increase by 50 per cent. on letters; they expect 22 per cent. increase which, I submit, is impossible. This is an illustration of the doctrine of diminishing returns to which my Honourable friend, Mr. Harchandrai Vishindas, alluded yesterday. The more you tax an article, the more money you expect from it, the more are your estimates falsified and you do not realise up to the expectations made.

Now, Sir, I said that the military expenditure has been growing by leaps and bounds. What about the civil expenditure? The civil expenditure has been running an even race with the military expenditure. In Railways in 1920-21, the working expenses was Rs. 54½ crores; in 1921-22, it rose to Rs. 66 crores; in the next year, the Budget figure is Rs. 68½ crores. Posts and Telegraphs in 1920-21, Rs. 8 crores, in 1921-22, Rs. 9 crores, and in 1922-23, Rs. 11½ crores. Customs Collections charges increased by 20 per cent. Taxes on income increased by nearly 125 per cent. Salt, including the cost of production, increased by 30 per cent. Opium increased by about 53 per cent. Forests increased by about 39 per cent. This enhancement is the second enhancement after the extraordinary additions made to the emoluments of the services prior to 1920-21. In the military we have 7,000 officers holding the King's Commission and an indeterminate number of Indian officers for about 65,000 British troops and 150,000 Indian troops; and it has been said that the post-war establishment is less than the pre-war establishment. Yet what do we find? In 1919-20, the Budget figure was in the neighbourhood of Rs. 45 crores; in 1920-21, it ran up to Rs. 54 crores and in 1921-22, it is Rs. 58 crores. These are the Budget figures. Look at the actuals. Actuals for 1919-20, Rs. 70 crores, for 1920-21, Rs. 68 crores, and for 1921-22, Rs. 62.20 crores. I ask, Sir, in view of these facts, how can we take an assurance from the Honourable the Finance Member that, even after the additional taxation which he wishes to impose upon this country, there would be only a deficit of about Rs. 3 crores? He has already told you that the expenditure on Waziristan is an indeterminate factor. He will come up next year and say that the actuals are as different from the budgeted figures as they were last year and that the deficit is once more somewhere in the neighbourhood of Rs. 40 crores. I ask, Sir, is the House prepared to finance the Government of India at this rate? (Cries of 'No'.) He told us that within the last four years the deficit has been Rs. 90 crores; and if you were to tax your people, tax the necessities, the necessities of the poor, you could raise the sum of Rs. 31 crores. But there is no finality to this taxation. Next year you may have to redouble those taxes. Honourable Members must remember that.

Now, as regards the taxes, I strongly object, Sir, to the salt tax. It has been said by the Honourable the Finance Member that the salt tax works to about three annas per head per annum. But has the Honourable the Finance Member forgotten that even cattle eat salt and that the requirements of cattle

are far larger than the requirements of men? Is the Honourable Member aware of the fact that the salt tax as it exists to-day is the heaviest tax in all the civilised countries of Europe? Let me give him the figures. In 1907-08, France with a gross annual income of £25·7 per head per annum used to pay salt duty per head, in terms of a day's income, half a day's income; Germany with an income of £18·7 paid one day's income. India with an income of £2 paid two days' income. I read this from the proceedings of the Imperial Legislative Council of 1907-08. Is the Honourable Member, I submit, prepared to justify the imposition of salt tax which, as I have said, is a matter of sheer necessity not only with the people but with the agricultural cattle of this country?

Then, Sir, I pass on to the question of the excise duty. In this connection, I commend to the notice of the Honourable the Finance Member the proceedings of 1894 when the cotton duties were for the first time levied upon the product of this country. Honourable Members will find there that the non-official opinion, European as well as Indian, unanimously condemned the imposition of a tax upon its nascent industries and the Government of India itself said that there was no moral justification for the imposition of this excise duty. What the Honourable the Finance Member then said was:

'My Honourable friend, Sir Griffith Evans, describes the power of the Council as free and unfettered and calls upon Members to allow no infringement of that freedom. I cannot help thinking that this attribute of a quite independent power arises in some measure from the fact that the authority which in the United Kingdom is the ultimate deciding power in executive matters is also that which exercises legislative authority. But, as a matter of fact, I do not believe that there is any Legislative Chamber in the world that is allowed to exercise its functions without regard to some other authority superior or concurrent.'

And then he pointed out that he had received the orders of the Secretary of State to impose these duties and he was bound to give effect to those orders; and what was the result? On a division, the motion was carried by one solitary vote; the Honourable the Finance Member will find at page 450 that in a nominated Council of 23 who were present, it was stoutly resisted by all the non-officials, Europeans as well as Indians, and it was carried by one single vote. Sir, I strongly protest against the enhancement of countervailing excise duties, though I join with Honourable Members here in thinking that, if levied, it will not fall upon the capitalist, but will eventually fall upon the poor consumer; but, I submit, the principle is a vicious principle. We cannot permit our young infant industries to be taxed by its own Government. I was interested to read a telegram, which must have amused the Members of this House, the Manchester Chamber of Commerce congratulating the Honourable the Finance Member upon the imposition of these countervailing cotton duties. We have been told that the Central Government has not been inspired by Lancashire to impose these countervailing cotton duties. Well, Sir, I am not in the confidence of the Government of India; I do not know whether these countervailing duties have been imposed on the inspiration of the Secretary of State, but what we do know is that they have led to a sudden jubilation in Lancashire.

**The Honourable Sir Malcolm Hailey:** May I rise to a point of order, Sir? The Honourable Member is, I think, referring to a statement made by me, in which I stated that these proposals were not based on any pressure or suggestion of the Secretary of State. I hope that, after I have repeated that statement to this Assembly, the Honourable Member will withdraw what he

[Sir Malcolm Hailey.]

has just said, namely, that he does not know whether these duties were based on a suggestion of the Secretary of State.

**Dr. H. S. Gour:** I am very glad to hear that, Sir. It is a case of two persons thinking alike. Lancashire says: 'How much we should like to have these countervailing duties,' and my friend, the Honourable the Finance Member, sitting in Delhi, said: 'How much I should like to impose on them.' It is a case of two individuals; two great original minds thinking alike, and we find, Sir, from the telegram which Reuter has cabled to this country that these countervailing duties have received the support of the Lancashire people. I leave the matter at that, though I accept the Honourable the Finance Member's assurance that these countervailing duties have been imposed *suo motu* and not under any pressure or orders of the Secretary of State.

Then, Sir, I pass on to the import duty on machinery which stands upon the same footing.

Kerosene and matches, I submit, are also a poor man's necessity and should not be taxed.

We then pass on to other taxes, or rather to two other increases, the railway fare and the postal rate. I agree, Sir, with the majority of my friends who have spoken on this subject that the large increase of passenger fares, specially in the case of the third-class passengers, should be resisted by this House. So far as the postal rate is concerned, I submit, the matter is one in which the Honourable the Finance Member should allow this Assembly to express itself. We have said so last year, that the post office is a matter of public convenience and a small deficit should be worked off by increased retrenchment in the expenditure. I suggest, therefore, Sir, that the Honourable the Finance Member would be well-advised in re-casting his Budget in the light of the observations made by the Members of this House. We are prepared to assist the Government, but, at the same time, the Government must realise that we have also a duty towards our people. The Honourable the Finance Member in his Budget speech has stated that we had not incurred any fresh expenditure, but he has avoided mentioning as to what he has done to curtail the existing expenditure. Honourable Members will remember that last year, when we delivered our Budget speeches, we made it abundantly clear that we protested against the increased and increasing expenditure, and we said that we gave our consent to the first year's Budget on the clear understanding that the Government should bring into existence a general Retrenchment Board and cut down expenditure. What has been done? When a Resolution was moved in this Assembly, it was stoutly resisted by the Government of India. When the Resolution was moved in the other Chamber, it was resisted and defeated. It was only under the pressure of this House that a Retrenchment Committee is about to be appointed, but its constitution is still obscure. The Honourable the Finance Member has, no doubt, stated that it will deal with civil retrenchment extending only to Rs. 20 crores. The Honourable Members of this House must make it clear that this will not answer the purpose. What we require is general retrenchment: the super-axe must be applied to all expenditure, whether civil or military. It is that which this House requires. It is not merely cheese-paring with the Civil Departments of the Government of India that this Retrenchment Committee was sought for. What we wanted was a complete

revision of the expenditure of the Government of India. Is the Honourable the Finance Member prepared to constitute such a Committee?

Well, Sir, I shall only take one minute more to explain to the Honourable the Finance Member that he was one of those who strongly resisted the attempt made by a Member of this House to bring the Military Budget under the vote of this Assembly. He quoted chapter and verse, interpreted it in his own way, and, when he found that he was confronted with the adverse vote of this House, his Government consulted the Law Officers of the Crown, and they have decided that this Assembly has neither the power to vote nor even to discuss military matters without the permission of the Governor General. Honourable Members here are aware of the fact that the late Imperial Legislative Council was free to discuss the whole Budget as a matter of right and not as a matter of annual concession by the Governor General. Let them remember that this interpretation of the Government of India Act deprives this youngest of Parliaments of the right to discuss military matters, which the unreformed Imperial Legislative Council could discuss as a matter of right. We come here by the leave and licence and by the permission of the Governor General in Council (*Voices*: 'No, no'), by the permission of the Governor General, to discuss these matters which were open to free and unfettered discussion by the late Imperial Legislative Council. This is the effect of the Reforms ('Shame'), and yet we are told that this youngest of Parliaments possesses constitutional powers which will influence the decision of the Governor General in Council. Well, Sir, these discussions by the late Imperial Legislative Council and by the present Assembly have been annually directed against the increase of the military expenditure. Let us hope that the Honourable the Finance Member will at any rate take this year our decisions seriously and apply his own shoulder to the wheel of real and permanent curtailment of all expenditure, both civil and military.

**Sir Montagu Webb** (Bombay: European): Mr. President, before proceeding to discuss the proposals that have been placed before this House for the purpose of carrying on the work of Government during the coming year, I should like to associate myself with those Members who have expressed their sympathy with the Honourable the Finance Member in the extremely difficult and unpleasant position in which he now finds himself. I may perhaps be permitted to remind Members that I took an active part in the controversies which raged 30 years ago and which were caused by the amazing rise in the value of gold.

I held in those days that there was nothing wrong with the rupee, that there never was anything wrong with the rupee. And there is nothing wrong with the rupee now. When the value of gold commenced to fall, I agreed with the recommendation of the Fowler Committee that the time had come when India might appropriately adopt a gold standard and a gold currency, and from that time I continuously worked in order to secure for this country that best possible of monetary tools. I think too, I can claim responsibility for the appointment of the Chamberlain Commission in 1913, and for the change of attitude on the part of some people at Home towards India, the change of financial and currency attitude which the recommendations of that Commission brought about. I merely mention these facts now, Sir, in order to recall to Members' minds that I have for the last 30 years played a continuous and active part in the financial and currency deliberations in this country, and, with that experience behind me, I say

[ Sir Montagu Webb. ]

unhesitatingly that the difficulties, the financial and currency difficulties, which were experienced in the past, and which were regarded as very serious indeed by the Financial Members and by the Governments of those days, were mere child's play compared with the unprecedented complications with which we now find ourselves faced. (Hear, hear.) It is for this reason, Sir, it is because the difficulties which the Honourable the Finance Member has now to overcome are of an unparalleled magnitude and are wholly without precedent in the world's history, that I urge that we should avoid all barren criticism and should unite in a sympathetic understanding of the true position in order that we may give to Sir Malcolm Hailey and to the Government of India every possible assistance in our power. (Hear, hear.)

Now, Sir, let me recall one or two facts. I confess to some amazement that hardly any of the Honourable Members who have already spoken on the Budget, have referred to the war. We have passed through the most appalling and certainly by far the most expensive struggle in human history. In that struggle, India with the aid of the British Empire was able to resist all attacks upon her. She put forth her best and gave of her best. Now, in the progress of that war, owing to the demands of the war, and owing to the vast creations of new money essential to engineer victory, there has been brought about an increase of prices all over the world—an enormous increase of prices. The increase has been less in India than in Europe, but still it has been very serious in this country. That rise in prices has brought some few people great fortunes, but to the majority of the people of this country and to the Government, and in particular to Government servants on small pay and to everybody else on small pay (*Dr. H. S. Gour*: 'Like Members of the Assembly'), this rise in prices has been nothing short of a calamity. (*Mr. Jamnadas Dwarkadas*: Prices are going down everywhere, but they are rising in India.) The fall in prices which has commenced in the United Kingdom has, I do not think, yet been generally reflected in India, but the rise of prices in India as compared with the level of pre-war days, has not been nearly so great as it has been in Europe. That rise in prices has of necessity involved greatly increased expenditure in all directions,—greatly increased expenditure for everything which Government has to buy, and greatly increased wages for all Services. Also, there is the consideration that we have to meet the interest charges arising out of the war loans. We have to meet the expenses of pensions for the families of those Indian soldiers who have fought and died during the war. Can we be surprised in view of the great increase in prices, of these additional charges for interest, for pensions and other expenses, that the Budget figures have recently gone up year by year and that they are now getting on for twice what they were before the war commenced? Surely it is hardly fair to attribute these increased figures to the carelessness or the neglect of the Finance Member and of the Government of India.

I have been trying to make some effort to discover exactly how far prices have risen. In the last report published by the Government of India, I find that the increase of prices of ten selected foodstuffs between 1913 and 1920 has been approximately 87 per cent. I find that the increase in prices of cotton, jute and sugar has been about 67 per cent. whilst the increase in prices of coal, iron, kerosine, and grey cotton goods has been about 152 per cent. It is difficult to determine exactly what the average advance has been, but if

is certainly over 60 per cent, and it is possibly over a 100 per cent. I think we should be right in computing that prices have gone up very nearly a 100 per cent. We cannot feel very much surprised, therefore, if the expenditure of Government has very considerably increased also.

Now I come to this year's Budget statement. So far as the figures for the current year are concerned, there is a terrible deficit,—34 crores. My Honourable friend, Dr. Gour, spoke as though the differences between the figures of Estimates and Revised Estimates were the direct consequence of the Finance Member's stupidity or neglect or ignorance. But, I submit, that an examination of these figures will show that this deficit has very largely arisen from causes entirely outside the control of the Finance Member or the Government of India. The expenditure has increased, the revenue has gone down. If we look to see exactly where the chief falling off in revenue has been, we find that Railways and Customs are chiefly responsible. I need hardly remind Members of this House who are familiar with trade and commerce, that the cause of this falling off is bad trade and nothing else. Bad trade is not confined to India. Bad trade is at the present moment unfortunately prevalent throughout the whole world, and it is extremely difficult to say exactly when the recovery will take place. That explains the falling off in the revenue. The increased expenditure last year has mainly arisen from the adjustment in the Exchange figures.

The Budget was calculated at 1 shilling 8 pence,—that is, the Home Charges. I cannot, I must confess, utter a single word of defence for that figure or for the policy which the Government adopted last year in the sale of Reverse Councils. I think the policy and the estimate were wholly wrong. But the fact has to be faced; and the deficit in exchange arising very largely from the facts that trade has not yet adjusted itself, that India has not been able to sell its products, that there is no outside demand for rupees, and consequently the sterling value of the rupee has not increased—that too is partly responsible for the heavy loss in Exchange.

Now, let us take the Budget for the coming year. In the first place; leaving the details aside, the Honourable the Finance Member has budgeted for a deficit of 2½ crores. Now while congratulating the Honourable Member upon his courage in putting forward so highly unpopular a Budget, I must say that for my part I do not consider that we should budget for a deficit at all. I think that any deficit is a danger, a very great danger which is likely to wreck the whole of our finances and bring us completely to grief. For the benefit of some of those Members who may not be familiar with the operations of the currency I will explain that if Government's expenditure exceeds its income, there are only three ways by which the deficit can be made up. Government can put into circulation a lot more of paper currency. They can borrow the money and repay the loan later, or they can allow the deficit to drag on or debase the currency in some other way. Whichever course is adopted, the tendency is to produce a rise in prices. If more currency be created, the rise in prices would certainly be most severe. A loan may tend to cause a rise in prices, but it is not so bad as adding to our currency. Most of the difficulties from which we now suffer are due to a rise in prices. A great part of the Military Budget, of the increase in the Budget—has arisen owing to the increased cost of maintenance of the Army which certainly has not arisen owing to the multiplication of the Army. That has largely arisen owing to the general advance in prices which in itself is largely the vicious outcome of

[ Sir Montagu Webb.]

financing ourselves by the aid of further issues of paper currency. I think the Honourable the Finance Member himself explained that out of the 90 crores, the deficit of the last four years, about 37 crores have been obtained by the issue of fiduciary currency,—notes the only backing of which is our own I. O. U's. This, of course, is the very worst financial policy imaginable (Hear, hear), but there was no other alternative at the time. For that reason I most strongly deprecate budgeting this year for a deficit. We must, I submit, by hook or crook, make revenue and expenditure meet.

Now, the problem is, I confess, a very, very difficult one,—the problem is how to do it. The first portion of the Budget, to which I naturally look is the Expenditure side, and I ask myself how can the expenditure be cut down. Now, as a matter of fact, notwithstanding the figures quoted by my Honourable friend, Dr. Gour, as far as I am able to make out, the proposed expenditure this coming year is practically identical with the actuals of the current year. We are not budgeting for any increased expenditure at all. The military expenditure is, as a matter of fact,  $4\frac{1}{2}$  crores down for next year on the actuals of the current year. But we are still left asking ourselves, how can our expenditure be reduced? Now, I confess a very considerable sympathy with my Honourable friends who have complained of the magnitude of the Military Budget. Those for whom I speak are like myself convinced that the military expenditure is now greater than this country can afford (Hear, hear), and the problem we have to consider is how that item in the Budget can be reduced. Now, I cannot myself lay claim to any technical military knowledge, but I can give utterance to the conclusions of those with whom I mix and who feel that the military expenditure is heavier than we can bear. Now we look at the expenditure of pre-war days, 1912, 1913 and 1914 and we there find that the total Military Budget came to approximately, let us say, 30 crores. Now, let us admit that the prices have risen 50 per cent. Very well, if we have a military organisation of the same size as before the war, ought we not to get it for 45 crores? Even if we allow for the additional cost of inventions and new weapons of war which have come into use since the Great War, even if we make some further allowances and make 45 into 50 crores (Dr. Gour: 'No, no') (*An Honourable Member*: 'The Meston Committee fixed it at 43 crores'). (*An Honourable Member*: 'After War recommendation is 43 crores'), surely we ought to be, —so it appears to non-military minds like mine,—surely we ought to be able to secure the same military organisation or an organisation of similar efficiency for 50 to 60 per cent. more than what we paid in 1913 and 1914. But even then, there is another consideration, and it is that which was referred to by my Honourable friend, Mr. Harchandrai Vishindas. We who have been in this country a good time remember very well that the Indian military machine was designed first and foremost to resist an invasion from the North-West by a foreign power. The whole of the policy on the Frontier, the whole of the locations of the military machine, were designed with the object of resisting an attack by a first class power. Now, we all feel that the danger of that attack at any rate has disappeared (Hear, hear,) and we feel that there does not exist any other danger at the present moment of a similar magnitude; and it is for that reason that we cannot help feeling that the 30 crores of 1913-14 (*A Voice*: '26 crores') should not be necessary at the present day,—that 30 crores increased, let us say, to 45 or 50 crores, even that expenditure should not be necessary at the present moment. (Hear, hear.) And it is for that reason that I hope, and,



I speak on behalf of a large section of the European community, that the Government of India will be able to find means for reducing this item in the Budget.

The next item upon which a considerable book loss is incurred is Exchange. But before I depart from the Military Budget, I should like to raise one further point. In looking through the Military Budget I find that the Home charges are converted apparently at 2s., whilst other charges are converted at 1s. 4d. in certain commercial departments. The result of entering the military charges at 2s. is to reduce the military expenditure by a crore and a half, so that it appears to me that the military expenditure budgeted for in the coming year is really a crore and a half greater than appears on the surface, because 1½ crores have disappeared in the Exchange account. That, I think, is a pity. I think that this Exchange account should be split up, and the losses on exchange should be carried to every department of Government to which they properly belong just as has been done in the case of Posts and Telegraphs.

With regard to Exchange, the book loss is enormous. The figures entered in the 1922-23 Budget is in the neighbourhood of ten crores. This leads me to ask if nothing can be done and if the resources of Government are exhausted in the matter of our foreign exchanges. I submit that for us to sit here with our hands folded and say that foreign exchange is a problem entirely beyond our ken and which experience has shown us we had better leave alone, would be to adopt a policy calculated to bring about a deficit of another 34 crores next year. I see nothing whatever at present to keep the rupee above the value of its sterling equivalent as metal. In other words, the rupee, if we let things slide, may quite conceivably be a shilling or 1s. 1d. next year. And then, should that occur, Heaven protect the Finance Minister who brings forward a Budget based on a shilling rupee.

Now there is one way in which this loss can be partly met, and that is by the imposition of an import duty on silver. I speak with 30 years' experience of currency matters behind me, and I confess to a feeling of amazement that Government should have neglected to take the opportunity of collecting a few crores on recent imports of silver. I am very very familiar with all the arguments that have been used for and against this duty, and I must say that my conclusion is that the duty is thoroughly sound and ought never to have been taken off. Anybody who takes the trouble to read the debate last year can see what a sorry mess was made of the whole subject. The imports of silver during the last 11 months amount to practically ten crores of tolas and I am credibly informed that there are millions sterling worth of silver on the way out now, all of which must, in the present condition of our foreign exchange, further add to the chaos in which we find ourselves. Seeing that we are faced with this deficit, and seeing that in my opinion there is no sound argument against an imposition of a duty on silver, I strongly urge that the old 4 annas rate be restored. (*Mr. Jamnadas Dwarkadas*: 'What about the Babington Smith Committee Report?') I have often read the Babington Smith Committee Report and it rightly and wisely recommended that, if possible, the duty on the precious metal should be removed, but the Committee very wisely added that this can be done only if the financial conditions of the Government of India permit. I strongly urge that this duty should be reimposed. I would go so far, in order to meet the objections of the Bombay bullion market, as to recommend that with a view to see that no injury is done to that market,



[ Sir Montagu Webb. ]

Government should consider the feasibility of a drawback or bounty on export, so that if at any time it becomes necessary, in connection with the trade with China or elsewhere, or in connection with the state of the foreign exchanges, for India to export silver, then let the export receive a refund of the amount of the duty that was paid on the import of an equivalent amount. In this way the only silver which will have to pay duty, will be the silver which is actually used in the arts, and that metal, I consider, is a most suitable subject for a duty.

Now, Sir, I come to the question of the other side of the Budget—the income. I have no objection whatever to any of the taxes that are now proposed except perhaps the one on machinery. Several Members have called out loudly that certain of the taxes will fall on the poor consumer. Good Heavens! Whom do we expect these taxes to fall on except the consumer? There is no peculiarity about the excise on cotton goods. That duty, of course, will fall on the consumer, and I may add that if it is not imposed, the money will go into the pockets of the Indian mill-owner. That is perfectly certain. I see not the slightest objection to the proposed excise duties. My friend, Sir Vithaldas Thackersey, stated yesterday that no country in the world imposes an excise duty on cotton goods. (*Sir Vithaldas Thackersey*: ‘On their own production.’) I think that, if Sir Vithaldas Thackersey will examine the Japanese finances, he will find there is at this moment a ten per cent. duty on textiles manufactured in Japan.

**Sir Vithaldas D. Thackersey**: What is the import duty?

**Sir Montagu Webb**: I cannot tell you at the moment.

**Sir Vithaldas D. Thackersey**: It is 30 per cent.

**Sir Montagu Webb**: It may interest you to know that, according to the official information in my possession, the excise duty, that is to say, the consumption tax, as it is called in Japan, is paid *in addition to the import duty*.

**Mr. Jamnadas Dwarkadas**: But refunded when the article is exported, in order to encourage exports.

**Sir Montagu Webb**: I should raise no objection to a refund of the Indian cotton excise duty on exports, because that would be quite fair. There is an objection, however, I feel to the duties on machinery. The strong feature about the Honourable the Finance Member's proposals is that the taxes will be paid by consumers. That is right and proper.

But I think there are great objections to taxing capital and enterprise. The machinery which is imported into this country is for the most part required on capital account in the building up of new industries, and for that reason I would urge that a way should be found so that the duty on machinery should not be increased. I think at present it is 2½ per cent. (*A voice*: ‘Yes.’) My friend, Mr. Darcy Lindsay, suggested an expert Committee to devise new forms of taxation. (*Laughter*.) It is not a kind of thing that anybody would welcome, but there is no necessity, I think, to appoint an expert Committee. It is only necessary to examine the taxes levied by other countries to find other methods of taxation. I was looking last evening at the taxation in

France, where I find they have a number of duties which we have not yet introduced into this country. I see that as regards the receipt stamp, for example, instead of there being one uniform rate, the stamp varies according to the amount of the receipt, so that a receipt for a big amount pays a big stamp duty. Then again there is a tax on business transactions; one per cent. I find is imposed in France, so that every business transaction that is put through, has to pay Government a tax of one per cent. Of course, it falls on the consumer in the end, but still that is another method of taxation. Then, in France, there is a taxation imposed on the use of electricity. Electricity has not yet very far developed in this country, but I daresay, even in Delhi, such a tax would yield some income. There are various other taxes too in regard to which we might draw a lesson from France if we desire to do so. Then there is the question of a Succession Duty. It has often been spoken of,—a succession duty all-round in India. I am not prepared exactly to say how it could be done, but I should like to see death duties all-round collected in this country, as they are collected in the United Kingdom.

Well, Sir, I must not further occupy the time of this House. I would like just briefly to summarise what I have said. I submit, Sir, that the Budget as it appears to-day is not the product of the iniquity or folly or extravagance of the Finance Member, but that the increased figures have been brought about very largely by the Great War,—by the increase in prices caused by the war, and by the pensions; and by the interest that we have to pay on the outstanding war and other loans. The figures are high; they are deplorably high; they are so high that I am doubtful how far the country will be able to bear them. But I see no easy way out of the difficulty, and I do not think we should be consulting our dignity or should be adding to our credit if we merely refused to vote the taxes because they are high. I think Government have heard very pointed expressions of opinion in regard to the Military Budget, which I am quite sure will yield fruit. In conclusion, Sir, I would say that the Honourable Finance Member himself draws our attention to the fact that our difficulties arise more largely from difficulties outside India than from difficulties inside India; and he concluded with the words:

‘We must move in line with the best thinkers of the outside world in seeking the remedy; and the one solution which they can indicate for the difficulties in which State finance now everywhere finds itself is the deliberate attempt at any cost and at any inconvenience to make revenue meet expenditure.’

Now I would prefer to put it the other way (Hear, hear), namely, that we must strain every nerve and every muscle to keep down our expenditure to the figure that we can bear. (Applause.) If the Honourable the Finance Member and the Government of India will take this as their motto in the year before us, I feel quite certain that this House will do all in its power to help the Government to overcome the very serious difficulties that are now before us. (Applause.)

**Mr. J. P. Cotelingam** (Nominated Indian Christian): Sir, in the course of the debate yesterday and to-day many compliments have been paid to the Honourable the Finance Minister, but many more missiles have been hurled at him, and there has been more heat displayed by some Honourable members and less light thrown, upon the various questions that have come up for discussion. As has been pointed out, we are face to face with a large deficit;

[Mr. J. P. Cotelingam.]

and this deficit is not entirely to be attributed to the way in which the finances of the country have been managed. Of course, Sir, it is a well-known law that 'the general custodians of the finances of the State are the Government; and the primary duty of the Government is to see that no policies are launched or maintained that over-tax the resources of the State. If expenditure should outrun income, the responsibility must necessarily lie with the Government.' But, as we all know, there have been many extenuating circumstances. It is the aftermath of the Great War that is responsible to a very large extent, for much of the trouble that we are in to-day. The general trade depression must account for a great deal of our financial troubles. It is the bankrupt condition, the unrelieved hopelessness in the financial position of many a country in Europe with which India has been dealing that is largely responsible. But it is a matter of congratulation to know that, although we have been brought into the whirlpool of world-financial troubles, we are able to lift up our head.

I will not, Sir, go into the question of the Exchange problem, as so many of those who preceded me have dwelt upon that subject. I need hardly remind the House that it is an international problem,—complicated, as it is, by the interaction of various circumstances. I will not therefore enter into the question of the Reverse Councils, for that matter was sufficiently dealt with when we met about this time last year, and there is no use crying over spilt milk. The most important matter in connection with the Budget which is before the House is the military expenditure. I do not think that the Assembly takes serious exception to the maintenance of the present strength of the Army, as it does to the military expenditure. I would like to know how that military expenditure can be kept down when, in the present political situation, we are confronted with foes within and foes without. No one at this critical time can think of reducing the strength of the army, or the strength of the British section of that army in its relation to the Indian. If the country was in a state of comparative peace and tranquillity, if the peace of the country had not been disturbed as it has been for some time past; and if non-co-operators, in trying to hasten the pace of the Reforms unduly, had not been carrying on a propaganda which is detrimental to the best interests of the country, I think, Sir, we should not have found it necessary to maintain the present strength of the army. But we have to do it, for we are face to face with circumstances that compel us to see to it that the strength of the army is not reduced. For, within the last few years, our troops have been frequently called to help the police. If we do not maintain the army at its present strength, we shall be compelled to strengthen and to greatly increase our police everywhere, and also to maintain a reserve police force, so that law-abiding citizens may be protected from molestation caused chiefly by the non-co-operator who is abroad to-day. But, Sir, I am not of the opinion that no retrenchment whatsoever can be made in the Military Budget. Yesterday more than one speaker drew pointed attention to the plague spot in military administration, namely, the Supply and Transport Department. That is not a matter of yesterday or of to-day. For many years past there has been a cry in the country against the great leakage in the Department. The country does not object to any benefit which is derived from the Department by the soldier or the sepoy; but to the unfortunate situation that it is the contractor who is most enriched by the way in which the Department is controlled. The remedy lies not

simply in the exercise of a strict control, but of a very severe control, so that all leakage may be stopped.

In connection with the military expenditure, I, as well as other Members of this House, would like to know how long the Waziristan expedition is to go on and if it is the policy of the Government to occupy Waziristan permanently or is our occupation to be ended as soon as possible? There is, Sir, a silver lining to every cloud, and I hope the House will be given some assurance by His Excellency the Commander-in-Chief or the Military Secretary that the operations to Waziristan will not be allowed to unnecessarily burden the tax payer. The expenditure on account of our Frontier Policy is the white elephant in our Military Budget.

I would now, Sir, make just a few observations, in the limited time that is at my disposal, on the recommendations made by the Finance Member with a view to meeting the deficit. The first item to which I would like to draw the attention of the House is the proposed tax on machinery. It is one that is sure to retard production and to injure the industries of the country. And as mill-owners and others who have to import a large quantity of machinery have also other taxes to pay, I for one would like to see the proposed increase in the import tax removed. If it must be raised at all, I think that the increase from  $2\frac{1}{2}$  per cent. to 10 per cent. is too high. It would be a great relief if it were only raised slightly, say, from  $2\frac{1}{2}$  to 5 per cent.

The next item is the increase of the salt duty. One Honourable Member pointed out that the salt duty should not be enhanced for the reason that the bulk of the people who use salt are vegetarians. Vegetarians or non-vegetarians, it will certainly be a hardship to raise the duty on salt. At the same time, it has to be remembered, Sir, that at one time the salt duty was much higher than what it is now proposed to impose, and at the time it was reduced it was considered that it might be necessary to raise it again if circumstances demanded such a course. I am not sure that the poor—about whom we have heard so much in this House—are so poor, that they cannot afford to find the small extra sum required of about three to four annas to meet the extra cost.

I for one should regret to see the disappearance of the quarter anna postcard and the half-anna postage stamp. Here again, Sir, we have been told that it is the poor who will be hit. I am not quite sure if it is the poor that largely contribute to our postage revenue. The Postal Department is a Commercial Department and it is bad policy to see that the Postal Department does not raise the revenue that it requires for its management and maintenance. Until last year almost all the lower officials in the Postal Department were very poorly paid. They have had heavy responsibilities thrown upon them, heavy duties to discharge, and we had the luxury of a cheap postage system, the quarter-anna postcard and the half-anna postage cover. But as the officials of all grades in the Postal Department have, like other services, had their salaries raised, so that they may be able to do their work more efficiently, the time has come when Postage revenue has got to be raised to some extent. The labouring classes have had their wages increased, not 50 per cent. only but in several cases cent per cent. The average agriculturist has also improved, for his products command a larger sale in the market than they used to at one time, and, if the labouring classes have had their wages increased and the agricultural classes get better prices for their agricultural products, there is no reason, Sir,

[Mr. J. P. Cotelingam.]

why there should not be some increase in the revenue to be derived from the Postal Department.

I now come to the Income-tax proposals. One anna and six pies has been recommended as the tax to be levied on an income of Rs. 40,000. Here, Sir, I think there is no reason why some additional income may not be raised by a rise from Re. 0-1-6 to Re. 0-2-0 in the rupee if we remember the fact that in Great Britain the taxes on income are much higher, and I would, if the Honourable the Finance Member would agree, propose the inclusion of a few grades between incomes above Rs. 10,000. As recommended, a tax of 6 pies in the rupee is leviable on a total income rising above Rs. 5,000 and going up to . . . .

**Mr. President:** Order, order. The Honourable Member should reserve his remarks in detail till we come to the Finance Bill.

**Mr. J. P. Cotelingam:** I would ask for the inclusion of two grades in those recommended under Income-tax, so that a little more income may be made from that source.

Coming, Sir, lastly, to the question of the raising of the Railway passenger rates, I should like to point out, as several Members have done already, that it was only recently that the rates of first and second class passengers were raised, and, if it is absolutely necessary that additional income should be derived from this source, I hope, Sir, some relief may be given by the re-introduction of the old return concession tickets that we used to have. I should like the ordinary third class passenger rates stand as they are and the third class mail fare increased. If some such relief is given, the proposal to increase the Railway passenger rates may not be objected to.

**His Excellency the Commander-in-Chief:** During this debate almost all Honourable Members have criticised the military expenditure, some of them from the point of view of policy and others from the point of view of detail. Now, later in this debate, the Army Secretary will deal with those points which refer to administrative details, and I propose myself to confine the remarks that I am about to make to the larger question of policy. I observe that some Honourable Members have changed their places and from the side position which they occupy now they have, or some of them have, delivered what they call side attack against the Army or against the Army expenditure. We in the Army usually call this a flank attack and this is often very effective. (Hear, hear.) But on this particular occasion, I propose to counter that flank attack by making a definite and direct offensive (Laughter), because I think at this juncture and especially in this House at the present time we do require a certain amount of plain straight speaking. Since I addressed this House on the subject of the Budget a year ago, I have used every possible endeavour to cut down the expenses of the Army and to reduce the Budget figure to the lowest possible limit. My efforts have been seriously hampered by unforeseen events, and instead of being able, as I hoped, to present a figure which would show a material reduction on last year's estimates, I have had to submit one that shows really no material change. Furthermore, it includes a figure, which, as the Honourable the Finance Member has already told you, can only be considered as tentative in reference to Waziristan and which may possibly have to be increased. This is, however, a matter, to which I shall again

refer, but I may say now that it is under consideration. The details of the increases and decreases have already been summarized in a Memorandum which has been laid before the House and will be referred to by the Army Secretary later in this debate. But there are certain points in connection with that Memorandum which I should myself like to emphasize as much as I can.

Owing to unforeseen and to unforeseeable conditions, such as the rise in prices of food and clothing, and of other military necessities, together with a large increase in the railway charges (for it must be remembered, Sir, that the cost of all movements of troops to deal with civil disturbances or riots are at present charged against the Army vote), the economies which I would otherwise have been able to effect in the reduction of the military works programme, in the charges for our Army Headquarters Staff, and the re-organisation of artillery and cavalry, have, I am afraid, been completely swallowed up. Had it not been for these rises in prices, etc., I should have been able to show to the present Assembly a figure that would have been a considerable decrease on last year's Budget, especially in regard to the established charges. But, even as it is, notwithstanding the adverse conditions which we have been forced to meet, it has been possible to submit a total figure very nearly the same as that which was presented last year. And, in order to accomplish this, Sir, it has been necessary to postpone for another year practically all the purchases of equipment in the shape of the latest pattern guns, armoured cars, machine guns, etc., which are so urgently needed in order to bring the Indian Army up to the high standard of modern efficiency which I know the House desires, and to give to the Indian soldier, when he goes into action, every help and assistance that modern mechanical invention can provide. For I hold strongly, and I think the House will agree with me, that it is not fair to ask the sepoy to-day to go into action and to fight our battles on the frontier and elsewhere with anything less than the most up-to-date equipment (Hear, hear); but the financial stringency this year is such that I have been obliged to postpone the purchase of this expensive equipment for another twelve months. It has likewise been necessary to completely close down the building programme for new barracks, notwithstanding that, as many Honourable Members know, and some of them have seen, the barracks in which we are obliged now to ask our soldiers to live are shamefully out of repair and urgently need reconstruction. Funds, however, are not available this year to carry out such new work, and though we have retained enough money to complete such work as has already been commenced, and to carry out the maintenance of repairs, the programme of new expenditure has had to be postponed for another twelve months.

Economies have also been effected by the re-organisation of artillery, by the amalgamation of cavalry units, and by the reduction of staff, and I would add that a strong Committee of the Government of India will shortly be assembled to further examine the *personnel* of both the Headquarters and other staffs, with a view to ascertain if further reduction can be made in this direction.

I had hoped that my efforts in the direction of economy would have provided considerable reduction in the total figure of established charges of the Army, and it is therefore somewhat disappointing to find that, notwithstanding all my efforts, the Budget figure still remains at 62.18 crores. Though I do not for one moment contend that we have reached the utmost

[ His Excellency the Commander-in-Chief.]

limit of economy in the administration of the Army, I do say that no considerable reduction can be effected in future years without reducing the actual fighting strength in the shape either of regiments, battalions and air units; and for the moment, at any rate, I cannot contemplate any such reduction in the strength of the fighting army. For remember, Sir, that, compared with our pre-war army in 1914, we are at the moment some 29,000 men below establishment, including temporary shortages; and that our permanent reductions have been made on the assumption that our post-war army would be provided with all the latest developments of armaments which have come to light during the Great War, and in the mechanical contrivances to assist our troops. It is true that we have already an Air Force in being, and I should not be reluctant, if money were available, to increase that Force. But it is not possible at the present time, and we are still lamentably below our minimum of requirements in guns, in tanks, and in machine guns.

The conditions on which our previous reductions were originally based have not therefore been fulfilled, and it will be at least another twelve months before these deficiencies can be made good.

That we can make no reduction in fighting troops is therefore my definite and considered opinion at the present time. This conclusion has been forced upon me by the general state of unrest in India to-day. When I look at the internal situation at the present moment, I see, firstly, seditious propaganda being circulated broadcast amongst the population; secondly, the troops are being called out almost daily to preserve the peace and to quell disorders; thirdly, that the Moplah rising which has taken nearly six months to suppress is at least an indication of what may take place in other areas; and fourthly, that the very loyalty of our Indian soldiers is being tampered with by the seditionists, and, I am sorry to admit, not without success in some cases.

With these facts before me, is it surprising that I have come to the conclusion that no reduction of our fighting soldiers is now possible. When the internal situation is quiet, when United India can show that her loyalty and devotion to the British Empire are beyond question, and when those who ought to know better cease to stir up racial animosities, I shall be prepared to consider reductions in the Army, but not before. I should be false to the duty which I owe to this House, as well as to the Government of India, if I agree to reduce the British Garrison below the point which I deem safe; and I say quite candidly that in the circumstances the British Garrison in India is none too large.

The whole strength of the military forces in India was considered last summer, as you know, by the Military Requirements Committee, of which I was the President. The recommendations that we put forward are now before a Sub-Committee of the Committee of Imperial Defence in London. I had hoped that their labours would have been completed before now, but the subjects with which they have to deal are complicated and perplexing, so their deliberations have been protracted, and it will not be for some time yet that they will have reached definite conclusions.

For the present, therefore, I can only counsel patience.

Now, it might perhaps, be argued that though the internal situation is no doubt giving us cause for anxiety and that in consequence we should be



unwise to reduce our internal security garrisons, we now have a treaty of friendship with Afghanistan, and that, therefore, some reduction might be possible either in the field army or in the covering troops. It is quite true that a treaty of friendship has been signed with Afghanistan, though we only came to terms after prolonged negotiations lasting nearly a year. The treaty itself has only been in operation for a few months. I am in great hopes not only that the friendly relations which it secures with our Afghan neighbour will be preserved, but that, as time goes on, they may improve and even develop into closer and more intimate relationships; but it is a little early yet to base a policy of army reductions on so recent a treaty, especially as our relations with the inhabitants of the North-West Frontier have in the past not been marked by long periods of stability. It would, therefore, be manifestly unwise to base our army policy on a friendly agreement on the signature of which the ink has hardly yet had time to dry.

I will now pass on to Waziristan, which claims a large figure in the Budget and which at present, as in the past, gives us cause for considerable anxiety and doubt. In spite of the fact that in 1920 we fought our way to the heart of the Mahsud country and have been in possession of it ever since, we have so far failed to establish peace within that land of *budmashes*. We have, however, succeeded in protecting the peaceful subjects located within our own administrative border from serious raids by the Wazirs. But the occupation of Waziristan, I admit, is costing us heavily both in casualties and in cash. The expenditure during the last 12 months has reached, as you know, over six crores, and from April to December last we have suffered 200 men killed in action, 444 died of disease, and 300 wounded. In this year's Budget it will be observed that we have taken only two crores and 13 lakhs for the expenditure in Waziristan; but I understand that in the Civil Budget some 60 lakhs has also been appropriated under this head in order to provide for the further tribal allowance and the Khassadars within the tribal area. It is hoped that, by bringing money into the pockets of the Mahsuds and maintaining a military position which will dominate Mahsud land, we may continue to protect the peaceful inhabitants of the Derajat plain from being raided by the wild hillmen from across the administrative border.

I notice that some Honourable Members have made a point that it is not advisable to continue to spend large sums of money in the pacification of Waziristan, and that it would be a more economic policy to withdraw entirely from the country and to remain within our own administrative border. I observe that practically all those Honourable Members who have put forward this suggestion come from places like Bombay, Madras, Calcutta, which are at least 1,000 miles from this turbulent area. I wonder whether, if they happened to inhabit the North-West Frontier Province themselves, they would be of the same opinion. I am inclined to doubt it. A further reference has been made by one Honourable Member who has suggested—I think he definitely stated—that this policy in Waziristan which he wrongly described as 'a forward policy' was dictated by the War Office. Now, last year, this bogey of the War Office was flying about the House, and I said then that, as your military adviser, I was working in the interests of this House and the Government of India, and that the War Office had absolutely nothing to do with the military policy on the North-West Frontier. I desire emphatically to repudiate the suggestion of the Honourable Member and I repeat what I said last year, that I as your Commander-in-Chief am the servant of this—



[ His Excellency the Commander-in-Chief. ]

Assembly and your military adviser and that I would not tolerate the interference of the War Office in these matters.

Now, the best solution of this very difficult military problem of Waziristan is, in my opinion, to dominate the Mahsud country by military force and to construct roads through that country, for it is only by roads that we can hold the Mahsuds in check and protect our own subjects within our borders. Until we can freely move about and concentrate our forces rapidly at any point we shall always be at a disadvantage in dealing with these expert mountaineers in the guerilla warfare of which they are the past masters. Recent indications point to the acquiescence of the majority of Mahsuds in the policy that we have been pursuing, but it would be highly dangerous to count on such indications as in any way guaranteeing their future good behaviour, and it may therefore be necessary, as time goes on, to ask for a further sum of money in order securely to establish our position in this most turbulent frontier area. It would be particularly unfortunate if, at this juncture when the financial stringency is so acute, we should not be able to hold out more hope of economy under this item of the Budget; but, as any change would indicate in the minds of the Mahsuds the idea that we were weakening in our determination to dominate and pacify their country, it would probably force us in the end into still more costly operations, and not only in Mahsud land itself but also in the troubled area which surrounds their country. I would emphasise that the only reason that we have gone beyond our administrative border is to protect our own peaceful inhabitants. A withdrawal, such as has been suggested by certain Honourable Members, would certainly entail the exposure of our own subjects to rape, murder and all the horrors which a Mahsud can impose on peaceful inhabitants, and it is in order to protect our own people that we are there at all.

To turn now to Indianisation of the Army and the progress that has been made and is being made in the territorial force. As regards Indianisation, a scheme has been drawn up which has for its object the gradual elimination of British officers now serving in certain fighting units and replacing them by Indians. You will understand that it must necessarily be in the nature of an experiment and also that the process must be gradual for the simple reason that at present Indian officers of the required standard of education to replace these British officers do not exist and that it will take considerable time to train them and teach them their business. In the British service it takes anything from 15 to 25 years to train a British officer to command a battalion of infantry or a regiment of cavalry; and it can hardly be hoped that we shall succeed in training young Indians of to-day to be put in a position to accept this great responsibility in a less period of time. But we are determined to make a beginning and, with this object in view, His Royal Highness the Prince of Wales is opening, on the 13th of this month, the Prince of Wales' Royal Military College at Dehra-Dun which is destined to take young Indians between the ages of 12 and 15 to train and to train them for either Sandhurst in England or later on for the Indian Sandhurst, if and when that is established in this country. The Kitchener Memorial College at New Delhi, of which His Royal Highness laid the foundation stone last month, will be wholly for the sons of Indian officers and will fulfil a similar purpose, while the King George's Schools at Jhelum, Jullunder and Bareilly will be military schools where the sons of Indian soldiers will receive

anglo-vernacular education in preparation for a career that may be either civil or military. You will see, therefore, that genuine efforts are being made to enable young Indians to acquire the necessary education in order to undertake the serious responsibility which devolves on those who have to lead their comrades on the day of battle. We only hope that a sufficient number of young Indians of the right stamp and physique will come forward to take advantage of and to fill up these educational establishments; for, without an adequate supply of good material, our efforts must necessarily be in vain. The progress that has been made during the past year with the Territorial Force has on the whole been satisfactory, though it is by no means uniform. We have so far started and are in process of raising 9 battalions of infantry and pioneers and  $1\frac{1}{2}$  battalions of University Cadet Corps. Of the 9 battalions of infantry, only 2 of them are up to strength, and has scarcely made any progress at all and the remainder are still struggling to obtain the required number of recruits. The University Cadet Corps are only just beginning to develop; it is only a few months since their Adjutants were appointed and it is hoped that in future their progress may be more rapid; but I cannot say that up to the present their progress has been satisfactory; nor was this perhaps to be expected in view of the wave of agitation and seditious propaganda which has swept across nearly all the Universities in India during the past few years. In answer to Question No. 246 by Sir Sivaswamy Aiyer, further details of these battalions were given to the House by Sir Godfrey Fell on February 6th last. We have taken a sum in this year's estimates of Rs. 10 lakhs for the further development of the Territorial Force during the coming year and we propose, if all goes well, to raise another 10 battalions in various parts of India.

I fear that I have already detained the House too long; but there are in conclusion one or two further points to which I think it is desirable that I should refer. Under the Reform Scheme, India is marching towards Dominion status and Self-Government. From what I can see, many of our keenest politicians are not content to march with events but desire to run, and some of them who are the more ardent ones, even wish to fly in order to reach their goal more quickly. I wonder if they ever consider the part that the Army must eventually play in the development of Dominion Self-Government in India. In company with other great departments of State, the Army must eventually be Indianised, but will it ever be possible, either in the Army or in the Civil Services, to completely eliminate the British element, either in the one or in the other? I venture to think that it will be at least several generations before any such development can take place. As far as the Army is concerned, we are making a beginning; and all I desire to point out is that the process must be gradual and that, if we endeavour to go too fast, we run grave risk of making a failure of the whole venture. It is absolutely necessary to proceed cautiously and to experiment with certain selected units, so as to see that they are a success, before we proceed further. It is a highly dangerous policy to gamble with the efficiency of an Army, especially when we have a hereditary enemy sitting on our frontier and taking the deepest interest in the process of evolution through which our Army must pass, step by step.

I would add one word more. The state of India to-day is one that gives cause for serious anxiety. The ability of Government to maintain law and order throughout the wide areas of this land is being and will be

[ His Excellency the Commander-in-Chief.]

fear be, put seriously to the test at no distant date. In such circumstances, I should not be fulfilling the responsibilities which rest on my shoulders as your military adviser if I agreed to any reduction in our fighting troops. That such a reduction is desirable for financial reasons, a glance at the present Budget shows beyond all question. The surest road to economy in the Military Budget lies in the creation of a peaceful and loyal and contented India. The Army is in itself the only bulwark against chaos and disorder. The price which India pays for her Army is her insurance against anarchy and rebellion, and we all know that those who under-insure their property are in the end bound to come to grief. (Cheers.)

The Assembly then adjourned for Lunch till Fifteen Minutes past Two of the Clock.

The Assembly re-assembled after Lunch at Fifteen Minutes past Two of the Clock. Mr. President was in the Chair.

**Sir Deva Prasad Sarvadhikary** (Calcutta : Non-Muhammadan Urban) : Sir, if I did not attempt to intervene in the debate yesterday or earlier this morning, it was because I had no desire to add to what has been termed mercenary contributions in the shape of destructive criticism. The time has gone by in the new ordering of things when old world Budget-time conventionalities in the shape of moans and lamentations would be of any use. The Assembly was given several volumes of thickly printed information which has to be digested in less than a week and it has to make up its mind and bring forth what constructive proposals it may be possible to evolve in that time without any secretarial or other assistance. In that state of things, it is not remarkable that constructive proposals are few and the destructive criticisms are many. If it was a mere debating society discussion, as some suggest, public time and stationery might well be saved and speech might be economised. There is a point, however, that was brought out this morning as the result of Dr. Gour's characterisation of the excise cotton duties as a measure of placation of Lancashire which, I think, will arrest the attention of the Assembly, for it raises issues that have to be squarely faced. It was attempted to be made clear by the Honourable the Finance Member and later on by His Excellency the Commander-in-Chief that the man on the spot enjoys the entire confidence of the Home authorities and is in fact uncontrolled and supreme. We were told with some indignation that the excise cotton duties were not imposed because of a mandate from the Secretary of State or to placate Lancashire or as an election time asset. We were also told that the policy of occupation of Waziristan was not dictated by the War Office or by exploiting considerations and that the men on the spot conceived and controlled both these policies. That is interesting information which, I am sure, the Assembly will welcome, for it shows the Government of India is wholly untrammelled and therefore fully responsible for what it does or does not. That places the Assembly also, so far as the Government of India is concerned, on a more assured footing, for the Assembly can have its reckonings with the Government of India. Those who talk straight must also be prepared to hear straight talk. Our relations with the Government of India are immediate and direct, and we can have no seisin of the War Office or the Secretary of State. From that point of view, the information that casually

came out this morning is of more than passing interest. But let us consider the other side of the question. The Secretary of State has on his Council several Indian Members, and one of them is an eminent expert financier who has just joined the Council. I suppose we must take it that, with regard to what has been considered as obnoxious taxation in many quarters, not only in the shape of cotton excise, the Secretary of State and his Council, consisting of several Indian Members, one of them an expert, has not had a chance of expressing an opinion. Is that right? Indian opinion entertained at considerable cost in England is thus lost in regard to most vital matters. We have no doubt in the Government of India three distinguished Indians who certainly had some part in the shaping of that policy. If the position is cleared up from certain points of view, it is made more difficult from certain others, and Indian Members of the Government of India, who are as patriotically anxious as any of us for the advancement of industrial development and curtailment of avoidable taxation and expenditure, have committed themselves to this policy. It is not without considerable and responsible Indian backing, so far as cotton excise duty is concerned, that it has been ushered in. It had no such backing in the Executive Government before, and, as we must gather, it had not the backing of the Indian Members of the Council of the Secretary of State. That is the history of that objectionable and unscientific taxation, and a very strong case for it must have been made out in the Government of India bureau most of which is not public. What is the Assembly to do under circumstances like this, specially after the failure of its strong and earnest appeal to His Excellency the Commander-in-Chief to come to its assistance with some reduction at all events of the military expenditure, so that the two points of view could be made to meet as far as possible? What is the position of affairs? We were told last year, and this year again have we been assured that the possibility of reducing military expenditure has been receiving the attention of a sub-committee of the Executive Council here, of a sub-committee of the Committee of Imperial Defence and a Committee of the Indian Legislature and various other Committees. Everything, therefore, that could be done is said to have been done and the Commander-in-Chief is not able to hold forth any promise or hopes whatsoever in the near future of being able at all to reduce expenditure unless prices come down and certain other contingencies, which His Excellency has revised this year, come about. So far as prices are concerned, their coming down will affect the Government as well as the people alike, and will not materially affect the situation. Though Afghan and Sevres treaties have been signed, His Excellency cannot change his mind because of non co-operation and sedition.

We are told that the army expenditure is largely increased, if not mainly, on account of the high prices of stores and of other requisites though there has been numerical decrease. The question of prices affects all alike, the tax-payers as well as those that depend upon taxes. The position is not improved, therefore, by pleading high prices as the cause of high military expenditure. We have got to take the situation as we find it, and no appeal to the Assembly with regard to exercise of common sense or sense of dignity or responsibility is likely to have much effect unless we can have the whole-hearted co-operation of the Government for reducing expenditure to some extent.

Rigid adherence to its maximum demands will not ease the situation. Four matters stand out in bold relief out of yesterday's debate and to-day's.

[Sir Deva Prasad Sarvadhikary.]

Though there may be some slight difference in details, I think non-official opinion in the Assembly is fairly strong that all the taxation that has been demanded cannot be agreed to. Indications of means have not been wanting by which the reduction in deficit brought on by exchange may be possible and we have had some minor constructive proposals by which further revenue may be possible although Mr. Darcy Lindsay's invitation about issue of premium bonds has not been taken up as readily as he had hoped. There are directions in which the Retrenchment Committee, when it comes, ought to be able to show savings, but, if Mr. Percival's estimate about the undermanning of the Government of India and its various Departments be correct, and if the rumours be well founded, I am afraid it will be better to have no Retrenchment Committee at all, for it will only end in an addition of expenditure and not in reduction. It will all depend as to how the Committee is constituted and how it is worked. But, apart from that, are there not other directions in which some slight reductions in the Budget would be possible? Is it necessary, for example, that, in a year of stress like this, the whole of the railway programme, although recommended by a Committee, should be taken up? Should we not rather see whether, in the place of 30 crores, a lesser sum, say, in the neighbourhood of 15 crores, would not answer the requirements of the year in addition to the considerable sum that is spent in renewals and repairs? That would give a saving of about a crore of rupees in sinking fund and interest. A policy of hastening slowly will enable inquiring into the reasons of losses in railway management which we deplore.

Then, again, there may be a question as to whether the claims of New Delhi may not for the year, at all events, be suspended, and, although the grant comes out of capital, it is worthy of consideration if it could not be reduced for the year by say, half. These are matters about which Government might carefully consider and try to meet the views of the Assembly to a certain extent, so that the threatened certificate procedure which has been looming large in the minds of some Members may be avoided and an impossible and certainly undesirable state of things may not be brought about.

Sir, if it was a matter in which we had entirely or partially to depend upon the Secretary of State, perhaps there would be difficulty, on account of delay in recasting the Budget at this stage. But from what we gathered this morning, the Secretary of State does not dominate the position and it is open to the Members of the Government of India, as a Government, to do what they can to ease the situation and to meet the wishes of the Assembly as far as possible.

In those circumstances it appears that attention may be concentrated upon three or four cardinal points. I think there is a consensus of opinion with regard to the excise cotton duty. So is there with regard to import duties on machinery, and if the whole of that cannot be exempted, then it should be seriously considered whether, at all events, machinery required for the cotton industry and machinery already under contract may not be exempted. The question of postcards is also engaging considerable attention, and in the interests of the poorer section of those who use the needlessly losing Post Office it will be fully worthy of consideration, even if the half-anna postage is to go, whether the pice postcard could not be saved. Last of all, Sir, there is the question of the salt tax, with regard to which some of our European friends do not see

eye to eye with us. The struggle about this tax has gone on for the last 32 or 33 years, with varied degrees of vigour and vicissitudes. For reasons of a personal nature I would rather not have touched on that question, but I feel the need of expiation. Near upon a third of a century ago, it was my unpleasant duty, under other circumstances, to oppose a reduction of the salt tax because of reasons that have been fully urged by many who now favour the enhancement and which could be added to if need be. But things have considerably changed and the same consideration cannot be urged. If Government had adhered to what they then thought was necessary and right and if the people had not been accustomed to reduced taxation as the result of the prolonged struggle, to which I have referred, there might have been some sense in maintaining it. But as it happens, the reduction came, and it is only a matter of extreme urgency, as he tells us, that the Finance Member has been obliged to resort to it. That, in the present state of excitement and unrest in the country, will not be at all helpful either as a revenue measure or as a palliative measure for easing the situation and averting popular indignation. That is a factor that must not be lost sight of, and it would be very short-sighted indeed to afford reasons for further continuance of agitations that have been troubling the country for a long time past. Supposing the four items of taxation to which I have referred were objected to, and objected to effectively, it would affect the situation to the extent of about 10 or 12 crores. How to meet this? Is it absolutely necessary, I ask, that the whole of the exchange deficit in the neighbourhood of 15½ crores should be taken into account in the next year's Budget, and can it not, in accounting, be spread over more years. More or less speculative reasons which were not allowed fully to prevail on the previous occasion have influenced erring on the side of caution this year, if one may so call it. If any further portion of the deficit is to be left uncovered, probably some portion of the exchange deficit might be dealt with in this way. And, failing reduction in the Military Budget even so slightly, we shall have to fall back upon reduction in the Civil Budget in more directions than have been yet indicated. We must do all we can—Government and ourselves—between now and the passing of the Finance Bill to reduce the deficit by curtailment of expenditure and by allowing more for uncovered deficit and raising less objectionable taxes all totalling about 12 crores. And to make the rest of the demand acceptable, it is not a very large proposition, and unless a compromise like that is possible, I am afraid that the united voice of the House will not be in favour of all the taxation that has been proposed. Last year, the House was put to a severe test and to its credit a proper sense of responsibility prevailed. If this is going to be repeated and if loyal co-operation of the Assembly is not to be inordinately strained, there should be prompt and suitable guarantee for substantial reduction in some of the directions that have been indicated. In the absence of such an understanding and compromise, I am afraid of an *impasse* for which the man on the spot will be as much responsible as recalcitrant Members of the Assembly. In the interest of the Reforms, in which the Government and the Assembly must be alike interested, no early and avoidable crisis should be forced on.

**Sardar Bomanji Ardeshir Dalal** (Bombay Northern Division : Non-Muhammadan Rural) : Sir, at the outset I wish to dissociate myself very completely from the views expressed by two Honourable Members of this House that we non-officials should not take any responsibility for the Budget. This, in my opinion, is entirely inconsistent with the oath every one of us took.

[ Sardar Bomanji Ardeshir Dalal. ]

to faithfully discharge the duties of our office as a Member of this Legislature. But there is yet a stronger ground why this Honourable House will not adopt this attitude of shirking responsibility. It is said that the present deplorable Budget is due to mistakes made by Government, and, therefore, Government should extricate themselves from the difficulties created by them. Now, Sir, we are all aspiring to Self-Government and our fitness is to be judged by the British Parliament. What better proof of our fitness can we adduce before the British public than if we can, by bringing our heads together, assist Government in getting out of this difficulty?

Sir, I also wish to protest against the taste displayed by my Honourable friend, Mr. Rangachariar, in his reference to the very generous action of His Excellency the Governor General in acceding to the wishes of this Assembly and permitting them to discuss the Military Budget. My Honourable friend said the action of the Governor General was too late. I believe my Honourable friend, as an ardent Member of the Democratic Party, is an advocate of immediate Self-Government. Well, Sir, the art of Self-Government requires foresight, forethought. Why was not my Honourable friend pre-armed to meet a fully expected contingency such as this? I think this House ought to express its grateful appreciation of the step taken by His Excellency the Governor General.

Coming to the Budget proper, Sir, I do not know to whom to offer my congratulations most, to the Honourable the Finance Member, for manfully facing his task, or to my Honourable friend, Mr. Darcy Lindsay, for his very valuable and helpful contribution to our debate. Following his example, I do not propose to offer any detailed remarks regarding our expenditure. Though much is to be said in favour of the view put forward by Mr. Percival, we cannot disguise the fact that our expenditure has become appalling and it is necessary to apply the pruning knife freely. I trust, in the course of his reply, the Finance Member will be in a position to announce the composition of the Retrenchment Committee and that its composition will be such as to inspire confidence from all of us. In this connection, I wish to observe that, if even at this stage, Government could secure the services of an unbiassed but able man, like Sir Eric Geddes, to guide the deliberations of this Committee, I for one would welcome the expenditure incurred for that purpose as it would be well repaid as also a little delay that will be necessary for the Committee to start work.

Regarding the taxation proposals, I am more in favour of the course suggested by my Honourable friend from Calcutta and am in general agreement with the views expressed by him. The success that the non-co operation party has achieved hitherto is due to the existence of various adverse economic causes and in my opinion it is a very unwise policy to add to the burden of the poor at the present moment. I, therefore, urge Government to consider the alternative proposals put forward by Mr. Lindsay as also the very valuable suggestion of Mr. Spence regarding the duty on tobacco. It is really regrettable that, at a time of such acute political crisis, the vexed question of the cotton excise duties has been re-opened? Cannot the amount realisable from the extra four per cent. sought to be levied on the local mill industry be recovered by raising the duty on all imported piece-goods from countries other than the United Kingdom to say 20 per cent. That will also prevent Japan from competing with our Indian industry.



I will further support any proposal to raise the postage on newspapers. Hitherto, by far the largest benefit of this concession has been enjoyed by the seditionist press. In any case I consider it is high time the newspapers paid their proper share and the sum to be realised, I understand, will be about 16 lakhs.

My Honourable friend, Mr. Darcy Lindsay, dealt with some items of luxury. May I add one more to it? Are all cinema films articles of luxury? Will you not by raising the duty to 30 per cent. kill this trade altogether? There are cinema films of great educational value and much of the blank films imported could be utilised for taking pictures for propaganda work. What is the machinery provided to exempt this stuff from this additional taxation? But just consider what charges this industry has to bear. The municipalities have raised their taxes. One Provincial Government at least is proceeding with its Amusement Tax Bill and you are raising income-tax; can this industry then bear this extra burden? I think the list of luxuries needs a drastic revision. Mr. Lindsay's suggestion about premium bonds has also my hearty support.

Regarding military expenditure, Sir, I am in entire agreement with my Honourable friend, Colonel Gidney. I for one am against any reduction of the Army this year. Let us first support Government in restoring peace to our country and there will be time enough for us to consider the question of military policy. Even now railway strikes, organised by political agitators, are in full swing. Trade is paralysed and it is our supreme duty to see law and order restored. I for one strongly oppose any idea of a reduced Army until the non-co-operation movement is completely crushed. Regarding the Waziristan operations, from what I have heard from my friends who have been in that area since the Afghan war, I shall content myself with saying that these operations must be allowed to proceed whatever the cost may be. It is not a question of going forward. It is a question of creating an effective blockade against the savage tribes in order to protect our fellow-subjects in that unfortunate part of the country. I see from the newspapers that His Excellency Lord Rawlinson is sending there a deputation of the press. Honourable Members will, therefore, obtain enough material, which I am sure will convince them that the policy adopted by the military is the only policy that could be pursued. I only wish this deputation visited the area in the month of August to obtain a real idea of what life is like during that month. I do not believe that it is a pleasure to the military to remain there, cut off from all civilisation, constantly on the vigil to repulse raids at that time of the year, particularly when in the malaria ward of the hospital—the coolest spot—at seven in the evening the temperature is 118 degrees and where sometimes it is difficult to obtain even an ounce of ice. This question, Sir, ought to be decided by the voice of the people who are most affected. What do the people of the Frontier Province say? They want an absolutely firm hand to be given to the military and they oppose any settlement that is arranged by what are known as 'Political Department' people.

I agree entirely with Colonel Gidney that the Army Department ought to employ business people in their Supply and Transport Department. I know a beginning has been made by making over some of the canteens to a Board controlled by a very able business-man from England. I trust, however, that the Commander-in-Chief will see that in this, as in other branches of the Department, he will associate Indians trained in business and thus avail the



[ Sardar Bomanji Ardeshir Dalal. ]

Department of their valuable experience. In conclusion, Sir, I trust the Assembly will rise equal to the occasion and deal with the Budget in a spirit of moderation like responsible men.

**Mr. S. C. Shahani** (Sind Jagirdars and Zamindars : Landholders) : Sir, I am an agriculturist and I am engaged in the work of education. To me the Budget is an extremely disappointing one, because it does not minister to the development of the material and moral resources of the country. I am sorry that my voice should have gone husky to-day, but that should not matter. I want in the first instance to point out that the constituent functions of Government have absorbed the attention of the Honourable the Finance Member. He prides himself on saying that no fresh avenues of either productive or unproductive expenditure have been opened up. No doubt, there is a large deficit to be met, but we have got to bear in mind that this deficit will be properly covered only when enough is spent on the growth of the material and moral resources of the nation. Last September at Simla we made a point of moving the Government of India to sanction and provide money for the immediate construction of the Sukkur Barrage. While the Resolution for the immediate construction of the barrage was carried, we were told by the Honourable the Finance Member that the barrage was a provincial affair, and that the Government of India would not give anything for the construction of that mighty scheme. We urged that it was not a provincial matter but a national one, and pointed out that unless enterprises such as the barrage found favour with the Central Government the country will have no means of making its revenue meet its expenditure. But to no avail. I have in my hand a statement of the National Debt of India. I find that on the 31st March, 1914, out of a total debt of 411 crores only 19 crores represented ordinary unproductive debt. The interest on the latter was only a crore, and on the productive debt about 13 crores, so that India's total interest charges then amounted to 14 crores. On the other hand, railways and irrigation works, which had been financed from the productive debt, yielded in that year a return of nearly 23 crores, which left a margin of 9 crores of clear profits to the country, after meeting the interest charges on the entire debt.

Even after the contribution of £100 millions to the cost of the war which India made in 1917, and which added over 30 per cent. to the national debt, the revenue from Railways and Irrigation amounted in the year 1918-19 to 33 crores, so that the revenue from productive expenditure amounted to 133 per cent of the total interest charges. Had it not been for India's contribution of 150 crores to the expenses of the war, the ordinary debt would have been completely wiped out in 1917, and the amount of the ordinary debt outstanding on 31st March, 1919, namely, 129.9 crores, was thus actually less than the amount of that contribution.

In his Budget speech the Honourable the Finance Member has prided himself not only on his not going in for any further productive expenditure but on his exercising the most exacting control over the expenditure on the Administration. Some other Members in the House too have spoken of the economy practised by Government. I have at this moment in my hand a statement showing the proportion of collection charges to total tax revenues in India and England and I find that these tables show that in India the proportion of collection charges to total tax revenue is about 10 per cent.,

while in England it is between  $2\frac{1}{2}$  and 3 per cent. If this is the actual state of things, surely it cannot justly be made out that in India strict economy is being exercised. I will give just one instance to show how things really stand, and that relates to travelling allowances. I shall quote in this connection a small passage from Ramsay Macdonald, M. P., in his book 'The Awakening of India':

'Every one knows that officers, from school inspectors to chaplains, put large sums of money into their pockets by charging travelling allowances which they never spend. I heard of a church dignitary who was attending a Diocesan Conference at the Government expense and who was to make a profit from his allowance at the end of the meetings. I heard of a school inspector who insisted upon billeting himself in private houses whilst drawing hotel expenses. And the smiling Babu in the office knows all about it, and when you say to him 'Now tell me about T. A.' he grins a knowing grin. There is not a man in the whole service who does not know about T. A. It is referred to by its initials like a close personal friend.'

I also wrote to a friend of mine asking him to tell me how these travelling allowances were earned in Sind, and I received a letter from him which says:

'The officers so arrange their tours as to earn the largest amount of money as T. A. An officer would travel from Karachi to Sukker and come back; after some time he would go to Larkana and again come back, though he might have visited Larkana on his way back from Sukker, and so on. Ordinarily an officer gets a fixed daily allowance. But if he travels by a conveyance other than the Railway train for 20 miles or so in a day he gets a mileage allowance which means to him more than the fixed daily allowance. He therefore always tries to earn the mileage allowance even though there might be no public necessity for his putting in so much travel. Sometimes he has recourse to even a device like this. He travels 14 miles and encamps at the end of that distance; from there that same day he goes to a village 3 miles distant and comes back; he then claims mileage for he adds the 3 miles backward and forward to the original 14 to make up 20. Recently motor cars have been given to officers. It is doubtful if these have added to their efficiency, though it is clear they have added to their comfort.'

The Honourable the Finance Member estimates the deficit this year at 31 $\frac{3}{4}$  crores. In suggesting the means for meeting this deficit, he has said that the stabilisation of the rupee at 2s. would relieve our revenues to the extent of about 15 crores a year, but no reliance can be placed on this consummation. I do not know that this involves a correct view of the question of exchange. The question will have to be very carefully considered and stated by the Honourable the Finance Minister himself. The work is not to be left solely to Committees and Commissions. We all know that what the Chamberlain Commission said was in direct contradiction to the recommendations of the Fowler Committee. We also know that the recommendations of the Fowler Committee were never given full effect to. Unless the gold standard is adopted for India, I do not think that India will be able to make the heavy losses that have accrued to her from her policy of currency and exchange. I have some definite proposals to make for the consideration of the House and of the Honourable the Finance Member. Before I do so I shall give you very shortly the history of Currency in India. Before 1835, there existed in British India a bewildering variety of gold and silver coins. In 1835, the East India Company evolved order out of this chaos by establishing a uniform standard rupee of 180 grains with 165 grains of fine silver in it, i. e.,  $\frac{1}{12}$  fine. This rupee alone was made legal tender and mints were open to coinage of rupees. India thus came to possess monometallic silver standard which lasted till the year 1893 when mints were closed to the coinage of silver. This closing of the mints

[ Mr. S. C. Shahani. ]

was necessitated by a continuous fall in the price of silver beginning with 1873 which not only disturbed India's commerce but also made the finances of the Government difficult. The Government of India has to pay every year in London a large sum in the form of interest on the debt, salaries of officials on leave, pensions of retired officers and cost of stores required for State enterprises. As the rupee fell in its gold value, the number of rupees required to satisfy these payments rose. The total reached a pitch which seriously alarmed the Government, which felt that it might be called upon to raise a sum in rupees which would necessitate a considerable increase in taxation, which should be avoided if possible. The Government therefore in their despatch to the Secretary of State, dated June 1892, advocated the closing of the mints to silver and the introduction of the gold standard. The Secretary of State in October 1892 appointed a Committee under the chairmanship of Lord Herschell to examine the whole question. The Committee held its sittings in the India Office and made (a point worthy to be noted) no effort to secure Indian opinion on the question. In its report, it accepted the Government of India's recommendations and made the following proposals :

1. Ultimately gold standard was to be established.
2. Immediately rupee was to be severed from silver by closing mints to the free coinage of silver.
3. Government was to announce that it would give rupees and notes in exchange for gold at 16*l.* a rupee.

The report was accepted both by the Secretary of State and the Government of India and the latter took action under the Coinage Act of 1893 and administrative notifications of the same year. The essence of this reform plan was that by closing mints rupee might be divorced from falling silver and by starving the circulation the exchange of the rupee might be fixed at the 16*l.* level. For some time the rupee continued to fall, reaching the lowest level in January, 1895, 12½*l.* Then it began to rise, till in 1898 it reached the 16*l.* level and the Government of India thought that the time had come to clinch it there. They wrote to the Secretary of State on the subject once again advocating gold standard and gold currency. The Secretary of State appointed the Fowler Committee to investigate and report. Four plans were submitted to the Committee by various witnesses :

(1) Bimetallism, (2) Silver standard as before, (3) Gold Standard without gold currency or gold exchange standard and (4) Gold standard with gold currency. The Committee rejected the first three and accepted the fourth and recommended as follows :

(1) The exchange value of the rupee should be fixed at 16*l.*

(2) British sovereign and half-sovereign should be made legal tender and current coin in India. (3) Indian mints should be thrown open to the unrestricted coinage of gold. (4) A special gold reserve should be constructed out of the profits of rupee coinage, to be used for maintaining the parity of the rupee at 16*l.*

The Government accepted these recommendations and took action in 1899 :

3 P.M. (1) Under the Act of 1899, they declared the British sovereign legal tender side by side with the silver rupee. (2) In 1901, they constituted out of the profits of the rupee coinage the gold reserve fund which was later

re-named Gold Standard Reserve. (3) They carried on negotiations with the Royal Mint for establishing gold mints in India. It has to be remembered once again that after four years of correspondence, owing to difficulties raised by the Home Treasury, the matter came to nothing in 1903. (4) Meanwhile in anticipation of the Home Treasury's sanction about the gold mint, they had put into circulation gold coins through post offices and treasuries. A large portion of this gold returned to the Treasury.

The non-establishment—let it be remembered, and I draw special attention of the House to this—of mints for gold defeated the intentions of the Fowler Committee and the Government of India. The only thing for the Government now was to maintain exchange at 16*d.* par, which in the Fowler Committee's opinion was only to be a transitional measure. I shall ask the Honourable House to note that thus India drifted into the gold exchange standard. The Government of India, however, was still harbouring their desire for a genuine gold standard with gold currency, as is evidenced by the speech of Sir James Meston during the Budget debate of 1910 :

'The broad lines' says he 'of our action and our objects are clear and unmistakeable and there has been no great or fundamental sacrifice of consistency in progress towards our ideal. Since the Fowler Commission, that progress has been real and unbroken. There is still one great step forward before the ideal can be reached. We have linked India with the gold countries of the world, we have reached a gold exchange standard which we are steadily developing and improving. The next final step is a true gold currency, and that I have every hope will come in time but we cannot force it, but the final step will come in time when the country is ripe for it.'

The Chamberlain Commission, the Royal Commission of 1913, however, condemned this decision, and gave their blessings to the gold exchange standard as the soundest and the most scientific system for a country like India.

During the period 1915 to 1920, the gold exchange standard was put, as we know, to a severe test. To prevent the melting of the rupee, the Government raised the exchange value of the rupee from time to time. I have with me a statement showing how Government fixed it at 16½*d.*, then 17*d.*, then 18*d.*, then 20*d.*, then 22*d.*, then 24*d.*, then 26*d.*, and then 28*d.* In February, 1920, the price of silver rose to 85*d.*, when the exchange value of the rupee was raised to 35*d.* This frequent raising . . . . .

**Mr. N. M. Joshi:** In view of the fact, Sir, that there are many people who still want to speak . . . . .

**Mr. President:** Order, order. Mr. Shahani.

**Mr. S. C. Shahani:** This frequent raising of the exchange destroyed the stability of exchange which the gold exchange standard was intended to provide. The gold exchange standard thus broke down. In December, 1919, the Babington Smith Committee recommended the linking of the rupee to gold at 11·30016 grains of fine gold. The Government accepted this recommendation and made Herculean efforts to maintain the rupee at this rate till the end of June, 1920, when they tried to maintain it at 2 shillings sterling. They however failed completely although they had sold during the 8 months from February to September, 1920, Reverse Councils to the extent of 53 million pounds. This failure was the result of the influence of the silver market on the rupee—a fact of which I am sorry to say the Honourable the Finance Member has

[ Mr. S. C. Shahani. ]

taken no notice in his last year's or this year's Budget speech. While the Government were making frantic efforts to pull up the rupee to *two shillings gold or sterling*, the silver market was falling and pulling the rupee downwards with it. In this tug-of-war the market triumphed, as it must, and I have a table to show it, which however I need not read out.

After July, 1920, the price of silver and with it the exchange of the rupee continued to fall.

What is the lesson then ? The lesson of this currency experience gained during this period, 1915 to 1920, is that although an effort was made by the closing of the mints in 1893 to divorce the rupee from silver, the divorce is not complete. The inherent defect of the gold exchange standard thus appears to be that it does not make us independent of silver. We closed the mints in order to avoid the serious trouble of the period of 1878 to 1893 caused by the fluctuating of exchange due to changes in silver price and we have experienced similar if not worse troubles in a concentrated form in a short period, 1915 to 1920. It is obvious, therefore, that the gold exchange standard can give us no permanent protection. This standard involves the exchange of silver and gold and therefore cannot possibly make us independent of silver. Only the true gold standard with gold currency (with notes based on gold, and the rupee a token coin) will give us that independence. Professor Keynes argues that gold in circulation is wasteful and even in England which is supposed to have gold circulation, it is the cheque and not the gold that circulates in practice. But this argument does not apply here as a cheque to a man in the mufassil is a bit of paper with no intrinsic value, while the silver rupee has a substantial intrinsic value which is liable to change with the changing silver price in the market.

I will now state my proposals in the existing circumstances. I propose :

1. That a definite announcement of policy must be made in favour of gold standard and gold currency and all efforts must be directed towards the achievement of that end.

2. Our gold reserves having been dissipated in 1920, gold exchange standard may be continued for some time and gold allowed to accumulate again. The rate of exchange for the rupee may be fixed again at 16*d.*, for the cause (rise in the price of silver) that produced the disturbance 1915—1919: and led to the Government's fixing the exchange at two shillings has cancelled itself.

For the support of exchange it is not necessary to keep in London the entire gold standard reserve, a portion of the paper currency reserve and India's surplus balances. It is a genuine grievance of India that while her market badly wants assistance in the shape of loans in the busy season, it cannot get that assistance, while India's moneys (reserves and balances) are freely used to give loans to the London money market. It is found that India experiences an adverse balance at the most once in ten years. To keep India's surplus resources in a foreign centre to meet an occasional emergency is unjustifiable. The paper currency reserve, whose object is to ensure the convertibility of notes in India, must necessarily be located in India. A small amount of gold sufficient to pay for Reverse Councils for a fortnight or three weeks may be kept in London. The rest of the funds should be kept here in India and shipped to England in quantities required to meet the adverse

balance when it arises. These funds in India would then be available for helping the Indian market.

3. In the meantime a gold mint may be opened to the coinage of gold by the public.

4. When gold accumulations are sufficiently large again, rupees may be declared tokens and our paper currency may be made convertible in gold.

5. Strenuous efforts should be made to develop banking so as to destroy the hoarding habit. Bank branches in Taluka headquarters will prove very useful.

So much about the question of exchange. I would now advert to the Military expenditure which has been eating up to a much larger extent the revenues of India. I feel that even if the Finance Member's demand for additional taxation were granted to the fullest extent, the revenue that is expected to accrue therefrom will not accrue, and for two reasons. Firstly, there is a limit to taxation. I think India is already being taxed beyond the limit of elasticity. Secondly, almost all the taxes of the Government of India are commercial. The other taxes, taxes, for instance, like land revenue or excise, or stamps, have been transferred to the provinces.

Does not the collection of commercial taxes depend upon the good-will of the peoples? Surely it does. I was not a little surprised to see His Excellency the Commander-in-Chief making an announcement to the effect that owing to unrest in the country for a long time to come no reduction in military expenditure is to be looked for. I have some definite considerations to urge in this connection on the attention of the House, but before I do so I will just refer to one matter. His Excellency the Commander-in-Chief has just said that the War Office in London does not in any way dominate the military counsels of India. That may be true, but then I would like to inquire why, for instance, the recommendations of the Military Requirements Committee have, according to his own showing, been submitted to the Imperial Defence Committee, and we have no information as to what is going to happen. I now revert to the military expenditure. The colossal figures of our army estimates will be a disgrace to any self-respecting community. As I said, on account of the military expenditure the ministrant functions of the State are being neglected. Education, sanitation, irrigation, industries and agriculture are being starved. Military expenditure in India is admittedly abnormally heavy. In 1921-22, 33½ per cent. of the total expenditure, Imperial and Provincial, was accounted for by the military. If we take only the Imperial expenditure, the military item amounts to no less than 52 per cent. of the total 63 out of 127 crores. The ratio of military expenditure to total expenditure in other countries is very much lower. In 1900, in England it was 19 per cent., in France it was 19 per cent., in Japan it was 16 per cent., in Russia it was 21 per cent. and in India 33 per cent. Why should it be so heavy in India? The official justification rests upon the paramount necessity of external defence and internal order. As regards internal order the official justification involves a serious confession, for when a Government requires large military forces to maintain internal order it must be hopelessly out of tune with public opinion and requires to be radically altered. As regards external defence, the fears of foreign aggression are greatly exaggerated. And if the Government of India is suspicious of neighbouring States, those neighbouring States themselves

[ Mr. S. C. Shahani. ]

may well entertain suspicions, for the Government of India has been steadily extending its borders.

In any event, firstly, the burden of defence, however heavy, must fall upon the young men of the land rather than be entrusted to an army which approximates closely to a mercenary army. This description applies not only to the British troops employed by the Indian Government but also to native Indian troops, for these latter are recruited exclusively from special areas and special races, and the tradition in the Indian army is not one of defence of the homeland but one of obeying orders, so long as the troops are paid their salaries. The mass of the population, far from cultivating a healthy habit of self-defence, has been subjected to a growing policy of disarming, since the events of 1857; and the result has been a process of demartialization of one-fifth of the human race on a scale unparalleled in recorded history. In most countries, including Great Britain, Japan, France, Germany and the United States of America, young men are either encouraged or compelled to have a small period of military training, and only small standing armies are kept, and as occasion requires large armies are easily raised because there are large numbers of men available who have had military training.

In India, as Mr. H. G. Wells has put it, 'peace has been turned into paralysis.'

Secondly, the system on which India's army is organized is a most wasteful one. Practically the whole of our army is standing force ready for war. Other countries have discarded this system and keep a small standing force and a very large number of men in the reserves. Since a man in the reserves costs so much less than a man in the standing army, these countries have found it possible to maintain a much larger combined standing and reserve force at much less than the proportionate cost. I have a list to show it.

	Standing Army.	Reserve.	Military expenditure. Average annual cost.
The United Kingdom . . . . .	129,000	480,000	28 Million Pounds, or 42 crores.
France . . . . .	677,000	29,52,000	28 Million Pounds.

(A Voice: 'In what year?') I have not noted the year. It must relate to the pre-war period. I have not got the post-war figure, and therefore I am not able to present comparative statements. I would request the Honourable the Finance Member to complete the comparative figures. (Laughter.) Sir, you may laugh, but you have to remember that only 4 days are allowed for the general consideration of the Budget (A Voice: 'Only two days'), and who can prepare himself adequately in that short time? We have not got Secretaries as the Government Members have. One of my friends went over for certain figures, and he was told that the figures were not available. I do not bring my library here. I could not therefore be expected to give in every particular up to date information. If my information is deemed

defective in any particular, figures may be produced to show what of the material which I have placed before the House for consideration is inaccurate.

Thirdly, there are large numbers of British soldiers in the Army who draw high salaries and who are constantly transferred with the result that we have to pay large transport charges. They receive high wages, their barracks cost more; and some of them are stationed in the hills during summer and their travelling expenses inside India and to and from India are enormous. The result of this arrangement is that British soldiers get their training at our expense and when they leave our shores they carry away their experience with themselves. Sir George White, a former Commander-in-Chief in India, once said :

‘We maintain that the Indian army does supply a great addition of military power to England, that a part of the British army is trained at the expense of India, and that the whole of the men passed into the reserve have been maintained out of the Revenues of India’.

The British soldiers serving in India are a part of the Army of England. Their remuneration is therefore fixed by England, we having simply to pay it. The English military service is very costly compared to the service in France, German Empire and Japan. England being rich may not mind this heavy cost, but India is a poor country and it is most unfair that she should be made to pay for a scale of remuneration which suits rich England but has absolutely no relation to India's own means.

Fourthly, India's army is intended not only for India's defence but also for safeguarding the interests of the Empire in Asia. Sir Edmond Ellis, Military Member of the Viceroy's Council in the days of Lord Curzon, said :

‘It is I think undoubted that the Indian Army in future must be a main factor in maintaining the balance of power in Asia. It is impossible to regard it any longer as a local militia for purely local defence and maintaining order’.

The Esher Committee has gone even further than this and says that :

‘The Indian Army can no longer be regarded as a local force whose sphere of activity is limited to India and the surrounding frontier territories. It must rather be treated as part of an Imperial Army ready to serve in any part of the world.’

This extended function, I believe, is extremely undesirable, since India has no interest in foreign exploitation, since the Indian soldiers if they remained in India would be occupied in productive work, and since India, without being really the enemy of countries like Egypt and Mesopotamia incurs their ill will. I say, in view of this extended function of the Indian Army, it is at any rate fair that England and the Empire should bear a proportion of the military burden of India.

Mr. J. Ramsay Macdonald, M.P., in his book, ‘The Government of India,’ has said :

‘A large part of the army in India—certainly one-half is an Imperial army which England requires for other than purely Indian purposes, and its cost, therefore, should be met from Imperial and not Indian funds. When England stationed troops in other parts of the Empire, England did not charge them upon the Colonies, but in India England has the influence of the dead hand. When the Company ruled, it hired troops from Great Britain, and not only maintained them when in India, but paid the cost of their transport. When the Company surrendered to the Crown, the habit of ‘lending’ troops was kept up, as a fiction convenient to the Treasury of Great Britain. Owing to the report of the Financial Commission in 1910, the Home Government now pays £130,000 per annum (or 19½ lakhs), which is supposed to be about one-half of the cost of transport, and £100,000 (i.e., 15 lakhs).



[ Mr. S. C. Shahani. ]

is charged to Home Treasury for half the military cost of Aden. That is all. India pays the rest. Thus India is treated as an independent State, which, however, England rules, and whose military policy England controls, while India 'borrows' from England a certain number of troops for which it pays. The arrangement is most unsatisfactory.

In another book of his, 'Awakening of India', he says :

'There is also the old grievance about the cost of the army. In 1885, a change took place in our frontier policy and in that year Lord Ripon left. Then began the epoch of bombastic Imperialism at the expense of India. The Finance Member of that day, objected, but military expenditure was increased at a bound by sixteen lakhs of rupees per annum. The cost of annexing Upper Burma was similarly placed on Indian shoulders, and no justification ever has, or even can be, offered for it. It is unspeakably mean of England to place this burden on the Indian's back simply because he must bear any load the Englishman puts upon him. Nine-tenths of the charge of the army in India is an Imperial charge. Canada, South Africa and Australia should bear it as much as India. It is a piece of the most bitter cynicism to find the Imperial doors of the British colonies shut in the faces of these poor Indian people, who bear such an inordinate share of the cost of Imperial maintenance, and at whose expense these Dominions are protected from the fear of war. If £18,000,000 (i.e., 27 crores) of the Army charges were met by the whole Empire, England might look the Indian taxpayer in the face as an honest nation. At present England cannot do so.'

It has to be admitted that England's policy towards India in the matter of military and war expenditure has been most unfair. Surely here the agency at work is man's and not God's, as the Honourable the Finance Member would seek to make out. Frontier wars and wars of annexation, like the Burmese Wars, as well as the Abyssinian Expedition, were all paid for by the Indian tax-payer. Only £5,000,000 of the £21,000,000, which the Afghan War cost, was found by the Imperial Exchequer. These expeditions are in reality events in Imperial policy and should not be an Indian charge at all. England, as has been pointed out by Mr. Gokhale, has in the past borrowed troops from India for expeditions undertaken from considerations of Imperial policy, such as the expedition to China and Persia, the Abyssinian Expedition, and others and on all these occasions all the ordinary expenses of these troops have been taken from India, England defraying their extraordinary expenses only. On the other hand, when India has had to borrow troops from England, as on the occasions of the Sind Campaign of 1846, the Punjab Campaign of 1849, and the Mutiny of 1857, every farthing of the expenses of these men, ordinary and extraordinary, including even the expenditure on their recruitment, has been recovered from India.

All these causes can easily be traced to the basic cause, viz., the unnatural relation between England and India. India is a dependency and unlike the Dominions cannot compel England to treat her fairly. And England in her anxiety to keep her hold tight on this dependency has emasculated the people by depriving them of their arms and insists on keeping in India a large military force.

Reduction of military expenditure is an absolute necessity as much from the point of view of stability of Indian Finance as from that of the welfare of the people. It is obvious that unless the Government curtail military expenditure, they would be faced with bankruptcy, for the untapped margin of India's taxable capacity is extremely small. To the people the existing heavy military expenditure means practically defective sanitation and defective education, defective industry, defective irrigation and defective agriculture, which is a standing disgrace to this country and Government.

I would suggest the following reforms, which will relieve India of the crushing weight of her military burden :

- (1) England should bear a portion of the burden, because the Indian army is intended to safeguard Imperial interests in Asia, as shown above in the extract from Sir Edmond Ellis' speech.
- (2) The Arms Act should be repealed and a territorial army should be organised from among the citizens of India, not so gradually as has been indicated to us by His Excellency the Commander-in-Chief, but with necessary expedition.
- (3) The reserve system as it exists in other civilised countries should be adopted in India.
- (4) British soldiers should be replaced by Indian soldiers.

There would be no loss in efficiency for during the War Indian soldiers gave a very good account of themselves and proved themselves to be the equals of their European comrades. It is often said that the British soldier is necessary to keep the North-West Frontier safe, but the Sikh Government of the Punjab in pre-British days did keep the North-West Frontier quite safe. It might also be said that the non-co-operators were seducing the Indian soldier; but if the appeal of the non-co-operators succeeded, the whole of the Army would have to be British, which would be financially impossible. The only way to deal with the non-co-operation movement is to redress the grievances on the existence of which it fosters itself. The piling of army upon army would not be of any avail.

Now I come to the new taxation proposed. (Laughter.) Sir, I will take only two minutes more. I endorse what has been said against the excise on piece-goods and the import duty on machinery. I would suggest the imposition of an import duty on silver and to state my grounds for it. I think that the duty will not affect currency and reserve. It will, however, bring in some revenue, the amount of which depends upon the total imports of silver. The Honourable the Finance Member can ascertain the figures of imports of silver and then see what duty will bring in a substantial revenue. Some figures were given by Sir Montagu Webb, who told us that 10 crores of tolas were imported during the last 11 months, and he also stated that a lot of silver is on its way to India. But yet the exact figures might be ascertained. The cost of collection would be practically nil as the existing customs staff could do the collection. Bullion dealers might object to this duty on the ground that it will discourage the use of silver ornaments on the part of the poor in whose case, in the absence of organised banking, ornaments represent the only form of thrift. But I do not think it will be so. The higher value of silver will make silver ornaments more attractive.

As for the salt tax, this duty, I find, varied in different parts of India before 1882. In 1882, it was made uniform at Rs 2 per maund. In 1907, it was reduced to Re. 1. In 1906, it was raised to Rs. 1½. In 1902, with duty at Rs. 2 per maund, the revenue was 5·6 million pounds or about 75 lakhs. In 1919-20, with the duty at Rs. 1½ per maund, the revenue was not half of 5·6—that is to say, 2·8 million pounds, but more, namely, 3·9 million pounds. This shows that the reduction in the duty led to largely increased consump-

[ Mr. S. C. Shahani. ]

tion. I have not had time to get the Leprosy Commission Report, but I find the following remark in the Indian Year Book for 1921 :

'The number of lepers has fallen since 1891 from 126 to 109 thousand, a drop of more than 13 per cent. This reduction coincides with the reduction in the salt duty and consequent increased consumption'.

Passing the Land Revenue for the moment, three things strike one in this statement of revenue—the salt tax, the income-tax and the customs. The salt tax has long been regarded as a blemish on our Indian fiscal system. It is light (when it was lowest, from 1907, it stood at 1 rupee per 87½ lb. and meant a tax of about 3½d. per head per annum), but still it is no mean proportion of the income of Indian families. The Honourable the Finance Member has said that when the duty is raised to Rs. 2-8, then the incidence per head will come to As. 3½, which would not appear to be correct. The incidence then will come to about As. 7 per head. Though salt taxation was known in India before, its present history dates from the imposition of Clive and Warren Hastings when the Company was hard up. It has been retained on the ground that it is well that every Indian should feel the cost of Government. As a matter of fact, he feels nothing of the kind; he just knows that the price of his salt is high, though salt is a necessity. But supposing there was something in this notion of making everybody feel the cost of administration, it would only apply to a self-governing people who may rightly be taught the financial consequences of political acts. It requires a highly trained intelligence to decide what are the consequences of political policy and what are not, what consequences are worth bearing and what are not and so on through many other processes of accurate reasoning. We know in this country what an appeal for reduced rates and taxes generally amounts to. It is as a rule an appeal to personal selfishness and shortsightedness against a wise social policy. If the cost of Government were to be made a safeguard against folly, nations would be undone, because bills come after the events and people show less forethought in reckoning up the cost of great follies than in demanding an estimated cost of cold wisdom.

In India where the Government is a bureaucracy, even this theoretical justification for the salt tax does not exist. If the Indian salt consumer had all the wisdom necessary to come to sound conclusion upon the cost of this Government, he has no power to alter it by one farthing. The salt tax is exaction and oppression; and if the people understood it, it would breed discontent. It is a survival of the general exploitation of India's poverty by a profit-making company. The argument for its retention illustrates the error so prevalent in India, of assuming that the political wisdom of a western self-governing State is also political wisdom in an autocratically or bureaucratically governed one, and that a bureaucracy has the same right to impose burdens on a people that a representative legislature has. The payers of the salt tax have no more to say in Indian policy than the man in the moon, and price of their salt has no more influence on the bureaucracy than the cost of their weddings.

Sir, I have given expression to my opinion in some detail. I have only one remark to make and that is this. The Honourable the Finance Member finds fault with Providence for all the ills that India is suffering—

'Ah world as God has made it! All is Beauty,  
Knowing this is love, and Love is Duty.'

I trust that he will revolve these two lines of Robert Browning and not feel inclined to discard financial ethics.

**Mr. Denys Bray** (Foreign Secretary) : Sir, when this debate began, I started sedulously to take notes of any remarks that fell from Member after Member touching on the frontier problem. But I have decided to discard those notes. I feel that the frontier problem, the security of India, is a subject too serious for debating points, and I propose very briefly and in a spirit not at all controversial, to endeavour to give a very broad survey of it. I will not ask you to travel round all our immense frontiers. The sea, the most vulnerable frontier of all, the British Navy enables us to forget—and so, surely, does the Budget.

The land frontier of India presents a problem which is not of to-day or yesterday, but a problem as old as the frontier hills themselves. Not until a great cataclysm of nature makes those mountains to subside and the ocean to roll where those mountains rear themselves, can India ever be free from her great land frontier problem. Indeed, when I look round this House, this microcosm of the representatives of some at any rate—of the dominant races of India, I am almost tempted to regard it as a retrospect in miniature of our frontier problem. For in the blood of how many of you does not flow the blood of ancestors who once found their way, forced their way from the heights of Central Asia to the plains of India? And this indeed brings home, I think, the essential fact that viewed in its broadest aspects, the land frontier problem of India is a constant struggle with the forces of nature, a struggle against that law of gravity which drives whole peoples from the hills into the plains.

Descending from the general to the particular, I must still speak in generalities, for it is a dangerous thing to particularise when one comes to foreign States. But I can say this; the horizon for the moment is clear. Treaties or agreements or understandings we have with all the States on our borders. Now, the making of treaties or agreements or understandings with foreign Powers, the maintaining of treaties or agreements or understandings with foreign Powers is the very fibre of the work of a Foreign Department. I should be the last, therefore, to belittle the value of treaties or agreements or understandings. But work in the Foreign Department cannot fail to impress upon one also that agreements or treaties or understandings are not sufficient in themselves. It reminds us of the essential fluidity and change in international relations. You will remember that, on that fateful 4th of August, 1914, Great Britain had treaties or agreements or understandings with every Power in the world. You will remember that one of the greatest Powers, one of the most civilized Powers, in the world then announced to the world that a treaty was a mere scrap of paper after all. And turning to our own frontiers, we were taught the same lesson of change. During the war we had on our frontiers a most trusted ally, an ally who was most faithful to his trust. Within a few months of the close of the war, the assassin's bullet removed our ally. Our treaty was torn up, and we had to face an unprovoked invasion of India. Or take again Russia. We have heard in the debate that the Russian bogey is no more, I would just say this in passing. You cannot get rid of a menace by the mere process of calling it a bogey. Why! I remember well that in my own country in the months just preceding that fateful month of August 1914, we heard much of the German bogey. Now in 1907, there did come a great change in our relations with Russia. The Russian menace then took on a different form, for we concluded

[Mr. Denys Bray.]

with Russia a very far-reaching agreement, an agreement based on certain very substantial sanctions. But that agreement has been torn up. Yet I am told that the Russian bogey is no more. But is it? Russia at the present moment is setting up a ferment in the Muslim States of Central Asia, Bokhara, Khiva and the rest, and who is to say where that ferment will end.

And now I will turn to the more parochial part of the frontier problem—that part of the problem which is at present uppermost in our minds, and which is leaving a very gloomy mark on the Budget. I shall endeavour to be brief, and, therefore, I must still employ generalities. But as a preface, I would just remind the House of this. You have a vast land frontier; I believe it is something like 5,000 miles long. Yet we are only discussing a few hundred miles of that frontier, and we can take credit to ourselves and India can thank her good fortune that along the great stretch of this vast land frontier of hers, our attention is actually at the present moment confined to one small portion only. On that portion the position in brief is this, and I shall have to sacrifice some accuracy in order to be brief. We have first a narrow strip of British districts. As I said a few days ago, I say again, these districts are as British as the district in which we are now sitting. Then we have a block of inhospitable mountainous country, peopled by tribesmen, brave, truculent and untamed, lying between our districts and the neighbouring power of Afghanistan. And in this fact really lies one essential reason why the frontier problem is so inherently difficult. There are these three elements—a narrow strip of British territory, a block of mountainous country and then the Afghan frontier. If only we could take one of these elements and transplant it elsewhere, our frontier problem would not be the serious problem it must always remain. These three tracts are populated by peoples akin by race and religion. The peoples in that mountainous block of unadministered territory are, I suppose, amongst the most manly in the world. They are certainly amongst the most truculent, and I venture to think that even my friends from Malabar will agree that they are not the least fanatic, for a flame set up there spreads like wild fire. And this block forms an Alsatia for our malcontents. A murder is committed in British territory and the murderer has crossed the frontier before the murder is reported. He finds a ready asylum there, for the law of hospitality is the only law of God and man these tribesmen do not break. But the outlaw is not allowed to live a life of ease. Ere long he has to pay his way. And what means of livelihood has he? Only one. Presently he will return home—at the head of a raiding gang.

For the frontier problem, Sir, is essentially economic. If those frontier hills fed more and bred less, we should not be discussing this question to-day. As it is, raiding is the hereditary occupation of the border highlander. Eleven years ago, I conducted the census in Baluchistan and, when I went to the Mari Baluch country, I found my enumerator, a Mari Baluch himself, recording his tribesmen wholesale as having 'raiding' as their principal occupation, and it was with the greatest difficulty in the world that I got him to admit that the Mari Baluch has now turned from raiding to other occupations and has ceased to be the scourge of Sind, thanks to the genius of that great frontier administrator, Sandeman. Now our frontier problem has, of course, been greatly intensified by the Great War, and, in addition, by the Afghan War and their aftermaths. One result of the Great War is

that there are vast stocks of surplus arms in the world only awaiting the unscrupulous exporter to pass on into unauthorised hands. Hundreds of these have passed through other paths than India to our tribesmen on the frontier. Moreover, the tribal armament has been increased by gains in tribal warfare, increased, alas, by desertions from our own militia during the Afghan War, increased also by the looting of a portion of the Afghan Army, and is increasing always by thefts for our frontier tribesman is the most expert rifle thief in the world, the Bedouin Arab not excepted and, lastly, and this, to my mind, is the most disquieting feature of all, their mechanics are turning out a very respectable small bore rifle themselves. This has increased the frontier problem beyond all exaggeration. And what is our proper counter-move? Arm our villagers, say you at any rate, so say I. But mark the vicious circle in which we are at once whirled. The better arming of our villagers drives the frontier tribesmen into different tactics. In the old days, he used to raid in gangs of a dozen or 20. Now, he seeks security in raiding in gangs of 150, 200, or even 500; and he goes further afield and he seeks richer prey. And there is another vicious circle which this arming of the villagers unfortunately brings us into. With our hot-blooded Pathans, our hot-blooded fellow subjects of the North-West Frontier, an increase of rifles is in direct ratio to an increase in crimes of violence, and, I am afraid, so it must always remain so long as he remains, as I am afraid he is likely long to remain, a slave to the blood-feud.

Now as a result of the disquieting influences of the great war and of the Afghan war, two great tribal branches on the Frontier got entirely out of hand, the Afridis, and Mahsud and Wazir tribes of Waziristan. Raid after raid was committed upon our most luckless fellow subjects in the districts of the North-West Frontier Province and in Zhob. At one time it seemed to us as if a campaign against the Afridis was inevitable in order to regain some sort of security for our fellow subjects. But by patient and most skilful handling, clan after clan of the Afridis came to heel and made their submission; and Sir John Maffey, now one of our greatest Afridi experts, has just announced that the settlement with the Afridis, including even the most truculent and inaccessible Zakka Khels, is complete. A very fine political performance. Yet we had advantages in dealing with the Afridis that we have not got in dealing with the Mahsuds. I suppose of all our frontier tribesmen the Afridi stands highest in intelligence and, if the word is not inappropriate, in civilisation. He is, more than any other, dependent for his livelihood on British territory. He has also a tribal organisation sufficiently effective to make his tribe comparatively easy to deal with as a whole. And lastly, in our occupation of the Khyber we have a means of bringing great pressure to bear on him, for, although strategically the Khyber high way does not strike at the heart of the Afridi country, politically it does. Unfortunately, when we turn to Waziristan we have not these advantages. The Mahsud is no less brave, but, of all our tribes, he is the most barbaric. He has no tribal organisation worthy of the name at all. He has no tribal hierarchy with whom we can deal and through whom we can exercise control. That is one of the many difficulties before us, but a difficulty which, with patient and skilful handling, we hope in time to overcome. Now the Afghan War, as I said, left the Mahsuds and the Wazirs entirely out of hand. If by being out of hand I meant no more than that they defied Government, that would have been a small matter. But go to the Frontier and ask our

[Mr. Denys Bray.]

fellow subjects there what it means when the tribesmen of Waziristan are out of hand. I feel that I require the eloquence of Mr. Nair, whose description the other day of the sufferings in Malabar affected us all—it would require his eloquence to bring home to you what it means. One Member the other day asked where and what is this Waziristan that it should so figure in our Budget? Again I say, let him go to frontier and ask again. For perhaps no one who has not been on the frontier, and who has not come in contact with people suffering, as ours have done, from the incessant raids of these barbaric tribes can realize to the full why we were forced into this expedition. One point I want to make quite clear. We have been forced into Waziristan not by a policy of military aggression, not by any dream of a forward policy, not by any illusion of military expansion, and not by a mirage of oil or minerals to be found there. We have been driven there by one thing only, and that is the impelling necessity to ensure reasonable security for our fellow-subjects whose lives and property and honour were being placed in cruel jeopardy. (Hear, hear.) So little is this a military adventure, that I ask Members to go up to Waziristan and ask the soldier and the sepoy what they think (*Mr. N. M. Samarth*; 'The British officer also'), and the British officer too. Nothing would please them more than to be told that their duty in Waziristan was over. They are suffering inconceivable hardships, without any of the ordinary glamour of war. Guerilla warfare, such as is being waged in Waziristan, is not the warfare that our soldiers and sepoys prefer. Our policy has been dictated, I repeat, wholly and solely, by the impelling need of giving our sorely-stricken fellow-subjects on the frontier some relief from their intolerable burden. An extra burden on our fellow-subjects of the frontier there will always be, and I would ask the House to remember it. Our fellow-subjects on the frontier are shouldering, and will continue to shoulder, a great burden for India as a whole. The frontier is policing India, is enabling our merchants in Bombay and Calcutta and Madras to carry on their avocations. Yes, there will always be an extra burden on our fellow-subjects on the frontier. But there is a pitch beyond which that burden is intolerable, and that pitch has been reached. In this aspect of the Budget, Sir, I stand out for the tax-payer,—the tax-payer of the North-West Frontier Province. (Applause.)

**Mr. F. McCarthy** (Burma: European): Sir, I propose that further speeches be limited to 10 minutes. That would not, of course, include the official speakers.

**Mr. President:** The question is that, with the exception of the speeches of the Honourable the Finance Member and of the Army Secretary, speeches for the rest of the debate be limited to ten minutes.

The motion was adopted.

**Munshi Iswar Saran** (Cities of the United Provinces: Non-Muhammadan Urban): Sir, if I may say so, I whole-heartedly agree with His Excellency the Commander-in-Chief that this is an occasion when there ought to be plain talk and we should use straight language.

At a time when you have discontent throughout the country and you have a Budget which has been characterised by different people in different language, it really behoves us to speak out our minds freely and fully. At a time when, according to Mr. Bray, the horizon is clear and we have treaties,



agreements, and understandings with foreign Powers, it is surprising that our military expenditure has not gone down. But, be that as it may, I submit, with all the respect that is due to His Excellency the Commander-in-Chief's lofty position and distinguished achievements on the field of battle, that his speech to-day has not only been disappointing but positively hope-killing. Instead of giving us any hope of reduction in years to come, he has told us that many things have had to be postponed for 12 months. Are we to take that as an indication of the Budget which will be placed before the House by the Government of India next year? Are we to understand from that that our expenditure next year will be larger than what it is even now because many things that have been postponed will be taken up then? As regards one particular matter, I must say that I, at any rate, was deeply disappointed by what His Excellency the Commander-in-Chief said. Last year, in reference to a speech made by Colonel Gidney in regard to a guarantee for the reduction of military expenditure, he was pleased to observe:

'I am unable to give him this guarantee unless he assures me that the North-West Frontier problem will not break out again and force on us further warlike operations. If our agreement with Afghanistan is satisfactory,

I beg the House to mark these words:

'If our agreement with Afghanistan is satisfactory, if the treaty of Sevres is revised on lines satisfactory to us and to the Turks, if the Bolshevik menace disappears and the internal situation in India quiets down, and if the non-co-operation agitator ceases to lead astray the ignorant and gullible masses, then I shall not be only prepared for but will welcome reductions in our military strength and expenditure.'

**Mr. R. A. Spence:** What about the 'ifs'?

**Munshi Iswar Saran:** The real 'if' is 'if' you will allow me to go on. I submit, Sir, that in view of that statement made last year, no one would have been accused of having entertained extravagant hopes that, with the conclusion of the treaty with Kabul, there would be some reduction effected in our expenditure. But this year His Excellency is pleased to observe: 'Why, the ink is not dry; the treaty is so recent and still you want a reduction.' Might I ask, with all respect, which I repeat is due to His Excellency, how long are we to wait for any reduction? When will this ink be dry?

Then, Sir, as regards the Indianisation of the Army, I submit with great respect that on this point His Excellency's speech has been most disappointing. What His Excellency says is this: 4-P.M. 'Even in England an officer takes 15 or 20 years to be trained. As an experiment, mark you, as an experiment, in regard to certain units, we are going to try this scheme and several generations will pass before you can hope for a complete Indianisation of the Army.' This, Sir, may or may not be sound from the military point of view, but I wish to state from my place in this Assembly that this will not satisfy the country. (Hear, hear.) The country in its present mood will not wait for several generations before it acquires the right, the capacity, to defend itself. It was, I suppose, Froude who said that the fitness of a nation for Self-Government depends on its capacity to defend its country. It was the same principle that was laid down by the Honourable Sir William Vincent when Mr. Mazumdar brought forward his Resolution. He said 'If I were an Indian, I would urge the formation of Indian armies with Indian Officers'. I repeat that demand and I say this in the presence of His Excellency that, if anybody imagines that the Indianisation of the military services in several generations will satisfy the aspiration of my countrymen, I am afraid he is sadly and grievously mistaken. Might



[Munshi Iswar Saran.]

I, though a layman, Sir, ask, why should this be regarded as an experiment? Have not our soldiers given a proof of their valour and their capacity on battle-fields? Sir, testimony has been borne to their capacity and to their fighting qualities by people in very responsible positions. Why then call it an experiment? Might I not in passing remind this House that during the war it did not take 15 or 20 years to make an officer. The answer, the obvious answer, is that it was a special occasion and there was an emergency. Then I say that there is emergency now, when the country is being impoverished and is no longer able to bear this heavy burden of military expenditure. Then, Sir, as far as His Excellency's speech is concerned, there was nothing said, or at any rate no assurance given, about the reduction of the British element in this country. May I, with your permission, cite a few facts to show how this expenditure has been rising? In 1913-14, there was the Commander-in-Chief and the Personal Staff and the expenditure was Rs. 3,16,310. In 1922-23, the expenditure is Rs. 3,21,560. In addition to that we now have a Military Secretary's Branch in 1922-23 and the expenditure is Rs. 3,46,300. In 1913-14, the General Staff Branch had 34 officers. In 1922-23, it has got 45 officers. The expenditure, in 1913-14, was Rs. 8,87,110. In 1922-23, the expenditure is Rs. 15,17,330. In 1913-14, the Adjutant-General's Branch, combined with the Medical Branch, had 17 officers, and in 1922-23, we have 30 officers. In 1913-14, the expenditure was Rs. 6,22,830. In 1922-23, the expenditure is Rs. 14,23,820. In 1913-14, the Quartermaster-General's Branch had 14 officers and in 1922-23, it has 50 officers. The expense in 1913-14 was 5 lakhs . . . . .

**Mr. President:** Order, order. The Honourable Member's time is exhausted.

**Mr. Muhammad Yamin Khan** (Meerut Division: Muhammadan Rural): Sir, one cannot help admiring the Honourable the Finance Member for his ability and cleverness in introducing the Budget, and in making a very good case for a practically insolvent and bankrupt Government. We, zamindars, are well acquainted with the Court of Wards Act. We have been hearing that, if a zamindar cannot manage his property, on account of bad management, his estate was taken over by the District Officer under the management of the Court of Wards. Here, if we compare the Government of India with a zamindar who cannot manage his estate properly, not on account of minority but on account of bad management, I do not see what can be suggested in this case. Surely, if the rules and the law applicable to the zamindars is applicable to the Government of India, then it is high time that the management of the estate should be taken over under the Court of Wards.

Now, Sir, there has been a lot of justification made by the Honourable the Finance Member for his increase of expenditure on the military side of the Budget, which comes to about three crores of rupees; but there has been an increase of expenditure of fourteen crores over the Budget altogether and no justification has been made for about eleven crores of rupees.

I could go on and repeat the things which have been so well said by most of the Members here; but I would draw the attention of the House to specific points. The Honourable the Finance Member has said in his speech that

by raising the *ad valorem* duty from 11 to 15 per cent., generally, and by increasing the excise duty from 3½ to 7 per cent., he will have a total increment in the revenue of five crores and forty-five lakhs of rupees; but he has not mentioned what income he will derive separately from the excise duty. I think he would have done much better if he had proposed a general increase from 11 to 20 per cent., instead of 15 per cent., and leave the excise duty alone. That would have been a much better solution, and he would have met less opposition in the House. Of course, I endorse all the statements about the machinery, and there would be no one who has got in his heart the development of the industries of the country who would ever vote for an increase on machinery from 2½ to 10 per cent.

There is, Sir, another item, *viz.*, sugar, and the Honourable the Finance Member says that, by increasing the duty from 15 to 25 per cent., he will have an extra income of two crores of rupees. I myself fail to see how he works out these figures.

By referring to the figures which have appeared at different times, I find that in 1920-21, the total import of sugar was 147,106 tons in the first 8 months, and the price of this was Rs. 12,53,33,827. On this an *ad valorem* duty of 15 per cent was charged. Then, Sir, in 1921-22, the total sugar which came in was 473,450 tons, the price of which was Rs. 19,88,47,784. By charging an *ad valorem* duty of 15 per cent. on this price, the total income was about Rs. 5,70,00,000 in the first 8 months of the year 1921-22. That means that the total income was about Rs. 7,00,00,000 in the whole year. The prices in 192-22, practically up to January, 1922, we find were averaging at Rs. 30 per hundredweight; and, of course, charging an *ad valorem* duty on such high prices would bring in a high revenue. But now the prices are approximately Rs. 15 per hundredweight. As the Honourable the Finance Member says that we will not import so much sugar, then it means that we shall have a lesser quantity than has been given in these figures; and, by working on these lines, I think that hardly a revenue of 4 crores will be received, while the Honourable the Finance Member hopes to get about 9 crores of rupees. So, I think, Sir, that there will be a deficit in his estimate of about 5 crores ultimately. This deficit we shall have to meet next time. I would suggest, and I think the Honourable the Finance Member would have done much better if he had suggested a duty on sugar by weight instead of by price, because prices are fluctuating and they might decrease this year too.

Passing on to the next item, Sir, on the income-tax side an increment from 14 pies to 15 pies has been suggested for those incomes which range between Rs. 30,000 and Rs. 40,000. I think this figure could have been easily taken at 16 pies, just as there has been an increment of 2 pies in the case of those incomes which go above Rs. 40,000.

I endorse all the speeches of Honourable Members of this House about salt, because the price of salt was 16 seers per rupee before the 1st March, but, as soon as an announcement was made here by the Honourable the Finance Member, salt is being sold at 8 seers per rupee to-day. This means that, not only have they charged for the increase of duty, but they have doubled the price of salt, which is a great hardship on the poor. There is one other thing. Hides and skins, raw and salted, are absolutely free and they are shown in Schedule I. They ought to have been taxed, because we have got a tax on the export of hides and skins. There is no

[Mr. Muhammad Yamin Khan.]

reason shown on No. 88 in Schedule II for taxing non-plated cutlery at only 15 per cent.; it could go alone with the other number, No. 128, against cutlery, and pay 30 per cent. because it is a luxury and it is no necessity for India. Machinery, No. 95, Schedule II, has been taxed at 15 per cent.; it is rather strange that machinery which is used for industries in India should be taxed so high. I think 10 per cent. is more than enough.

**Maulvi Miyan Asjad-ul-lah** (Bhagalpore Division: Muhammadan): (The Honourable Member spoke in the vernacular.\*)

**Sir Frank Carter** (Bengal: European): Sir, I think I am right in saying that a distinguished predecessor of the Honourable the Finance Member once described the Indian Budget as a gamble on the Monsoon or something to that effect. I do not know how that Honourable Member would describe recent Budgets, but to the humble tax-payer they cannot but appear as huge gambles, gambles in Exchange, gambles on trade prospects, gambles on Railway earnings, and gambles on Afghan Frontier wars. Since the hostilities of the Great War ceased in 1918, we have had four Indian Budgets, including the one now under discussion. Those introduced in 1919, 1920 and 1921 were all framed to show surpluses of some description; but, as the Honourable the Finance Member mentioned in his speech on Wednesday, the actual results, so far as ascertained, have been deficits of 24 crores, 26 crores and 34 crores, respectively, or an average deficit of 28 crores per annum. Is it any wonder that the Honourable the Finance Member has at length given up in despair the attempt to balance the Budget, and has left uncovered Rs. 2½ crores of the coming year's deficit, because I suppose he could not find anything further to tax? (Hear, hear.) I think, Sir, there is a very general impression that in recent annual statements India's financial position has not been painted in its true colours, and the pictures exhibited to the country have been in lighter and brighter tones than were actually justified or necessary. I hold the view that in times like these no good purpose is served by pretending that the position in India is better than it really is. Plain hard facts are what is required, and the sooner this country gets them the better for all concerned. However, I suppose we must recognise that Sir Malcolm Hailey always has been and always will be an optimist, and if he keeps on gambling 'in futures' long enough, he may ultimately strike a credit balance. That is, if he can meantime raise all the money necessary to carry on with. In this particular connection, I feel I must draw the attention of Honourable Members to the large amount of floating debt which this country is carrying at the present moment. I will not make comparisons with pre-war times or even with the period of the Great War, but I do feel justified in going back to March, 1919, when the first of these adverse Budgets, to which I have referred, was introduced. The Finance Member then was Mr. Meston (now Lord Meston), and he considered it his duty to draw attention to the striking expansion of our paper currency. He pointed out that in March, 1915, the net circulation, excluding notes held in the Reserve Treasuries, was 55 crores; in 1917, it had risen to 82 crores; in 1918, to 98 crores; and in 1919, to about 150 crores. He went on to say that 'the creation of money and credit,

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

especially credit which takes the form of paper money, is a pleasant process, while it lasts, but carries an inevitable sting; for every excess of paper currency has to be liquidated, and the value of money has to be reduced in accord with the needs of normal business.' Now at the end of March, 1919, we had only about 50 crores of Treasury Bills outstanding including about 6½ crores held in the Paper Currency Reserve. Even a year later, at the end of March, 1920, the amount of Treasury Bills outstanding was only 53 crores of which about 10 crores were held in the Paper Currency Reserve. Yet the Finance Member of that year, the Honourable Mr. Hailey, took the opportunity of his first Budget speech to point a moral. He said:

'We have been sailing very near the wind and the moral is obvious. Anything approaching 50 crores of Treasury Bill outstandings, to say nothing of the 68 crores reached in October last, is a dangerous amount of floating debt for India to carry \* \* \*. It is imperative, therefore, to reduce our floating debt to more manageable proportions.'

I will not take up more time quoting all that the Honourable Member said in this connection. It is fully reported in his Budget speech of 1920. By the end of March, 1921, the amount of Treasury Bills outstanding had risen to 105 crores of which over 61 crores were held in the Paper Currency Reserve. It is true that a portion of this increase was due to the revaluation of sterling holdings in the Paper Currency Reserve, but the fact remains that this floating debt during the year had been practically doubled. Sir, I have not quoted these figures to confirm the saying that the best-laid plans go oft astray, but with a view to impressing upon this House the great necessity there still exists for increasing revenue or cutting down expenditure. We cannot go on indefinitely on borrowed money, certainly not on floating debts, which ought to be liquidated at the earliest opportunity. We may not all approve of the exact manner in which the Honourable the Finance Member proposes to square his Budget for the coming year, but I hope we shall all agree with the principle that the country's accounts should be squared either by raising the necessary revenue, or by reducing expenditure.

As regards the latter, I for one am not absolutely satisfied that everything has been done in this direction that can be done. In spite of the transfer to the Provinces of branches of administration which, previous to the Reforms, had been administered by the Central Government, I notice the expenditure on civil administration has been increased instead of decreased.

Turning to the manner in which Sir Malcolm Hailey intends to raise the necessary revenue, I hope there will not be many who will take exception to the increase in railway fares. Railways must pay and even now we can travel in India at a cheaper rate than in almost any other country in the world. I do not suppose for a moment that it will stop the millions of India travelling.

Many Honourable Members have already made remarks about the raising of the salt tax. The Finance Member has told us that it means a matter of three annas extra cost per head of the population per annum; not a very serious matter even to a poor man. The salt tax in the early sixties and seventies was Rs. 3-4-0 per maund; in the late seventies and early eighties it was Rs. 2-14-0 and from 1888-1903, Rs. 2-8-0 per maund. Since then, it has been reduced with one slight increase to Re. 1, and before the Budget it was Rs. 1-4-0. If the tax had remained at Rs. 2-8-0 for the last 18 years, we should not have been in such a difficulty as we are now in. I deplore the necessity of increasing the duty on sugar as this will only raise the price to the

[ Sir Frank Carter. ]

consumer and will bolster up an already sufficiently inefficient industry to his detriment and his alone.

Then there is the raising of the duty on Machinery, Iron and Steel, and Railway material. I feel that this increase, which is a departure from the past policy of the country, requires considerable justification. So far as Machinery in particular is concerned, this question ought to be carefully inquired into before the House agrees to such a drastic increase.

The import duty on foreign oil used to be  $1\frac{1}{2}$  annas per imperial gallon. It is now raised to  $2\frac{1}{2}$  annas per gallon. Government have also imposed an excise duty of 1 anna per gallon on kerosine oil produced in India. I do not myself see why this excise duty should not be the same as the import duty on foreign oil, *viz.*,  $2\frac{1}{2}$  annas per gallon. Most of the oil produced in India comes from Burma and we all know that oil companies are some of the largest and richest companies in the world. Is there any reason why the oil companies of Burma should be let off so cheaply? It is not as if all the profits they make are spent in India.

Then, again, I should have liked to have seen the duties on wines and champagnes reduced, to see whether some of the lost revenue on these articles cannot be recovered.

It is all very well however to criticise, but there is no use in criticising or pleading for special consideration for individual articles unless some alternative proposal is forthcoming and the only alternative proposal which I can offer is considerably more rigid retrenchment and economy in all departments. I hope the Committee which is to be appointed will be able to make workable suggestions, but, as the Finance Member has rightly observed, the inquiry of this Committee can only extend to a matter of 20 crores. I would especially wish to draw their attention to the Public Works Department.

The position has to be faced and I think you will find that the European mercantile community will support the Finance Member's recommendations. It is recognised that India must put her financial house in order, and until this is done, we cannot look for any further material industrial improvement.

The Honourable the Finance Member has stated that our present financial position is due to the poor monsoon of 1920 (where we should have been if 1921 had been poor also I do not know), a very severe world wide depression in trade, the vagaries of exchange and labour trouble at the collieries, but he skims very lightly over what to me appears to be a very large factor in the situation, and that is the revolutionary agitation which has seriously interfered with trade and weakened our credit abroad. The depression in trade in India has been aggravated to an intense degree by the ceaseless campaign of class hatred and political agitation which has been permitted to become rampant during the last four or five years; it has involved our Imperial and Provincial Governments in large expenditure on the police; it has paralysed all our industrial undertakings, as can be seen by the losses shown in the working of the railways and has destroyed public confidence in the business world. The Government is responsible for this and until very firm steps are taken to counteract it we cannot expect to see any substantial improvement in our position. If it is not stopped forthwith, we may be faced next year, even with all this extra taxation, with a Budget as bad, if not worse, than the one with which we are now faced. It is a very serious matter and cannot be disregarded.

Sir Malcolm Hailey admits that, owing to the short raisings of coal and the consequent purchases of foreign coal, the total excess of working expenses on the railways over the Budget estimate is  $7\frac{1}{2}$  crores ; in addition to this, large rail and road transport charges, abnormal internal movements of troops and stores, due to military operations in Malabar and civil disturbances in other parts of the country and also increase in railway fares amounts to  $1\frac{1}{2}$  crores. Add to that the present strike on the East Indian Railway, the strike on the Assam Bengal Railway, strikes at the collieries, strikes at the cotton mills, strikes at the jute mills, the loss in business at industrial centres and extra expenses in connection with the police and internal security, the sum total cannot be much less than 15 crores of rupees. It is true that some of these expenses will be borne by the provinces, but, seeing that most of the provinces are more or less bankrupt and are demanding a reduction in the contribution towards the Imperial Exchequer, the ultimate loss will fall on India as a whole.

Honourable Members have referred to the military expenditure and we have heard His Excellency the Commander-in-Chief's explanation regarding the military expenditure. His explanation, coming as it does from one of the greatest Generals in the War, must carry weight in this Assembly. We know he is personally looking into the question of economy, and he has told us that any reduction in the military forces at the present time would be dangerous. Personally, I am very glad to have his explanation regarding the military policy. No one in the Assembly can wish that any British soldier or Indian soldier should go into battle with inadequate equipment. We cannot allow peaceful citizens to be a prey to the inroads of Mahsuds. If we cannot reduce military forces, surely, as Sir Deva Prasad Sarvadhikary has suggested, the loss on some of the larger items could be spread over two or three years.

**Beohar Raghubir Sinha** (Central Provinces : Landholders) : Sir, I have not got to blame so much the Honourable Sir Malcolm Hailey as the Government's policy which is at the bottom of the last year's or this year's Budget, which again presents with greater force the continued story of woes and lamentations and utter bankruptcy, with no hopeful signs for the better in coming years. The outpourings of national tears, which somewhat lighten the heart for the time being, are going to stop and secede, only to be taken place of by the deep-seated unutterable gloom and despair which is the greatest danger-signal for the administration.

It is the most unhappy irony of fate, Sir, that yearly increasing deficit and fresh taxations add to further unrest in the country and go on swelling the ranks of discontented people and give stronger and fresher impetus to the movement out for mending or ending the present system of Government. There is no gainsaying the fact that the situation is most critical and very grave.

I feel, Sir, that I would be disloyal to the King-Emperor and my Motherland, if I fail to bring the point to the notice of the Government prominently and emphatically. Sir, the position has been made absolutely intolerable. Let not the last straw break the camel's back. The military expenditure, many years ago, reached the highest pitch. It has left us most insolvent. It has assumed gigantic proportions and to-day stands at a higher figure than it did during the World War. When in almost every other

[ Beohar Raghubir Sinha. ]

country involved in war the tendency has been towards the reduction of expenditure and remission of taxation, in India taxes are being piled up to an unimaginable extent. It is a matter of extreme surprise that the eyes of the Government have not been sufficiently opened yet. It is still inexorable.

Exchange policy was adopted in spite of strong opposition on the part of competent people. The suggestions for the Indianisation of the Army and other Services, the creation of a large Indian Militia and Territorial Force, which were bound to curtail the Military and Civil Budget to a very great extent, and, last but not least, substantial retrenchment in different directions, have fallen on deaf ears. The custodians of India's fate have acted in the way as the Hindusthani saying goes :

*'Karte hain, Karatte hain, Karneka fikr main hain'*

*viz., 'We are doing, shall get it done and are thinking of doing'.*

Have they not, all these long years, flouted the opinions of such eminent Englishmen as Sir William Hunter, who said :

*'If we are to govern the people of India efficiently and cheaply, we must govern them by means of themselves and pay for the administration at the market of native labour.'*

And what is the result? In the words of the late lamented Dadabhoj Nawroji : 'Absolute material, political and intellectual drain from India'. His Excellency the Commander-in-Chief just said that Indian officers are not available who are up to the mark. Who, I ask, is responsible for this?

After more than a century and a half of British rule in India, we still remain in the position of 'hewers of wood and drawers of water', and are still incompetent for higher Military Services.

The picture presented by the financial condition of local, provincial and Imperial administrations is one of unrelieved gloom. Heavy taxations are being unceasingly imposed year after year and poor Indian is groaning and moaning under the most costly administration in the world, which is eating into the very vitals of India.

The imposition of the salt tax has ever been condemned since the time of Messrs. Dadabhoj Nawroji and Gokhale of revered memory. I ask, will the Government gain in reputation by doubling this tax? For God's sake, let the poor people be 'left alone with a pinch of salt'. In the words of *'The Indian Daily News'* 'Let *namak* be not tampered with and let Indians remain *namak halal* (loyal)'.

You cannot brand them as *namak haram* (disloyal) but those who are actually depriving them of their pinch of *namak*. Let not the poor be hit at all. The imposition of the cotton excise duty cannot be supported, as it will increase the price of goods such as *dhotis*, etc., the price of which is already very high and which is very badly felt by the people.

The increase of the duty on the import of machinery, iron, steel and railway materials, is bound to be detrimental to the industrial development of the country. Even the *'Pioneer'* says :

*'It is a retrograde step and by enhancing the cost of essentials of industrial development, it will inevitably prove an obstacle to the extension of the industries of India.'*

Let not the price of postcard be raised to 2 pice and let not matches and kerosine be taxed. These will directly hit the poor. The poor do not get oil even for food and they have to depend on only kerosine for light.

I wish to draw the attention of the House to the pessimistic views of even some of the well-known Anglo-Indian papers, over the Budget.

The '*Statesman*' writes :

'It is veritably a calamity Budget. The most audacious proposal is the doubling of the salt duty. That the Military Budget should have reached its present proportions is nothing short of monstrous. It is ruinously disproportionate.'

Again it remarks :

'Military expenditure is insanely out of proportion to the revenue of this country.'

The '*Englishman*' holds :

'A review of the situation is depressing in the extreme. No silver lining anywhere. It is impossible to acquit the Government of the charge that it has not exercised economy to the fullest extent possible.'

The '*Civil and Military Gazette*' writes :

"It would feel surprised if it is not materially altered before it is done with."

Let me say, Sir, that the public opinion is decidedly against the passing of the Budget as it stands to-day. And we, the Members of this Assembly, are placed in an absolute anomalous position. Those of us outside the Council who believe in the utter futility of the Reforms, whose number is by no means small, hold that we who have come to the Councils are not the representatives of the people. We have been feeling fully conscious of our responsibility towards the Government and the people and forthwith realizing the difficulties of the Government—are we to share the responsibility of passing this Budget, against public opinion, in the face of the fact that we have no substantial powers over the finances, and thereby justify the allegations of our friends outside the Councils, and especially at this juncture when the Government have thrown us overboard by not immediately giving effect to the Resolution passed by this Assembly recommending that 'all items should be votable'.

Sir, someone in the innermost cells of my heart prompts me to say :

'Be true to God and man, shirk the responsibility which is not genuine. Do not be a party to the passing of this Budget.'

In fine, let me emphatically appeal to the advisers of the Government and the custodians of British Rule in India :

'Kindly mend the machinery before it is too late and let not end it.'

The responsibility is on their shoulders and theirs alone.

**Mr. B. S. Kamat** (Bombay Central Division: Non-Muhammadian Rural) : Sir, I listened this morning, with a great deal of respect and very close attention, to the speech of His Excellency the Commander-in-Chief. I also listened to the remarks which fell from Mr. Denys Bray. I frankly confess that His Excellency's speech disappointed me and distressed me more than the Budget introduced by the Finance Member. It appears to me, Sir, after listening to the debate of the last two days that the remarks of His Excellency raise a definite issue before the country.—an issue of grave, momentous importance, and that issue is whether the country is going to give to the Finance Member a fresh taxation in the shape of 31 crores of rupees, or



[Mr. B. S. Kamat.]

whether it will see to it that the Military Budget is also reasonably cut down from 62 crores of rupees. That is the plain issue before the country. His Excellency told us that it was not possible at the present moment to reduce the strength of the Army. He further told us that it would be generations, perhaps, before the Army is Indianised. My friend, Munshi Iswar Saran, has given a reply to that part of His Excellency's speech. His Excellency said that politicians who want to run on the path of Swaraj or to fly are entirely out of place. Those of us who are in this Assembly are at least not committed to the principle of flying on the path of Swaraj, but on the other hand let me tell His Excellency that those at any rate who are here do not want to crawl at the pace of the camel-cart of Delhi: if at all the Civil Government is to be Indianised or the military part of the Government is to be Indianised, we do not want to crawl at the lumbering pace of the camel-cart of Delhi; surely, we are here to whip up the camel into a decent trot, if not into a break-neck gallop, so far as Indianisation goes. But the question which really appeals to me is this. Is the opinion of the military authorities the final and the last word in the matter of taxation? Certainly, with all due respect to His Excellency, I say that upon this question of military expenditure his opinion ought to be final. But taken along with that question is the question of India's finances. I believe the soldier, however eminent and distinguished he may be, is not alone the person to determine what fresh taxation the country can bear. That question has to be solved both by the military and by the civil authorities. Therefore, if that is the view with which we approach this question, I say that the military policy of the Government of India cannot be dictated by any Commander-in-Chief for the time being. I say this with due respect for the distinguished soldier who now occupies that high position. That matter has to be determined by the economic condition of the people, by the taxable capacity of the country and the necessity which we have to bear in mind for future taxation. It is not only a question of raising 31 crores of rupees for the present year, because the Finance Member has told us that probably for some immeasurable time the taxation now proposed will have to be continued. Then, again, it has to be remembered that it is not only central taxation but provincial taxation which will be thrown upon the shoulders of the tax-payer. These two matters, that of the frontier military policy and of fresh taxation, have to be considered together. That is the crux of the whole position.

We were further told by His Excellency the Commander-in-Chief that, so far as the military policy here was concerned, he was not dictated to by any outside agency. I accept his word for that. In fact the Esher Committee's Report distinctly says that the Commander-in-Chief is the sole military adviser of the Viceroy. There is absolutely no doubt about that. But, Sir, the Report of the Esher Committee goes further than that and tells us that, so far as Imperial military questions are concerned, so far as the question of Imperial Defence is concerned, the principle is laid down that the military policy of the Government of India—not of the Commander-in-Chief, but of the Government of India as a whole—must be in consonance with the military policy of Imperial Defence. If that statement in the Esher Committee's Report is correct, and if the military policy of the Government of India is to be in consonance with Imperial interests, I say that either the Imperial Government must share the military burden with us

or leave an absolutely free hand to the Viceroy and his advisers here to determine the military policy and the Military Budget of India.

His Excellency further told us that, though he had tried to reduce the military expenditure in all sorts of ways, it was not possible further to reduce the Military Budget. Well, I must accept his expert opinion in that respect. But, Sir, in this discussion on the Military Budget, which His Excellency has placed before us, it is still possible to place one's finger on many items and to point out by way of illustration that there in those items there is yet room for reduction. For instance, in this year of financial stringency, it is proposed to spend no less than a crore and 18 lakhs for raising and equipping a Territorial Force. Why should this particular year be chosen for this purpose? Why cannot that matter be put off for the present? Then, in the matter of military works, no less than 40 lakhs of rupees have been set aside for certain works in Waziristan. It is proposed to spend also no less than 20 lakhs for the re-construction of certain barracks. Why cannot that expenditure be held over for some time to come. Then, again, let us examine the different allowances that are given to the British soldiers. It is surprising to find that there is a punkha-pulling and a waterman's allowance, for sprinkling water on *khushkhus tattis* and the like for ordinary soldiers; there is a marriage allowance, a family allowance and a separation allowance. Since the country is on the high road to financial ruin, it behoves the military authorities to reconsider the whole question of these extra charges and arrive at some solution of the problem. The Finance Member has told us that we, along with all other countries, are passing through a financial crisis. But let me ask him, how are the other countries in the world solving the problem?

Look at England. How is his own country, Great Britain, how are his own countrymen, at the present moment engaged in solving the same problem? By the double method, the dual method, of cutting down *both* Military and Civil expenditure and then raising additional taxation, whereas the Finance Member here in this country is only going to have recourse to one method, *viz.*, to have additional taxation and not a single lakh of rupees is going to be cut down from the Military expenditure. That is precisely the difference between the method by which England is solving her problem and that by which India and India's Finance Member are solving that problem. Sir, as I said, we have a definite issue before us. Government wants 62 crores of rupees, not a farthing less for the Military Budget, and they want to raise 31 crores of additional taxation. Certainly we shall be reasonable, provided Government in its turn is reasonable. We have co-operated with Government. I ask, let Government at this time reciprocate that co-operation which we have given to it since last year and let them cut down from 62 crores something and then come to us for the remaining amount of additional taxation. But, Sir, if that is not the spirit on the part of Government to reciprocate our co-operation, surely it would be time for this House to consider the definite issue which has been placed before them, *viz.*, whether we are going to surrender ourselves to this additional imposition of 31 crores, mind you, not only for this year but for some years to come, and accept this burden of 62 crores simply because the military authorities in all their honest conscience think that that is the irreducible minimum required for the carrying on of the military defence. Certainly, I think it should be the duty of this House, as representatives of the tax-payer, to see that some portion at any

[ Mr. B. S. Kamat. ]

rate of this Military Budget is cut down, in consideration of the fact that the country is passing through a grave financial crisis. Sir, only if they do that, and then come to us for the remaining amount of deficit, we shall be very glad to support them. Otherwise, I for one cannot support such a Budget.

**Mr. N. M. Joshi** (Nominated : Labour interests) : Sir, I was considering whether I should speak at this late stage or not, but one thought encouraged me. I thought to myself that it would not be wrong of me if I inflict a speech upon this House when the Finance Member was going to inflict the burden of a very heavy taxation upon the country when the country is already overburdened. Sir, the Government ought to remember that this House stands constitutionally in a very anomalous position as regards the Budget. They can vote only a very small portion of it while they are asked to assist the Government in voting for the Finance Bill. If the House defeats the Finance Bill, the course will be regarded as extraordinary. In these circumstances, it is the duty of Government to assist the House in every possible manner in order that they should be able to do their duty to the country, and for this reason it is necessary that Government not only should treat this House with courtesy but with great consideration. The Government could have very easily known that this year there would be a deficit in revenue. They had several months during which they could have appointed a Retrenchment Committee which could have reported before the Budget. But they did not do it. Then, Sir, there is another question. We all know that, if the Indian taxpayers' burden is to be lightened, it can be lightened only by curtailing the military expenditure, but the military expenditure cannot be curtailed substantially unless the Indian Army is Indianised. Unfortunately, Sir, the speech of His Excellency the Commander-in-Chief was very disappointing in this respect. The first reason that I think he gave for not being able to Indianise the Army was that at present there are internal troubles in India and he hinted that he could not depend upon the Indian Army to put down these internal disturbances.

**His Excellency the Commander-in-Chief** : I do not think I hinted at that.

**Mr. N. M. Joshi** : His Excellency mentioned that seditious propaganda was being spread in the Army and, he also said, in some cases with success. Sir, I know the loyalty of the Indian Army. I also know one other thing, that there may be some stray cases of disloyalty among the Indian soldiers. Where is the Army in the whole world which is immune from disloyalty? Is the British soldier not susceptible to the influence of Bolsheviks? He is. Then, why make use of a few stray cases of disloyalty or indiscipline in the Indian Army as a reason for not Indianising the Indian Army? (Hear, hear.) Sir, this is not a very adequate reason; for the loyalty of the Indian soldier, who not only fights the Afghan, not only has fought the German, but who, out of a sheer sense of discipline, does not mind even shooting his own countrymen when there are riots on account of political agitation, is well known. (Hear, hear.)

Is that the reward which the Government is going to give to the Indian soldier?

Sir, there is another point. Although His Excellency the Commander-in-Chief gave the internal troubles as the reason, there is another reason always at the back of the mind of the English Officers as well as of the Government, that the Indian soldier and the Indian regiments require the stiffening of the British troops. Sir, once for all let me say that this is only a fad of the Englishman that the Indian soldier and the Indian regiments require the stiffening of British regiments. I, for one, cannot accept the truth of this statement. I believe that the Indian soldier, man to man, is equal to the British soldier (Hear, hear); therefore we need not wait for generations for the substitution of the British troops by Indian troops. Sir, there is some difficulty in securing Indian Officers and the training of Indian Officers may take some years; but surely even that may not take several generations. Unfortunately, the Government is not willing to make serious efforts in that direction. His Excellency mentioned that Government is starting some schools. For what purpose? Not for training the Indian Officers for the Indian Army, but to give them some preliminary education to be trained as Indian Officers. Sir, I want to know whether in England there are schools for this preliminary education, and why are such schools necessary in India? The only reason, it seems to me, is this, that Government does not want to throw open the commissioned ranks to our people. They want to confine the commissioned ranks to a very small class of people whose loyalty is above suspicion in their eyes.

Then, Sir, there are some other remarks which I would like to make about this subject. His Excellency mentioned, as part of the scheme of Government for Indianising the Army, a Territorial Army. Now, as regards a Territorial Army, we know that Government has made certain distinctions between the Territorial Force and the Auxiliary Force. Their rights and privileges are not the same. Do they expect the educated Indian to join the Army unless he gets the same privileges as the British educated man gets. I do not want to pursue the subject any longer. The only other remark that I would like to make as regards military expenditure is this, that if Government wish that this House should co-operate with them in passing the Finance Bill, Government ought to take this House into their confidence even as regards military matters, otherwise it is not possible for any Member of this House to support the Government in passing the Finance Bill. (Hear hear.)

Sir, I should like to say only one word about the civil expenditure. Government has not made any effort to cut down expenditure in spite of the remarks made by the Honourable the Finance Member. On account of the Reforms, several Departments have been provincialized. Has the Government of India in their Secretariat reduced any staff on account of that? Is there any responsible work left for those Departments, the functions of which have been provincialized, for instance, the Departments of Education, Sanitation, Public Works, Revenue, Industries?

Then, Sir, I would like to make only one or two remarks about the taxation. The first thing is, I am entirely opposed to the salt tax, but I do not propose to speak longer on this subject, except to make one remark about what fell from my Honourable friend, Mr. Darcy Lindsay, and my Honourable friend, Mr. Cotelingam. They said, there was no objection to the salt tax, because the workers in mines get more, and the workers in factories also are

[ Mr. N. M. Joshi. ]

getting much more than they used to do. In the first place, if their wages have not gone up, the prices have gone up; so it makes very little difference to them. In the second place, I do not object to the Government levying any tax upon people working in mines or working in factories.

Does Mr. Darcy Lindsay know how many people there are in the country who are working in mines or factories? Their number won't be more than 2 or 3 million, or at the most, 5 million people. I do not mind your levying taxes upon these people but the salt tax is not going to fall only upon the workers in factories and mines who are getting comparatively better wages. The tax will fall upon the whole manhood of the country. The average income of the Indian, as estimated by Dadabhai Nawroji, was Rs. 27 a year. Lord Curzon went one step further and said, it was Rs. 32. I say, to-day it may be even Rs. 40; but I ask my Honourable friend, Mr. Darcy Lindsay, whether Rs. 40 a year is a sufficient income to maintain one man in flesh and bone. If it is not, then the salt tax is unjustifiable, because it falls upon every man whether he gets Rs. 15 or Rs. 20 a month, or even Rs. 40 or less a year.

Sir, I should like to ask Government, when they frame their taxation proposals, what is the test, what is the criterion, on which they base their taxation proposals? The Honourable the Finance Member seemed to say that he wanted to levy such taxes as would fall upon the people equally. Somebody said the taxation proposals hit rich and poor equally. Is that the object of the Government, that their taxation proposals should hit the people equally without any regard to their ability to pay? If the basis of taxation is not to be that, it should fall equally upon people, the only other basis possible is that they should fall upon people according to their ability to pay. If you judge the present taxation proposals of Government in that light, I think they have not taken this point into their consideration.

**Sir Godfrey Fell** (Army Secretary): Sir, I propose to reply as briefly as possible to some of the criticisms which have been levelled, in the course of the discussion yesterday and to-day, against the scale of military expenditure which the Government of India have found themselves compelled to adopt for 1922-1923. Those criticisms are various and detailed, but they all reflect the objections, the very natural objections, of Honourable Members of this Assembly, to the high scale of military expenditure and their desire to reduce it. But, before I deal with any other criticisms, I wish, Sir, to take this immediate opportunity of correcting a most dangerous misapprehension which has been revealed by the remarks of my Honourable friend Mr. Joshi, on the subject of His Excellency the Commander-in-Chief's remarks this morning about the Indian Army. On that subject on his interpretation of what fell from Lord Rawlinson, Mr. Joshi has built up a monstrous charge against His Excellency the Commander-in-Chief of not trusting the Indian Army. I have only to mention that charge to this Assembly, for it to realise how utterly untrue it is. His Excellency made no such statement. What he said was: 'I see signs of grievous unrest in India to-day'. He proceeded to detail the symptoms of that unrest and, in connection with it, he mentioned attempts to tamper with the loyalty of troops. I wish to give the earliest possible denial to any suggestion that His Excellency the Commander-in-Chief or any of the high military authorities in India are actuated by any spirit of distrust of our splendid Indian Army. (Hear, hear.)

Now, Sir, to turn to a few of the detailed requests for information and criticisms. Mr. Seshagiri Ayyar asked for an explanation of the statement which was recently made by Sir Robert Horne in the House of Commons, as telegraphed out by Reuter. I think it is only natural that he should ask for information on this point, because the first message which we received gave food for anxious thought to any one who is interested in our military and financial situation in India. The impression which Reuter's message appears to have conveyed to my Honourable friend was something like this : that the Geddes Committee had recommended the reduction of 7,000 British troops in India, but that the Government of India, owing to a vacillation in their policy, had at the last moment refused. Now, Sir, there is not one word of truth in that suggestion. The whole of the statement attributed to Sir Robert Horne was based upon a misapprehension of facts, a misapprehension of what has been done in India. It was corrected the next day by Sir Robert Horne himself in reply to a question in the House of Commons. The actual facts are these, that the reduction about which this misapprehension arose has been carried out some three years ago ; that is the very figure of 7,000 men. The facts are that the combatant strength of British troops before the war was 72,882, in 1922-23, it is 66,012 ; and, in the same period, there has been a reduction in the strength of British officers from 4,790 to 4,352.

Next, Sir. Colonel Gidney complained that the movements of troops were made regardless of economy. It was inevitable that there should be large movements of troops during the war and in the period succeeding the war ; and I am afraid that we shall not get the expenditure under this head down to the lowest possible limit until our frontier operations are over and all our troops have returned to their peace stations. Another cause of heavy expenditure in this direction is, of course, the movement of troops to deal with civil disorders. I can, however, assure the Assembly that His Excellency the Commander-in-Chief is doing everything in his power to keep the expenditure down to the very lowest possible limit. I have only to-day seen some orders of His Excellency on the subject, putting a stop to the practice by which cavalry regiments take their horses with them on transfer or relief, and guns and heavy equipment are also moved. He proposes to substitute for it a procedure under which the relieving unit will take over the horses and equipment. Also the programme of reliefs will in future be fixed in advance and will be rigidly adhered to.

Another point which Colonel Gidney made was this : he complained that we spent Rs. 7½ crores in purchase of stores from England, and that it would be much better in every way if we bought them all in this country. I think that my Honourable friend has made a slight mistake here in his figures. The total bill for stores from England is only £2½ millions ; and it is mostly made up of mechanical transport and ordnance stores, which cannot unfortunately be procured in this country.

Then, Sir, Mr. Harchandrai Vishindas, in that part of his very interesting speech in which he professed to offer constructive rather than destructive criticism, referred to the amalgamation of the British Army in India with the Indian Army after the mutiny. No doubt, owing to lack of time, he did not proceed to develop his argument and to say in what way a reversal of that policy would result in the economy which we all so much desire. I think the

[ Sir Godfrey Fell. ]

answer to this suggestion is this : that, assuming that we require British troops for the defence of this country, we shall not secure any economy by departing from our present system under which we borrow our troops from the United Kingdom.

We could not get men to enlist for duty solely in India at the same rate that we can get men, or rather the War Office can get men for service partly at Home and partly in India. Then, again, we should have to give the private soldier, if he was enlisted for continuous Indian service, so to speak, very liberal leave to England and pay his passage and expenses. That would mean heavy transport charges. Then we should have to pay increased pay and pension charges for the officers of a localised European force. That is to say, we should have to pay them at least the same rates as the officers of the Indian Army are paid, and not the present rates drawn by British service officers. I think the Indian tax-payer may rest assured that the War Office does not pay more than the market rate for its soldiers ; and that, if we were to attempt direct recruitment, we should have to set up an elaborate and expensive machinery at Home for recruiting and training them, and the men so recruited and trained in England, when landed in this country, would be much more expensive than they are now.

Mr. Samarth wished to know how much the Government of India received on account of Indian troops employed by His Majesty's Government overseas. I can give him the answer in a very few words. They receive punctually and regularly the whole of the charges connected with the employment of those troops.

Then, Sir, he went on to speak about the Military Requirements Committee and the Committee of Imperial Defence, and he asked who represented the Government of India on the Committee of Imperial Defence. The answer is that the Secretary of State for India represented the Government of India on that Committee.

He then went on to ask whether the recommendations which were made to that Committee by Sir Claud Jacob were made on behalf of the Government of India, or whether they were made by him over the head of the Viceroy and the Government of India. Sir, I am very glad that my Honourable friend has asked that question, as he has thereby given me an opportunity to state the facts to the Assembly. The facts are these. General Sir Claud Jacob, the Chief of the General Staff, was compelled to go to England last September for reasons of health. The Secretary of State took the opportunity of his presence in England to take him with him to the meetings of the sub-committee of the Committee of Imperial Defence as his Military Adviser, in the place of General Cobbe, the Military Secretary at the India Office, who also at that time unfortunately was ill. Sir Claud Jacob was not a member of the Committee, and, for I have asked him about this point to day, he was not allowed to speak before the Committee. He was only allowed to answer questions on points of fact which were asked him, and, on the one or two occasions when the Committee asked him for his opinions, he was careful to preface his remarks by saying that he had no authority to speak on behalf of the Government of India nor on behalf of the Commander-in-Chief, and that the opinions that he expressed were his own personal opinions, based on his own knowledge of India and Indian conditions and of the frontier. The

suggestion that Sir Claud Jacob posed as the representative of the Government of India before the Committee of Imperial Defence is, therefore, wholly without foundation.

Dr. Gour took exception to the suggestion that military policy is a matter for the Commander-in-Chief, and Mr. Kamat said very much the same thing. Dr. Gour said that it was for the Government of India to decide the military policy, and that it was the duty of the Commander-in-Chief and his officers to carry it out. Well, Sir, that is precisely the position which exists to-day, as indeed it has always existed. The Commander-in-Chief, as this Assembly is surely aware, cannot dictate the military policy of the Government of India. He can only advise the Government of India, and it is his duty to do so. It is for the Government of India as a whole to accept or to reject that advice, as they think fit.

Sir Montagu Webb gave us some calculations, based upon the pre-war cost of the Army and the rise in prices since the pre-war period, and from then he deduced a theory that we ought to run what used to be a 30 crores army for 45 or 50 crores. Well, Sir, it may seem that there is something in that argument at first sight; but I must remind him that since the pre-war period, new expenditure has been incurred in various directions, for instance, the pay of the sepoy has been increased, and we now feed him in peace-time in cantonments as well as in the field.

Then, again, Sir Montagu Webb based his calculations on an increase of 50 per cent. in prices in India. I must remind him that all our charges are not in this country, and that much of our expenditure is unfortunately incurred at Home. Also the additional heavy cost of British troops reflects the rise in the cost of living in the United Kingdom.

Mr. Shahani, in the course of the few remarks which he was able to crowd into that all too brief twenty minutes, questioned the statement made by His Excellency the Commander-in-Chief, in the course of his speech this morning, that he is not under the domination of the War Office and he adduced, in proof of his assertion, the fact that the report of the Military Requirements Committee had to go before the Committee of Imperial Defence. Let me tell Mr. Shahani that the Committee of Imperial Defence has no more to do with the War Office than it has with this Assembly. It is a Committee appointed by the Prime Minister and has no connection whatever with the War Office.

The question, Sir, to which as practical men we now have to address ourselves is this. Can we cut down the Military Budget for 1922-23? That is really the main issue which is before the Assembly. It is, of course, obvious that the principal factor which governs the Military Budget must be the strength and organization of the Army. The Assembly has had the advantage of hearing on this subject the views of His Excellency the Commander-in-Chief to-day. He, as the supreme military adviser of the Government of India, has stated as his definite and considered opinion that we can make no reduction in the fighting troops at the present time. I feel sure that there is no one among us laymen in this Assembly who will question the opinion of such a high authority as Lord Rawlinson, the more so in that Lord Rawlinson has shown ample proof, since he has held his high office, of his desire to effect economies wherever they are possible. I am sure that the Honourable the Finance Member will agree that this is the case. He has indeed, this year, postponed,



[ Sir Godfrey Fell. ]

as he has told you, many urgent schemes in order to try to meet, so far as it lies in his power, the very difficult financial situation of the Government of India. It would be impertinent for me to add anything to what His Excellency the Commander-in-Chief has said on these questions of high policy.

But what I want to deal with is this, whether, given an Army of this size and strength, the people of India are getting full value for the money which is spent on it ; in other words, whether that Army is administered with due regard to economy. It is obvious to the Assembly that there are many directions in which the scale of expenditure cannot be reduced. The men must be paid the rates at which they were recruited, they must be clothed, they must be housed, they must be fed, they must be taught their profession, trained in musketry, drilled, disciplined and the rest. I gather, however, from some of the speeches which have been made to-day, as well as on a previous occasion, that there is an impression abroad that more economical arrangements could and should be made in the matter of contracts for large purchases in connection with the Army. I need hardly say that the Government of India welcome any constructive criticism which can be offered on this subject. But I think it might be as well if I said a little about the methods employed in connection with these contracts ; and this is all the more desirable because, in the course of the debate on retrenchment on the 3rd February, I think it was—Mr. Samarth inquired whether we were getting our money's worth in all respects. He instanced the large amount of money which is spent on supplies and contracts and transport. He asked for a Committee of this House to inquire into the whole procedure of the Controller of Contracts. He wanted to know how many contracts he had entered into in regard to wheat, sugar and tea ; and whether, at the time the rates were sanctioned by him, they were higher or not than the rates which obtained in the open market. He asked whether we were getting our money's worth, or whether we were spending the money as if it were nobody's money in particular and could be spent anyhow. My Honourable friend, Sir Frank Carter, associated himself with Mr. Samarth's remarks on this subject, especially as regards the contracts for sugar, about which he claimed to know something.

Again, speaking in this Assembly yesterday Mr. Harchandrai stated that there was no proper supervision over contracts, and I understood him to say—he will correct me if I am wrong—that in the opinion of many people in this country, where the civil authorities pay one rupee for an article, the military authorities habitually pay five rupees. Colonel Gidney expressed his misgivings about our supply and transport arrangements, and said that large purchasing contracts should be controlled by expert business men, and not by soldiers who have gained their experience at the expense of the Army and of the tax-payer. (Hear, hear.) I hope to make it clear to the Assembly that these purchases are now made with a due regard to the interests of the tax-payer ; and I will also take this opportunity of reminding this Assembly, with reference to Colonel Gidney's suggestion, that it was only a year ago that they unhesitatingly rejected a proposal to transfer the whole of the contract and supply arrangements of the Army to a civil department of supply.

Now, the largest of these contracts obviously is that relating to wheat and other grains. What are the facts ? Before the war and during the early period of the war, these purchases, and purchases of other commodities to which I shall

presently allude, were made either by one division to meet the needs of a group of two or three divisions, or by each division for its own requirements. There were many objections to this arrangement. It did not give a wide enough field for tender; it meant purchasing in watertight compartments, and it undoubtedly led to the formation of contractors' rings, which forced up the prices against the officers who were purchasing on behalf of Government. Consequently, in 1918, an organisation was set up at Army Headquarters under a Controller of Contracts; the first Controller of Contracts, as this Assembly knows, was a distinguished business man, Sir Hugh Bray. In connection with these grain purchases, Sir Hugh Bray decided that it would be necessary to entrust the purchases to a single agency which had an organisation covering all possible fields of supply in India; and he decided, and the Government of India agreed, that at that time the only firm in India which was really capable of undertaking this work on so large a scale was Messrs. Ralli Brothers. The arrangement was referred for the advice of the Presidents of the Calcutta and Bombay Chambers of Commerce, who both said that, in their opinion, it was the best that could be devised in the circumstances. The arrangement was reconsidered in June 1919 and a revised agreement made. One advantage that I should mention in connection with the appointment of Messrs. Ralli Brothers was that they were also the buying agency to the Royal Commission on Wheat Supply; and their selection for this work thus eliminated all danger of competition between the Military Authorities in India and the Royal Commission. The agreement, however, with Ralli Brothers will now be terminated, and it has been decided to call for open tenders. One reason for this is that prices are no longer controlled in India, and another is that our requirements have been considerably reduced. The Chambers of Commerce are being consulted as to what firms are likely to be able to take up this business, and a new purchasing arrangement will shortly be entered into. I should, however, like to add that, on a review of the purchases for the nine months from January to September, 1921, I find that the prices paid by Rallis were in most cases below the prevailing rates in the locality in which the purchases were made; and that on three articles, wheat, barley, and gram, the prices paid by Rallis show during this period a saving of more than 7 lakhs over the then prevailing market rate. I do not think that this has been at all an unsatisfactory arrangement on behalf of Government.

I turn now to sugar, to which my Honourable friend, Sir Frank Carter, rather pointedly referred in the debate the other day. The purchase of this article was also taken over by the Controller of Contracts in 1918. Most of the purchases were Java sugar, and were made through Ralli Brothers. However, towards the end of 1919, there was an acute shortage of sugar throughout the world, which lasted for a great part of 1920; and the price in India rose by over 100 per cent. Consequently the Controller of Contracts decided to consult the members of the Sugar Committee, which was then in Simla, and of which, I need hardly remind the Assembly, Sir Frank Carter was a distinguished member and, on the advice of that Committee, it was decided to purchase a large quantity of sugar for forward delivery extending over some months. Purchases were made from five firms, amounting in all to rather over 7,000 tons at rates varying from Rs. 32·8 to 41·96 per 100 lbs. During the same period other purchases were made at Rs 39·27 and 30·35 per 100 lbs. It is perfectly true that the subsequent trend of prices in the sugar trade has shown that it would have

[ Sir Godfrey Fell. ]

been much more economical if we had only purchased then sufficient to meet our immediate requirements. But it was impossible at the time to foresee the subsequent phenomenal fall in prices ; and it was considered advisable to have a stock in hand or in sight sufficient to meet the requirements of the Army during the acute period of sugar shortage that was then anticipated. To this extent the Government made a bad bargain, but I submit that it was made on the advice of a body of men who were peculiarly competent to advise. In fact, they were a body such as we are so often asked to appoint in this Assembly—a Committee of officials and non-officials, with a non-official majority. Well, Sir, these sugar purchases lasted till October last, and, since then, further orders have been placed for 2,000 tons, at rates varying from Rs. 15-2-6 per cwt. to Rs. 16-11-3 per cwt. The market rates during that period varied from Rs. 15-2-8, which is higher than our minimum, to Rs. 16-14-6, which is again higher than our maximum. I do not think that any one can take exception to the recent contracts which we have made for sugar.

I now turn to another commodity of which large purchases are made on account of the Army, and that is tea. Here the arrangements were unsatisfactory in the past. The supply was a virtual monopoly of a few estates in the neighbourhood of Dehra Dun. These estates numbered no more than 20, whereas the number of tea firms dependent on the Calcutta market was over 500. It was, therefore, decided in 1919, after consultation with those best qualified to advise, to do away with our then existing arrangement and to purchase our tea requirements through a large firm in Calcutta on a commission basis ; the actual commission paid was  $\frac{3}{4}$  pie per lb. purchased. The agreement was reviewed in 1919 ; the Bengal Chamber of Commerce were asked to furnish the Controller of Contracts, with a list of reliable tea firms, and tenders were called for. Again in 1921 tenders were called for, with the result, however, that the gardens which submitted tenders were not able to meet the total requirements, and the buying was again entrusted to a Calcutta firm. In all cases the agreement with the agents provides that the rates charged for the tea purchased on behalf of Government must be accompanied by broker's certificates as to the prevailing rates, and there is thus no possibility of excessive rates being charged. I do not think I need weary the Assembly with details of the average rates paid during that period. I can assure them that they were the market rates, and I shall be pleased to furnish them to any Member who cares to ask for them.

So much, Sir, for the details of these contracts. I would like to add that, in all matters relating to these large centralized purchases for the Army nothing is done except with the concurrence of the financial authorities. Every contract has to be examined by the Financial Adviser (Military Finance) or by his Deputy attached to the Quartermaster-General's Branch at Army Headquarters. I do not think that it would be reasonable to expect Government any more than any business man or private firm, to make invariably such an accurate forecast of the future trend of market prices that it can never make a bad bargain in any circumstances. After all, the people who buy and those who advise them are human, and therefore liable to err. What I do claim is that the utmost care is exercised by Government in respect of its large purchasing operations on behalf of the Army, that the best advice possible is taken, and that the purchases, as far as possible, are made at the most favourable times and at the lowest possible rates.

I have dealt, Sir, at some length with this question of contracts, because I want, if possible, to disabuse this Assembly of the idea—to quote Mr. Samarth's words—that the country's money is being spent as if it were nobody's in particular and can be spent anyhow. That, I can assure the Assembly, is not the case. This is just one of those matters connected with Army administration which lends itself particularly to vague attacks,—a sort of general suggestion that there is either a lack of business methods amounting to criminal negligence or corruption, or both. I say that there is no foundation for this idea at all. Then, as to the more general charge of extravagance, I ask, Sir, where is the proof? Can any Member point to definite instances of extravagance? I must remind the Assembly that there is in India a very high authority, independent of the Government of India (I refer to the Auditor General), whose special function it is to scrutinise public expenditure and to satisfy himself that public money is properly spent and properly accounted for. His Audit and Appropriation Reports are available to the public, and I do not think that, during the last two or three years, there is anything in them to justify the idea that there is any undue waste or extravagance about Army administration.

That, then, Sir, is the position. The Military Budget is based on an Army of a given size and composition. The strength and organization are based on the recommendations of the Commander-in-Chief, but are fixed by the Government of India and by His Majesty's Government. Every effort is made to keep the cost down to the minimum possible. The most perfect administrative arrangements in the world would not reduce the present cost appreciably, because that cost reflects in great part, the high prices prevailing throughout the world, as was pointed out earlier in the debate by Sir Montagu Webb. In other words, it reflects the depreciated value of money; and this factor ought not to be overlooked in comparing the cost of the Army to-day with its cost before the war. The Government of India look forward as anxiously as anyone in this Assembly to the time when the strength of the Army can be further reduced, and when a general fall in prices and improvement in our revenue position will make the army less of a burden on our finances. The trend of prices depends upon world movements, and these cannot be controlled by the Government of India. As regards the strength of the Army, the Commander-in-Chief has told you that the moment for reducing it has not yet arrived.

It is not the fault of the soldier,—perhaps I should say of 'that all-devouring, all desolating Moloch, the Military Department,' to quote my Honourable friend, Dr. Gour—it is not the fault of this Moloch that military expenditure is so high. The causes must be sought elsewhere.

**Babu Ambica Prasad Sinha** (Patna *cum* Shahabad : Non-Muham-madan) : Sir, I am sorry that I feel called upon to criticise adversely the Budget that has been presented to us. Nothing could have given me greater pleasure than to support the proposals put forward by Government, but I think I shall serve the best interests of my country as well as of Government if I speak out plainly on this occasion. It is scarcely necessary for me to say that India is now one of the poorest countries and she is not in a position to bear this heavy burden of taxation. These fresh taxations, I am afraid, will increase and aggravate the discontent that prevails in the country; and Sir, I beg to ask Government how long is it proposed to carry on the adminis-

[Babu Ambica Prasad Sinha.]

tration of India in this manner? How long, I ask, are we expected to bear this load of excessive military expenditure? I shall earnestly urge on Government, if it wishes to satisfy our national demands and aspirations and to effect economy, to immediately reduce the number of British troops in this country and to Indianise the Indian Army. Further, Government should take steps to stop recruitment for the Public Services in England and to pay their servants on an Indian scale. There are other suggestions which have been made by my Honourable friends and I need not dilate on them. But I cannot help impressing on Government that its action in levying an enhanced duty on salt is calculated to affect every hearth and home in the whole of India and thus unpopularise it. With these words, let me express my profound disappointment at the Budget that has been presented to the House.

**Rai T. P. Mukherjee Bahadur** (Burdwan Division : Non-Muhamadan Rural) : Sir, this is the second year of the reformed era, which was ushered in with great expectation and was welcomed by a party, including myself, as the dawn of a happy franchise for the good of our country. But the successive deficit Budgets have taken away the spell and the charm of the Reforms and the happy vision is gradually vanishing into thin air. Those who were very enthusiastic for the new Reforms at the beginning, are now changing their opinion and are inclined to share the views of the extremists. Sir, the prospects are very gloomy. The people of the country are all discontented and it is mainly due to economic difficulties, and the non-co-operators, having taken advantage of this situation are disturbing the peace of our life and are threatening also to lead us down to the abyss of anarchy. Sir, in this time of trouble, what are we doing to remove the difficulties which are at the root of all the troubles and unrest in the country? Instead of taking any practical steps to remove those difficulties, we are introducing every year endless additions in taxation and a heavy outlay of expenditure, so much so, that we are about to levy again more taxes on salt, kerosene, railway fares, etc., which would go down even to the door of the poorest of the poor. Sir, the people are all disappointed and they are now thinking that the Reforms mean only a succession of deficit Budgets, of Provincial and Imperial bankruptcy, and endless additions in taxation.

Sir, I hope that you will all agree with me in thinking that the people should be first satisfied; and how they would be satisfied is a problem which confronts us and the Government. In my humble opinion, the people would never be satisfied even if you grant them any amount of political rights, even the grant of Swaraj, with additional taxation. Sir, simple and inexpensive ideals must suffice an agricultural country like India 'where a vast population tends always to overtake the means of subsistence'. Sir, the people should be first well-fed and adequately clothed. These are the essentials, and, until these conditions are fulfilled, the luxuries of civilisation must wait. In time of adversity like this and financial stringency, there is need of serious thinking; when every kind of public expenditure is introduced, whether these expenditures are desirable and whether we can afford them, and, in my opinion, these criterions should be first applied to the ruinously disproportionate heavy military expenditure of the country, and, unless this is done, the result would be disastrous. Sir, it would be a great blunder if we ask again for further taxation to carry on the ordinary

machinery of administration without seriously attempting to curtail the heavy expenditure. Sir, with these few observations, I am sorry I cannot conscientiously induce myself to support this unprecedented Budget.

**M. K. Reddi Garu** (South Arcot *cum* Chingleput : Non-Muhammadan Rural) : Sir, I thank the Honourable the Finance Minister for showering on us, the Members of the youngest of Parliaments, encomiums and praises for our sanity and moderation, and for having stood a test which might have strained the capacity of many an older institution. But this kind of subtle game cannot be relied upon for all time. Our present situation is very serious. The Budget which the Finance Member placed before us has taken away our very life breath. Last year, Sir, you asked us to tax the country to the extent of 18 crores and now you advise us again to find you money to cover your deficit of 32 crores. Shall we be a party to it? Surely, Sir, we are determined not to be a party in passing this Budget; and, speaking for myself, may I request you, Sir, to record my vote always on the side of 'Noes', and let not my position be misunderstood that I have been a party in passing this extravagant and gloomy Budget, as well as this heavy Taxation Bill. If this House should be dissolved now, and a fresh election fought out on this new Taxation Bill, I can assure you, this whole Bill is sure to be thrown out by the new Assembly. Even if the Non-co-operators should stand out of the Councils, the fate of the new Bill is surely bound to be the same. If, under these circumstances, the Government should advise the Viceroy to use his extraordinary powers to restore the Budget and the Taxation Bill, well, you are welcome to take the responsibility and act on it. But, Sir, you should not forget the well-known truth, that taxation and representation are inseparably united and that God has joined them both; no Viceroy can put them asunder. To endeavour to do so is to stab our very vitals. Taxation and representation are inseparably united and we will maintain it to our last hour. It is founded on the laws of nature, it is itself a law of nature.

'Whatever is a man's own is absolutely his own; no man has a right to take it from him without his consent, either expressed by himself or his representative. Whoever attempts to do it attempts an injury, and whosoever does it commits a robbery, and he throws it down and destroys the distinction between liberty and slavery.'

Sir, these are not my words, they are the words of one who strenuously fought against the rights of the Mother Country to tax the American Colonies. These are the words of Charles Pratt, Earl Camden in the House of Lords.

Sir, you may ask us what is the present remedy, and how to tide over the existing difficulty and carry on the administration of the country. Before trying to cure the disease let us diagnose the root cause of the present disease.

They are two in number. The first is the currency and financial policy of the Government of India, dictated by the Secretary of State and his Council; and secondly, the much coveted Montagu and Chelmsford Reforms. These are the root causes of the whole financial bankruptcy of the Government. The currency policy has always been managed not with a view to safeguard the interests of this country, not with a view to build the financial policy in the interests of the poor taxpayer, but with entirely different motives, more to please and placate the vested interests in England. So, unless the Government of India is entirely made free from the leading strings of the India

[ M. K. Reddi Garu. ]

Office and their advisers, and unless the finances of India are managed and controlled not by the intelligent amateurs of the Civil Services, but by really great financial experts, preferably Indians, until then we have no hope of salvation from this mismanagement. It is an open secret that, as the result of such mismanagement of our currency and exchange problems, we have lost to an extent of several crores, and our country has become the poorer to that extent. Sir, we shall next examine the other cause, namely, the Reforms. It has been said that the Secretary of State, with a view to avoid unnecessary heat and artificial agitation from the Services against the Reforms, was forced to sanction high salaries to the various Services, and this is the price the nation has to pay for these precious Reforms; and, if the vulgar report current in the bazaar circles may be repeated here, this is supposed to be a sort of 'hush money' for all these powerful Services. While the Public Services Commission recommended only 12½ per cent. increase in the salaries, the Secretary of State, who is proverbially concerned about the poor taxpayer, has given them increases up to 50 per cent, as in the Medical Service. The pensions have been increased, the leave rules made much more liberal, allowances have been considerably increased. Block promotions have been largely removed and the annual incremental system applied, so that all officers can rise unconcernedly to their maximum pay. In fact, a new Arcadia has been created and if the world were peopled only by Government servants, things could not have been better. I believe, Sir, that, in considering the question of Civil salaries, one must have a sense of proportion and necessarily attempt to adjust the salaries to the means of the people. President Harding once said, while talking on this question of retrenchment :

'The Government is under obligation to give the greatest service for the lowest possible cost.'

The salaries of the high officials of this Government, in all Departments in India, are very high in proportion to the average income of the people, who contribute towards the cost of the administration. Taking the Railway Services, we find the pay of the highest official (Agent and Manager) of a State Railway is Rs. 3,000, while the pay of an Indian adult employee is Rs. 10 per month, giving a proportion of 300 to 1. This is extraordinarily high in comparison with the proportion of maximum to minimum pay for corresponding posts on European Railways.

Regarding the increase of salaries, even a moderate paper like '*The Times of India*' wrote as follows :

'It takes one's breath away to hear the most liberally paid Services in the world talk of their hardships and privations. The richest country in the world cannot afford to entertain the demands of people, who feel under no obligation to relate them either to the capacity of the country that employs them or to its other needs of a genuine and crying nature. In this country the lowest ranks of the Services have been paid less than a living wage and they are the hardest hit by the rise in prices and other adversities.'

In fixing the salaries one should have in mind the dictum of Prof. Marshall who says :

'It may make little difference to the fulness of life of a family, whether its income is £1,000 or £5,000 per year, but it makes a very great difference whether the income is £30 or £150, for with the £150 the family has, with £30 it has not, the material conditions of life.'



This dictum has so swayed the minds of the legislators of the West, that in every country constant attempts are being made to do away with inequalities of wealth. In India, not only are we far from this ideal of Government, but those in power seem to be so obsessed with their own needs that the Biblical parable has come to be true. Sir, let us next compare how the various Services in different countries like England, Canada, Australia, South Africa, United States of America and Japan are paid, and we will find a very good case for an all-round reduction of salaries. It is well-known to you and it has often been pointed out that the salaries of the Civil Services, as it stood before the present increases, are higher than anywhere else in the world, and that a District Collector draws more pay than the permanent Under Secretaries in England. At present, an Imperial Executive Council Member draws £5,333, whereas an important Cabinet Member in England draws £5,000 including the Premier. A Provincial Executive Council Member draws a salary of £4,266, a salary almost equal to the salary of two other Cabinet Members like the First Lord of the Admiralty, and then twice the salaries of four or five other Cabinet Members like the President of the Board of Education or President of the Board of Agriculture. The Prime Minister of Canada draws Rs. 3,000 per month, and other Ministers Rs. 1,750 per month. The Deputy Ministers and other heads of Departments get from Rs 760 to 1,500 per month. In Australia, the Prime Minister draws Rs. 2,625, his Ministers Rs. 2,062, and his Secretaries and other heads of Departments from Rs. 875 to 1,875 per month. In New Zealand, the Prime Minister draws Rs. 2,000, other Ministers Rs. 1,250 and other heads of Departments Rs. 875 to 1,250 per month. Now, to go to South Africa, where the officers receive more pay than in other Colonies, the Prime Minister draws Rs. 4,375, his Minister Rs. 3,126 and the heads of Departments Rs. 1,125 to 1,875 per month. Then to come to a Colony next door—Ceylon the pay of the higher officials range from Rs. 812 to 1,875. In the United States of America, the Secretaries of State get Rs. 3,000 and the heads of Departments draw from Rs. 625 to 1,500 per month. In Japan, Sir, the Prime Minister gets about Rs. 1,300, the Ministers of State Rs. 900, the Governor General of Korea Rs. 900, and the other heads of Departments about Rs. 800 per men em.

In the face of these figures, what shall we say, if there is still a cry in the interested quarters for more pay? Let me remind the Secretary of State, who is responsible for these increases, to remember the dictum laid down by such an eminent economist as Prof. Marshall.

Sir, to solve the present problem and to save the country from the grave financial peril with which she is faced, there is only one honest and straightforward course open. First, a definite policy should be laid down to Indianise all the Services, both Civil and Military, within a definite period, say 10 years; then immediately the pay of all the Services to be reduced to the same level as is found in all self-governing Colonies, consistently with the comparative national wealth of the country and its financial resources.

**The Honourable Sir Malcolm Hailey** (Finance Member): It will be imagined that I have some difficulty in finding the right line of reply to the remarks which we have heard for the last two days; for, Sir, the Assembly has all the high explosive ammunition, and I, after meeting the shock of its concentrated attack and with what nerve I can still command, am left to reply to it with my small store of small arm ammunition. But,



[ Sir Malcolm Hailey. ]

Sir, I am not dismayed for I maintain that the result of the debate of these two days has been on the whole to confirm the main position which I took up in the Assembly on the 1st of March last. What are the main lines of attack on that position? This is we know it only too well, and we lament it only too keenly this is a year of deficit; it follows three years of deficit; and it has been argued here to-day that a succession of deficits of this nature, amounting to 90 crores in all, shows radical extravagance on the part of Government. Is that really so? How, in fact have these deficits been made up? I remind you that they have been accumulated during 4 years. One cause has been the heavy adjustments still due on account of the Great War; even up to last year we were still paying for the stores that had reached us in 1915-16.

A second cause has been heavy adjustments on account of expenditure outside India, such as expenditure on Persia; and I may remind the House—the fact has been published elsewhere—that on Persia from first to last we have expended no less than £6 millions. A third cause of expenditure has been the Afghan War. A Government may be as careful as you will and it may be as economical as you will; but, when its territory is invaded, is it to say to the invader, 'Stay; I have made no Budget provision for meeting you'? Is that to be its only argument? Of that 90 crores, no less than 23 crores was incurred on account of the Afghan campaign. Then we have Waziristan. The policy of occupation of Waziristan has been attacked to-day. As my friend, Mr. Bray, pointed out so impressively, that policy of occupation was dictated by far other motives than the desire of aggrandisement or the prospect of acquiring a mineral-bearing territory. But, leave aside for the moment the policy of occupation. Before the policy of occupation was initiated, an expedition was necessary for quite other motives than those of occupation—I mean for actually dominating a tribe who was still then in the process of raiding British territory. The expenditure on that also has to be taken into consideration as a component part of our 90 crores of deficit. Then take another item: heavy interest charges on account of expenditure incurred during the War, including the £100 millions that was granted to England. Let me take another item. Most Members here are interested in the finances of the provinces and may well be so; I ask them to realize that Central revenues are now passing over to the provinces something between 11 and 12 crores annually, and this again has to be taken into consideration when you judge of the manner in which our deficit of 90 crores has mounted up. I hold that, under no species of showing can you argue that that 90 crores of deficit in itself is a sign of gross extravagance on the part of Government. I admit that certain Members have argued with a somewhat wider range; they have stated that we never should have incurred the danger of deficit had we in the past shown due economy in administration and generally that our scale of expenditure for years has been too high. That is a charge which goes far back. Mr. Samarth took it as far back as the East India Company; Mr. Reddi, I understand, thought that all our woes were due to what he called 'our precious Reforms'. But the charge is that somewhere between these dates our expenditure began to assume a scale which the finances of India would not and could not bear. It is difficult for me, speaking late in the evening now, to counter that charge in full. But what are the components of it? You have first the charge that our military expenditure has throughout been in excess. May I confine my answer to our own

6 P.M.

period? Our military expenditure now, high as it may be, does not reflect any increase in our combatant troops; it actually reflects a reduction in our combatant troops. Then, as regards the civil expenditure; we have heard many criticisms here regarding its scale; but I have heard few criticisms directed against the extent and scope of the Services which we carry on or which would indicate that branches of the administration should be radically reduced or abolished. Criticisms indeed really centre on one point, namely the pitch of salaries. Now, whether those salaries are too high or not, one point is clear, that the gross salaries paid to Imperial Service officers in the employ of the Central Government are not in themselves so immense a sum that, even if you were to reduce them to what is called an Indian standard, you would have effected an economy which would have seriously or substantially reduced the deficits of recent years. The fact is, of course, as Sir Montagu Webb pointed out, that the deficits of the last few years are due to quite other causes than the wild extravagance of Government. We have been told that Government has been 'drifting along, spending money thoughtlessly, it has been spending *ad lib*,' that this is 'the result of years of financial profligacy,' and that for years Government has been 'self-complacent and impervious to argument with regard to expenditure'. Yet one great reason for the deficits of the current and coming years is that we have, with falling revenues due to a depression in trade, had to meet a great increase in the cost of administration. But that increase in the cost of administration has not necessarily been on general administrative Services; it is mainly in our commercial Services. Dr. Gour, when he argued the case, pointing to the great increases that have occurred, chose somewhat unhappily the case of the Railways, Posts and Telegraphs, Opium and Salt. Now, a very small proportion of the extra expenditure there has been incurred on the pay of our officers. It has nearly all been incurred first on actual working expenses, such as coal and the like, and secondly, on the pay of the subordinate establishments. I would remind this House that the pay of the subordinate establishments more than once formed the subject of discussion in the Legislative Council, and that in the Post and Telegraph Departments the great increases that we were obliged to make were the results of Committees appointed for investigating the question. As to the great increase in the cost of the subordinate establishment of Railways, what is the proof that the pay of Railway establishments is excessive? Are those establishments living in such luxury and contentment that we never hear of strikes and that we are free from economic trouble? I defy any Member here to say that, in the administration of our commercial Services, we have been unduly extravagant, and it is the falling off in the revenues of our commercial Services, owing to the increase in the cost of our subordinate establishments, that has very largely contributed to our current deficit.

So much for the charge of general extravagance brought against Government. All Governments are perhaps a little extravagant; it is difficult to get the same standard of economy as in a commercial firm. That I admit. That there has been an extravagance in the management of Government affairs and particularly in the large Commercial Departments which would justify the language that I have quoted to you this evening, that I do not admit, and nothing that we have heard here seems to afford any proof of it. In any case, it is obviously incorrect for any one to tell us (as we have

[ Sir Malcolm Hailey. ]

been told to-day) that our extravagance has resulted in so injuring our credit that we have to raise our loans now at 7 per cent., whereas in the old days we used to raise them at 3½ per cent. What an argument to use on a Budget debate at what rate is the rest of the world raising its money! Does it show that our credit is lower than the credit of other countries? Our credit stands far higher than most; it stands on an equality with the best.

And now, Sir, for the second of the propositions which engaged us on the 1st of March. Admitting that we have a deficit, are we to leave it uncovered or not, or to what extent are we to leave it uncovered? There were very few Members who ventured to suggest that we should leave the deficit largely uncovered. I know that Sir Deva Prasad Sarvadhikary did not look with apprehension on an uncovered deficit of 10 or 12 crores.

**Sir Deva Prasad Sarvadhikary :** No. I suggested other means not yet challenged.

**The Honourable Sir Malcolm Hailey :** I am only too glad that the Honourable Member is not a party to such a financial impropriety and by some means or other would close up the deficit. However, the proposal to leave a large uncovered deficit did commend itself to one or two Honourable Members whom I prefer not to mention, for, Sir, in my own mind and I think in the mind of Sir Montagu Webb, an old and experienced student of finance, they are heretics and nothing else. You cannot, for the most obvious reasons, afford to contemplate carrying on the next year with a large uncovered deficit. Sir Frank Carter pointed out the great difficulty we were under in regard to the amount of our floating debt; I ventured myself to speak at some length on the 1st of March on the same subject, and the danger of increasing it has been recognised by the Press throughout India. There is general agreement that it is not a practical proposition to leave your deficit uncovered, for you will not be able to finance it except by the device of issuing unbacked paper currency—the most dangerous thing that any country can do. I need not perhaps labour the question, at the same time I do not wish to exaggerate it. I do not wish to fall into the same error as my Honourable friend, Sir Vithaldas Thackersey, if he will allow me to say so—for he really exaggerated the difficulties that lay before us in financing our floating debt. In the figures which he gave the House, he took the whole of our Treasury Bill transactions for the issuing year as a gross amount, whereas all that we have to take into account is the net outstanding at any particular time representing our actual debits to the public. Well, Sir, there is then a very general agreement that somehow or other that deficit has to be closed up. It is in the steps necessary for closing it that our differences begin. Now, if I may take the almost universal verdict of the House, the one and the essential way of doing so is by the reduction of expenditure. (*Two or three Honourable Members :* ‘The only way’.) I do not gather from what I heard that they expect any great amount from a reduction in civil expenditure. I myself have hopes of some reduction of civil expenditure as a result of the committee which we shall appoint. I am by no means without confidence that we will be able to effect reductions which will benefit us in the long run. But, as I said before, I do not think they can have any immediate or very substantial effect on our deficit. The device which commended itself to the House was undoubtedly

this, that we should effect a reduction of something that was estimated in various quarters as from 20 to 25 crores in our Military Budget. We were asked by Dr. Gour whether we were, or whether we were not, prepared now and at once to enunciate to the House a policy in consonance with the principles laid down by the Brussels Conference, namely, that the military expenditure should not exceed 20 per cent. of our revenue.

Now, on that point, I should like to make an explanation. It was suggested that it was my duty to justify to the House the extent of military expenditure, that it was my duty to justify on behalf of Government the statement that no substantial reductions could be made in the present year. It was suggested by Mr. Kamat that the House could not assent to be dictated to by His Excellency the Commander-in-Chief. The exact position in this respect is that His Excellency the Commander-in-Chief speaks in this matter as a Member of Government, not as the highest military authority, as he undoubtedly is, but as a Member of Government in charge of the Army Department. He, in speaking (and, if I were to speak on the same subject, I could do nothing more or nothing less), can announce only the decision of Government. Do not let anyone here suppose that the decision of Government in regard to military expenditure is merely a decision of the military authorities. It represents the decision which Government has been obliged to arrive at, after weighing all the factors of the present situation, after allowing every regard to the necessity for economy, and the decision is that no substantial or effective reduction of combatant strength is possible in the present circumstances. You have heard His Excellency the Commander-in-Chief on the subject. It is unnecessary for me to add anything, save to make it clear on behalf of all my colleagues here, that it is impossible to meet the demand put forward by the House and to offer to reduce the military expenditure in this year by the 20 or 25 crores that we have been asked to cut down. (*Mr. Rangachariar*: 'Make a decent beginning.') (*An Honourable Member*: 'Let it be ten.') I do not know whether my friend Mr. Rangachariar's decent beginning would suit the feelings of other Members or not. I can only say that the sum which we have put down in the Budget must remain the sum that we ask the House to pass.

Now, Sir, how difficult the problem is is shown by the fact that many other expedients have been offered to us in the course of this debate. I do not think I need go into them all. I do not think, for instance, that I need take up the question of premium bonds, for, however successful that controversial expedient would be, it might ease our capital position, but could not ease our revenue difficulties or reduce our deficit. Nor need I go into the question of contributions from Indian Chiefs. Such small sums as we now take from the Indian Princes are based on treaties of many years' standing and I could not ask the House to tear those up and demand more. Nor will I discuss the value of the suggestion that we should break up the Permanent Settlement, for, if it went into the limbo to-morrow—another scrap of paper—the Provincial Governments would take all the profits and the Central Government nothing. Mr. Shahani suggested that the remedy for our troubles was a Gold Standard proper instead of the broken-down Gold Exchange Standard. Sir, would a Gold Standard at the rate of 1s. 4d. to the rupee (supposing this feasible) make any difference at all except to the form of our Budget? Obviously not; however desirable that measure might be in itself, our revenue position would at the end be exactly the same as at the beginning.

[ Sir Malcolm Hailey. ]

Now I come to what — I say it without any disrespect to the speakers who have tried to help us with their suggestions and criticisms — is a somewhat more practical proposition. Sir Vithaldas Thackersey would reduce our deficit by re-valuing the Paper Currency Reserve and thereby reducing the interest that we pay to the Paper Currency Reserve for the securities held by it. Revaluation would, of course, Sir, involve our fixing a new standard of exchange, and that is no easy matter, as I think the House considered the other day; but, moreover, revaluation would not in itself affect the great saving that, I think, he anticipates. A revaluation of our Paper Currency securities would make a difference of about 15 crores of rupees, and it is the interest on that 15 crores which would come to the assistance of our revenue position and no more. Of course, he might go further and demand (as the Press in some quarters has demanded) that we should now alter our law of September, 1920, and cease to earmark to the Paper Currency Reserve any interest on our *ad hoc* securities. That is a matter which must receive our consideration; I can announce no immediate decision on the subject. Then, Sir, Sir Vithaldas Thackersey would further reduce our revenue deficit by paying from Capital our Railway annuities. That is again a question which has been discussed for some years and the decision in 1907 was that they should be paid from Revenue.

**Sir Vithaldas D. Thackersey:** At that time it was only less than a crore.

**The Honourable Sir Malcolm Hailey:** It is only a crore and 17 lakhs now. The interest on those annuities, which, of course, must be paid from revenue, is 4 crores. However, that is again a point which we shall have to consider. It has also been suggested to us that we should tax the import of gold and silver; Mr. Spence and Haji Wajih-ud-din proposed that we should tax gold and silver; Sir Montagu Webb proposed that we should tax silver only. I do not know if the House would desire that I should discuss the proposal for taxing gold. I do not know what would become of the future gold currency and gold standard if we taxed the import of gold. As regards the taxation of silver, Sir Montagu Webb said that the case was woefully mismanaged last March. I do not know if, when our Finance Bill comes on, he can manage to persuade us or the House to take a different view this year. It is open to him to do so; he will no doubt make a gallant attempt.

Those are the alternatives that have been put to us, Sir. Some of them would have a considerable effect in the reduction of our deficit; but even so, they would still leave the main problem untouched. And so we come to the course which I proposed to the Assembly, namely, fresh taxation. Now, that took two avenues. I shall deal with them separately, as I did on the 1st March, and I shall deal with our critics briefly. The first measure proposed was to make our commercial Departments pay for themselves. In regard to Railways, our proposal is to raise the passenger rates. Various Members here have applauded the proposal, but applauded it only as far as concerns first or second or perhaps intermediate class passengers; they would not tax the third-class passengers. That, Sir, may be a very democratic point of view, but financially it is not, I am afraid, a very sound one, for the receipts from the third class passengers amount to no less than five-sixths of the total revenue from passengers. Then, Sir, as regards Posts and Telegraphs. We have heard again, as we heard last year, expressions of the sense of injury that would be

'felt in the country if we did away with the pice postcard or the half-anna envelope. There are many Members who say that they will under no circumstances agree to such a proposal. I can only put before them again the fact that the net loss on the Department in the current year is some 90 lakhs, and the net loss on the Department in the coming year is some 80 lakhs. Are they prepared to continue to run a commercial Department at a dead loss? Is that business-like, or is it fair to the general tax-payer to do so?

Then, Sir, as to the taxes we propose. They are many, and I am afraid the mere repetition of the list itself would be distasteful to the Assembly; I shall touch, therefore, on only one or two of the more salient points. Take, Sir, the cotton excise duty. Now, Sir, as Sir Montagu Webb said, we are of course perfectly well aware that the imposition of this duty will fall ultimately on the consumer. We were prepared for this criticism. What I was not prepared for was to hear, from some of the advocates of the Bombay point of view, that excessive sympathy with the consumer which they professed in this House. (Laughter.) I do not remember, Sir, that when the mills were making very large profits, they showed any very practical sympathy with the consumer by reducing their prices. That is not blameworthy: it is natural enough; Sir, of course, their prices are fixed (since they produce only 40 per cent. of the total consumption, mainly on those of the competitive article. If, therefore, we raise the tariff on the imported article, they will naturally raise the price of the home product; and the difference of 4 per cent. will be a present to them. But, suppose that we raised the import duty to 15 per cent. and did not raise the excise by 4 per cent., would the consumer get his cloth any cheaper? Surely not; and it is hard to see that the raising of the excise will make any effective difference to the general consumer.

Now I do not wish to take up an attitude of partisanship here at all. I regard our attitude on this subject as perfectly natural and perfectly reasonable. This has been denounced as a countervailing duty. The Members who have spoken have held up to us the far higher morality and the far more independent attitude of the Members of the Executive Council in 1894, who protested to the world against the imposition of the cotton excise duty at the dictation of England. They have told us in so many words that we ought to do the same. The facts, of course, are entirely different now to 1894. The cotton excise can no longer be described in any effective sense really as a countervailing duty, since there would still be a gap of  $7\frac{1}{2}$  per cent. between the imported and the home-made article.

**Mr. Jamnadas Dwarkadas:** Why was Manchester jubilant?

**The Honourable Sir Malcolm Hailey:** I think it is easy to suppose that Manchester views the proposal with gratification, for they seem to have expected something very much worse. (*A voice:* 'They were angry last year.') Quite; that is perfectly true. They were upset last year; they are comparatively pleased this year. But I will not go further, Sir, and admit any implication at all that this step has been taken in the interests of Manchester, or in order that it may act as a countervailing duty, or that it is due to any dictation save that of our own necessities and our revenue interests. (Hear, hear.) I will not admit any implication of that kind, and I will brook neither here nor anywhere else any suggestion that I and my colleagues were influenced by any desire save that of making our Budget square and of raising as much money as we could from any source that seemed

[ Sir Malcolm Hailey. ]

to us reasonable. (Hear, hear.) Why, Sir, how hollow is the suggestion that we were influenced in any way by the dictates or desires of Lancashire is shown by Sir Vithaldas Thackersey's own statement that the real enemy is Japan, not Manchester. Are you going to bring that further crime against us? Are we swayed not only by a desire to help Lancashire, but are my colleagues and I also swayed by some queer and mysterious desire to assist Japan? I have explained the reason why we proposed an addition to the cotton excise duty; it must stand or fall entirely on its own merits, purely as a revenue-raising device.

With regard to machinery, Sir, there has been much opposition here. I have been quoted, and no doubt rightly quoted, against myself. I said last year that I felt all the objections to raising the rate, and that is still true. I feel all the objections still; I do not like to see what in effect might in some circumstances operate as a tax on enterprise, and the expansion of industry. I would not myself have agreed this time to the proposal to increase the rates on machinery were it not for the fact that, as compared with last year, the prices of machinery have been very materially and very substantially reduced.

Now, Sir, I must not argue the rest of our proposals. I hope a time will come when we can take them one by one, argue them out, each of them on their own merits. But the House is asking me, in the face of the discussion we have had during the last two days, what are you going to do? Are you going to meet our demand that, before we go any further with this matter, you should agree to a very material reduction in the Military Budget. I have given what, I am sorry to say, is the only answer in my power. The sum which we have put forward must stand as our demand unless we can carry out a very considerable reduction in the number of combatant troops, and Government has decided that reduction in the number of combatant troops cannot be made. I cannot, therefore, meet the House in this matter. What then is to be the attitude of the House? We have been told by many Members that unless we can meet their requirements in regard to Military expenditure, requirements which they regard as wholly justifiable, they cannot be responsible for the Budget; they must wash their hands of it, and dissociate themselves from any further stage of voting it. It is we who have placed this burden upon India, and we must take the whole responsibility on ourselves. Is that then to be the last word? After all our attempts, attempts just as genuine on behalf of the Government as on behalf of any one here, to bring the Reform scheme to fruition have we now come to the parting of the ways? Have you indeed decided that owing to the restrictions that have been placed upon you by Parliament in regard to the voting of the military budget, and owing to your sense of disappointment that those restrictions cannot now and at once be raised,—have you come to the decision that you will take no further responsibility for voting any single one of the financial measures which we propose for the coming year? Do you say if there is to be a deficit and if Government will not meet it by the definite measure you suggest, then let the deficit stand, or let Government certificate the necessary legislation to cover it, but that you cannot go to the country and say that you have been assenting parties to any measure that will help to reduce it? Well, if it must be so, I suppose it must be; but I do ask the House to consider one point, and to consider it seriously. The avenue for

constitutional advance is that laid down by Parliament, and you can, unless you desire to attempt it by the force of arms, achieve no constitutional advance in any other way. Will the suggested attitude help you with Parliament or will it not? The Reforms have lately, I am afraid, though not through the fault of the Assembly, lost many friends in England. It is clear that some who were staunch supporters of the reform constitution for India when it was introduced have lately become somewhat impatient of its working and apprehensive of its results. *A voice* : 'No justification' ; I refer only to the facts : I do not pretend now to go into the rights and wrongs or the reasons for what has occurred ; I only say that the fact is clear that you are now at some difficulty to maintain the whole of your friends in England. Are you now going to take an action which will reduce that number, and to the ranks of that irreconcilable section which believes that India is not, never has been and never can be, capable of working reformed constitution leading to full responsible Government? Our own course is clear. We, my colleagues on Lord Reading's Government, have stood, are standing and will continue to stand for the steady progress of Reforms along the regular constitutional avenue which has been laid down by Parliament. Are you, the Legislative Assembly, going to do anything that will prejudice or retard the progress of that constitutional advance? (Cries of 'No' and applause.)

The Assembly then adjourned till Eleven of the Clock on Wednesday, the 8th March, 1922.