

22th March, 1922

THE
LEGISLATIVE ASSEMBLY DEBATES
(Official Report)

SECOND SESSION

OF THE
LEGISLATIVE ASSEMBLY, 1922



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LEGISLATIVE ASSEMBLY.

Wednesday, 22nd March, 1922.

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

STATEMENTS LAID ON THE TABLE.

The Honourable Mr. C. A. Innes (Commerce and Industries Member) : I beg to lay on the table the information promised in reply to a question (No. 212) by Mr. Darcy Lindsay on the 22nd February, 1922, regarding the number, etc., of postal articles assessed to customs duty :

(a) The total number of postal articles received in India in 1919-20 and 1920-21, upon which customs duty was assessed and the amount of customs duty collected, are :

	Number of articles.	Amount of duty.
		Rs.
1919-20	683,430	51,02,694
1920-21	930,663	73,85,629

(b) The information is not available.

(c) No.

The Honourable Mr. C. A. Innes : I beg to lay on the table the information promised in reply to a question (No. 211) by Mr. Darcy Lindsay on the 22nd February, 1922, regarding the cost of assessment, etc., of customs duty on postal articles :

(a) The work of assessing postal articles to duty is carried out by the ordinary Appraising staff at the various Custom Houses, and it is not possible to say what proportion of the whole cost of assessment of goods to duty relates to the assessment of postal articles. The cost incurred in collecting customs duty on postal articles is estimated at about Rs. 8,150 a month.

(b) Only the cost of collection is at present borne by the Posts and Telegraph Department. The question of debiting this expenditure to the Customs budget is at present under consideration.

(c) No.

(d) Does not arise.

BILL PASSED BY THE COUNCIL OF STATE.

The Secretary of the Assembly : Sir, in accordance with Rule 25 of the Indian Legislative Rules, I beg to lay on the table the Bill to provide for the incorporation of trustees for the European Hospital for mental diseases at Ranchi, and to make provision in other matters in relation thereto, which was passed by the Council of State on the 21st March, 1922.

PRECEDENCE FOR FINANCE BILL.

The Honourable Sir Malcolm Hailey (Finance Member) : With your permission I beg to move :

‘That the discussion on the Finance Bill have precedence over other business to-day.’

The motion was adopted.

MOTION FOR ADJOURNMENT.

Sir Jamsetjee Jejeebhoy (Bombay City: Non-Muhammadan Urban): His Excellency the Viceroy has graciously consented to receive to-day at 5 P.M. the South African Deputation, consisting of some Members of this House and the Council of State and the delegates from South Africa, regarding the grievances of Indians in that part of the British Empire. In view of this, may I request you to be so good as to adjourn this meeting of the Assembly in time to enable us to wait upon His Excellency for the purpose I have mentioned.

Rao Bahadur T. Rangachariar (Madras City: Non-Muhammadan Urban): Sir, I would like to support that request.

Mr. President: As Honourable Members are aware, the hour of adjourning this evening lies very much in the hands of Honourable Members. Besides the Finance Bill, there is one other measure which it is desirable to try to dispose of to-day. Therefore, my power to meet the request made by Sir Jamsetjee Jejeebhoy and supported by Mr. Rangachariar lies really in the hands of Honourable Members. They will be consulting their own interests if they assist me to adjourn the House in time to enable the Members to attend that deputation.

 THE BUDGET—THE INDIAN FINANCE BILL—*concl'd.*

Rai Bahadur Pandit J. L. Bhargava (Ambala Division: Non-Muhammadan): Sir, the amendment which stands in my name is No. 135, and runs as follows:

'That in Schedule II to the Bill for the entries under heads 'Letters' and 'Postcards' the following be substituted:

' Letters.

For a weight not exceeding half a tola	. . . . .	Half an anna.
For a weight exceeding half a tola and not exceeding one tola	. . . . .	One anna.
For every tola or fraction thereof exceeding one tola	. . . . .	One anna.

Postcards.

Single	. . . . .	Quarter of an anna.
Reply	. . . . .	Half an anna.'

Sir, in dealing with this amendment, I propose that it may be taken up by sections, as was done last year, so that the discussion and disposal of the whole question may be facilitated, and I would divide it into three heads. First, postcards; second, letters in weight not exceeding half tola; and third, the remaining portion of the amendment. I want to give precedence to postcards, as they affect the poorest classes also. Next in precedence come the letters which require half anna, and they also affect the poorer classes. Last of all come those which do not affect the poorer or middle classes, but affect the rich classes only.

Sir, the Schedule as it stands at present is this. For single postcards, quarter anna; reply postcards, half anna. Letters—for a weight not exceeding half tola, half anna; for a weight not exceeding one tola, nine pies; for a

weight exceeding one tola, but not exceeding two and a half tolas, one anna; for every two and a half tolas or fraction thereof, exceeding two and a half tolas, one anna.

The rates which are now proposed are as follows :

For postcards, single	Half anna.
Ditto reply	One anna.
Letters, for a weight not exceeding $2\frac{1}{2}$ tolas	One anna.
For every $2\frac{1}{2}$ tolas, or fraction thereof, exceeding $2\frac{1}{2}$ tolas	One anna.

The result is that the new Bill proposes to raise to half an anna the quarter anna postcard, to abolish half anna and nine pies rates of postage, and makes the charges in future one anna for letters not exceeding $2\frac{1}{2}$ tolas, and one anna for every additional $2\frac{1}{2}$ tolas or fraction thereof.

The object of my amendment is to retain the quarter anna postcard and half anna envelope. Sir, the doubling of the postcard rates and the raising of the minimum charge for inland letters from half anna to one anna was proposed last year also but it was not accepted by the Assembly. This year also the price of postcards has been proposed to be raised, and other alterations which I have just mentioned have been proposed. The pice postcard and half anna envelope have on account of generations of familiarity been deeply rooted in the affections of the people, and this idea of strong sentimental attachment has been referred to by the Honourable the Finance Member himself in his speech made on the 1st March, 1922.

The raising of the price of the pice postcard will affect the poor classes also. It will affect other classes too, but the poor classes also will not remain unaffected by it. The same will be the case with the half-anna envelope, and it is not proper to increase the burden of the poor in the least. No doubt the cheap postal rates are of enormous advantage to a country, as is admitted by the Honourable the Finance Member this year and was also admitted last year. But the reason which has been given by him for proposing this additional tax is the financial necessity and the other reason which is generally advanced is that the Postal Department is a commercial department and it should be made to pay its way. As regards the second question, opinions differ. There are persons who hold that it is the duty of every civilised Government to undertake the postal service as a work of public utility and should not look to the return which it brings. Cheap postal rates facilitate the progress and civilisation of a country. It has been pointed out by the Honourable the Finance Member that even after this increase has been made the postal service of India will remain the cheapest in the world. Admitting it to be true, I submit that it must not be forgotten that no country is so poor as India is. In no country the administration is so costly as it is in India and in no country civil and military expenses have risen to so high a figure as to necessitate the imposition of new taxes every year, not leaving even the bare necessities of life and the articles of every day use and create heavy deficits which are not met even after all the possible sources of taxation have been tapped. As a matter of fact the country is simply groaning under the burden.

Sir Montagu Webb (Bombay : European) : It is just the same everywhere else.

Rai Bahadur Pandit J. L. Bhargava : No. This is not the case everywhere. As regards the financial necessity, I submit that it should not outweigh the considerations which I have put before the House. It would have been and is still far better to obviate that financial necessity by

[Rai Bahadur Pandit J. L. Bhargava.]

adopting proper measures than to create financial necessity and sit calmly to think how to meet it. This question was fully discussed last year also and the Assembly after careful consideration had decided not to abolish the pice postcard and half-anna envelope. The same arguments which were advanced last year apply to my proposal which I have made in my amendment. Moreover, Sir, the raising of this tax will cause discontent and unpopularity in the country. Every time a man will sit to write a letter he will be reminded of the taxation which this Finance Bill proposed and it will be a source of perpetual discontent and resentment. As regards the half-anna envelope, which is used both by the poor and the middle class people, I would say that it insures secrecy of communication to them and it can never be denied that the poor and the middle classes have and are entitled to have secrets which require to be conveyed to their friends and relations. I have proposed one anna for one tola on the ground that it will bring in some more revenue than the rates which have been proposed in the Finance Bill and that this increase will not affect the poor and the middle classes but the burden of this increase will fall only on those who can well afford it and have shoulders broad enough to bear it. The loss that might be caused by not raising the price of the postcard and by not abolishing the half-anna envelope will be sufficiently met by the proposal of one anna which I have made. And even if my amendment does not bring about this result, I would press for the retention of the pice post card and the half-anna envelope at any cost. I may at once mention that I and those who think with me will be quite satisfied if the printed postcard and the embossed envelope are maintained. They are not eager to have the adhesive three pies or six pies stamps and I hope that the proposals which I have made will meet with the general approval of the House and will be accepted by the Government.

Mr. President : The Honourable Member's amendment deals with four or five points on each of which there are other amendments as well. I think I had better simplify it by dividing it into several parts. The first amendment may run as follows :

'That in Schedule II to the Bill, under head 'Letters', for the words—

'Two and a half tolas one anna'

the words

'half a tola half an anna.'

be substituted.'

Rao Bahadur C. S. Subrahmanayam (Madras ceded districts and Chittoor : Non-Muhammadan Rural) : Sir, the question of these rates is so mixed up, and I therefore crave leave to speak on the whole question of the revision in the postal rates. Well, Sir, I am very very sorry that we have to part company with the quarter-anna postcard. I know that there is a wide feeling that the quarter-anna postcard ought to be retained. As we all know, the postal service must pay its way. So the question simply is whether it does pay its way. If it does, then probably there is no case for enhancement of any of these rates. But if it does not, then what is the position of this Assembly? Are we to ask the general tax-payer to make up for the deficit caused by the postal expenditure? That is the principle underlying this business. Well, if the House thinks that the general tax-payer ought to be called upon to recoup the losses sustained on account of this postal service, then the point will be understood very clearly. Now, as regards this postal

business, the quarter-anna postcard came into existence, I think, somewhere in 1875 or 1876. Now, quarter of an anna had a greater value then than it has now and the earning capacity of the people also has risen since then. Apart from that there is the argument which is always put forward that the poor are affected. I do not think that is a correct statement. About 90 per cent. of the population of this country are illiterate. They do not write letters. I want to understate my case. Of the remaining 10 per cent. very poor people do not write letters, or at any rate write only very rarely—they write letters only on very serious and important occasions, such as deaths, marriages and such like occasions. The people who write most are, if I may say so, people of my class, traders and merchants. All business men, all professional men, write very frequently, and the postcard is most used by tradesmen and also, I know, in lawyers' offices.

Now, the question is whether the losses occasioned by these classes ought to be made good by the general tax-payer. That is the question which we have to face, and, if the Assembly thinks it ought to be done, that is another matter again.

Then, there is another aspect of it. The postal service ought to be improved in very many directions. There is good scope for improvement, and you cannot have the improvements without money. Now, I am familiar with the rural postal service. In my own village I know the postmaster, who is no doubt a pluralist, gets Rs. 3 or Rs. 4 a month. (*A Voice*: 'Rs. 6 now'.) It has been raised now, I am very glad of that. Well, he gets Rs. 5 or Rs. 6 a month. But look at the responsibility. He receives and delivers registered letters containing valuable property. The postal peon gets Rs. 10 to Rs. 12 a month. (*A Voice*: 'Rs. 16 to Rs. 18'.) In my own village, when I made inquiries, it was Rs. 11 or Rs. 12 in the Tanjore district. It does not matter. That also shows that the master gets very much less than the servant. The postman has got an ambit of about 10 miles, going round a number of villages, and, probably, in the course of a year or two, he will ask for more, because he is a literate man and his wages cannot be less than those of an ordinary unskilled labourer in the neighbourhood. So, you are bound to pay him more. And in the smaller towns and the larger towns we know that there are organisations that demand more pay for the postmasters and also for the subordinate officials. How are you going to meet that? On the one hand, we ourselves are asked to preside at conferences and meetings which demand higher pay for these poor postal servants, and we support them and we sympathise with them.

There is another matter. In regard to many outstations, the post office does not own any buildings. Now, the inconvenience caused by the absence of buildings is very great. People who are familiar with small towns know that it is not easy now-a-days to get buildings for post offices, and a post office must necessarily provide a residence for the postmaster as well. That is one of the essentials of the postal service. Unless a postmaster has a residence in the office, the service cannot be done with that regularity and punctuality that we are always accustomed to associate with the postal service.

Now, in every direction in that department more money is wanted to make it still more efficient and to bring about all the improvements that are necessary. Now, as regards this quarter-anna postcard, the paste board itself

[Rao Bahadur C. S. Subarahamanayam.]

probably in the ordinary market costs a pie or slightly less than a pie. Practically the Government gets only two pies on each postcard for the service which it does. Well, is it not fair that we should raise the rate of the postcard? The measure would be unpopular among the literate classes, I admit. Well, I believe the House will agree that more money is wanted in order to improve the methods of the department, to introduce reforms in the department and also to provide the wants under which the department now suffers, want of buildings, better pay and better arrangements, and, therefore, it is necessary. There is another improvement needed in regard to this rural service. There are villages which get a daily postal service, except on Sundays; there are other villages which get a service twice a week, and others once a week. I am quite familiar with all these. In the case of villages where letters are delivered only once a week, fancy what difficulties are entailed upon the people in that area. Now, to arrange for more prompt deliveries you want more men, more money. This department is probably the one department of all the departments of Government against which we have the least complaint. (Hear, hear) If our other departments of Government were managed with that efficiency and with that readiness to meet the demands of the public and to hear the complaints of the public, I think we should all probably be living in the best of worlds. (Hear, hear.) When we take another commercial service, Railways, we have nothing but condemnation, nothing but our curses to pour upon that department. But for the postal department there is nothing but praise and commendation. We have been told often, from the day on which the Budget was introduced, that this is a commercial service and it ought to pay its own way. But Government have got their own peculiar way of doing things. When it conducts a commercial service, it ought to take a leaf out of the book of commercial men, how to deal with us, how to deal with the outside public. Well, I should have suggested, if I had a voice in this matter, the presentation, as a complimentary copy, of that book on Post Offices, which is probably lying idle somewhere, to each of the Members of the Assembly. We should then be able to know something about the post office and the improvements that ought to be made in the postal service. I should also have suggested to Government to print a large number of leaflets, giving the actual work of the post office, the number of letters, parcels and other things which have passed through the post office in a year, the expenditure that has been incurred, the amount of money that is wanted, and the improvements that have to be made, and, therefore, the necessity for raising the revenue. The Publicity Board, or whatever it is that corresponds to that branch of the service under the Government of India might have been pressed into service, and my Honourable friend, Mr. Sarma, might have done some such thing in order to allay any discontent in the outside public. Our fear has been well voiced by one of my friends yesterday that people outside will take us to task and say, 'What is that you have done? You have gone to Delhi, you have doubled the postage and come back here.' But, if the Government had done some such thing as I suggested in advance, we should have been spared the difficulty of defending ourselves before our questioners and our critics.

Now, Sir, I think I have put forward the salient points which justify an increase in the postal rates. There are some minor things in which improvements might be brought about departmentally in the working. If we raise the letter postage to one anna, something might be done to ensure the delivery

of the letter, something in the nature of a post office certificate that is now issued for every letter that is despatched. Now, in the case of any letter or communication that is issued through the post office, its receipt is certified under an arrangement for which we pay a very small fee. That fee might be dropped, and, when we have raised the postage to one anna, every letter might, if so demanded by the sender, be certified by the post office. I believe there is such an arrangement in some of the continental post offices and I shall not elaborate the point here; but I submit that along with the increase in the rates some improvements of a striking character might also be introduced, and that you should not run the post office in the old-fashioned humdrum style. I think I have said enough in support of this measure, and my Honourable friend, Mr. Samarth, need not think that I have stultified my position in the Democratic Party by rising to speak in support of the Government.

Sir Deva Prasad Sarvadhikary (Calcutta : Non-Muhammadan Urban) : Sir, I am afraid there is no escaping the position, and Democrat and Nationalist and everybody else must recognise that we have got to improve the postal service and that the public that use the post have to a certain extent to suffer on account of it. It must, however, be a matter of compromise and a compromise, to which the Postal authorities themselves cannot object, may be effected if Government agrees. If you, Sir, will kindly permit me, with the Assembly's leave, I should like to suggest such a compromise which might be acceptable to all, namely, that we should, instead of a half-anna postcard, have a three pice or nine pies reply postcard and a three pice embossed stamp. This will probably give something over a crore of rupees—near upon a crore and twenty lakhs. Ninety lakhs is what the Postal Department wants, for it is not reasonable to say after amalgamation with the telegraphs that the two accounts must be absolutely separate. The Honourable Sir Malcolm Hailey would like a little over the 90 lakhs and a few lakhs would be available. If that compromise is accepted, that is about the best that could be done, and with your leave I shall move that as a substantive amendment :

'That in place of 'half an anna' the words 'three quarters of an anna' be substituted, and the words 'three quarters of an anna' be substituted as the price of embossed half a tola envelope instead of half an anna as suggested by Mr. Lindsay.'

Mr. Darcy Lindsay (Bengal : European) : Sir, I have an amendment standing in my name. I do not know whether I am permitted to move it at this stage or am only to speak on the general subject.

I recognise that it is necessary to increase the revenue to meet expenditure, and this can only be done by raising the rates of postage. We certainly cannot afford to work at a loss, but, at the same time, I contend that the Postal Department should not be utilised to produce a large contribution to general revenue. The legitimate contribution comes from the extra revenue obtained as a result of the business activities of the people fostered as it is by general correspondence, and herein lies the real value of the Postal Department. The Honourable the Finance Member in his Budget speech showed that it was not possible to increase telegraph charges which, as he said, are already on the high side, and that branch of the Department more than pays its way. He therefore falls back on the postage to make up the deficit. The raising of the rate for postcards to half an anna, which I support, and the increase in ordinary letter postage to one anna for 2½ tola weight, will

[Mr. Darcy Lindsay.]

in itself probably more than make up the present deficit of 96 lakhs, and I feel justified in my plea for the retention of the half anna postage by means of the embossed envelopes which are so dear to the hearts of the millions of this country. My Honourable friend, Pandit Bhargava, has referred to the subject of privacy. I am entirely with him there, Sir. The postcard can be read by the village postmaster and the delivery peon. It does not give that privacy that the people are entitled to. I admit that some of the 64 lakhs contributed to general revenue may be lost but, as I said before, the Postal Department, while not being a burden on the tax-payer, should not be worked to yield a large profit. My object in restricting the half-anna postage to the embossed envelope is to assist the Department in the sorting of letters and detection of overweight. The envelope is very small—here it is—and overweight can readily be detected by reason of the bulk of the package. The cost of delivery can be no more to the Postal Department than the postcard, and it is therefore only loss of revenue that we are concerned with. A material loss of revenue is by no means certain, as many who now use the envelope will resort to postcards and will equally resort to letters and not to postcards if my amendment is carried. The benefit to the people will be great, and I submit, Sir, that my compromise is worthy of a trial. I therefore, Sir, with your permission, move :

‘ In Schedule II to the Bill under the head ‘ letters ’ insert the following entry :

‘ Letters in Stamp embossed envelopes.

For a weight not exceeding half a tola	•	•	•	Half an anna.
For a weight not exceeding two and a half tolas	•	•	•	One anna.
For every two and half tolas or fraction thereof exceeding two and a half tolas	•	•	•	One anna.’

The Honourable Mr. B. N. Sarma (Revenue and Agriculture Member) : Sir, if I intervene at this stage it is because I feel that most of what can be said in favour of the proposal to amend the taxation recommendations of the Government has been already said and it might save time. It is indeed an unpleasant task for me, who have only recently taken over charge of the Postal Department, to rise here from my seat and ask for an increase in the postal rates within a few months of my assumption of that office. But I venture to state that if I ask the House to accept the Government proposals it is not merely in the interests of the general finances of the country but in the interests of the Department itself, in the interests of improvement of communications and in the interests of the poor whose woes have been so graphically described in this House both on this and on previous occasions. I venture to make that statement because I hope to be able to convince the House that unless the House recognises that there is need for great expansion in this Department, need for affording greater facilities to the public, there is no chance that this Department will receive that consideration from the rest of the Government of India or from the public that it so richly deserves. I am grateful to Mr. Subrahmanayam for rendering my task a little light. I am grateful for his recognition of the hard and meritorious work which the hard-working officials of my Department do ; and if I speak at all it is because I feel that unless you accept these increased rates there is no chance of benefiting the rural community whose interests we have so much at heart : there is no chance of improving the communications upon

which the trade of the country so largely depends; there is no chance of our improving our telegraphic communications, with which branch of activity the Post Office is intimately allied; and, furthermore, there is no chance of our meeting our deficit this year—a consideration which does not weigh very heavily on my mind as head of this Department, but does weigh as a Member of the Government of India. Honourable Members will find that the number of post offices is only 19,496 and an increase of only 600 in ten years; whereas the number of villages and towns of over 1,000 in population is no less than 62,000. If you want to provide a post office or some sort of postal communication in every village, you would have to aspire to a very much higher figure because the number of villages is 722,000. I am not now for a moment suggesting that it is practicable, possible or desirable that we should or can reach that figure because most of these are villages merely in name; but even if you exclude villages with a population of below 500, you have still 1,70,000 to account for; and of these 19,496 post offices you have nearly 12,000 odd run by extra-departmental postmasters and about 1,300 by branch postmasters, so that really the post offices which carry on any very large amount of work are confined to the larger centres of population, and you can realise what magnificent work is still before the country, how much the country has to be developed in the shape of communications if only literacy and money would permit our task being rendered possible. Now, it has been said already by Mr. Subrahmanayam how miserably poor some of these branch postmasters are, how low-paid they are; and when I had the honour of sitting on the Postal Committee, nothing struck me so much as the complaints which the hard-worked officials of this Department continually put forward before that Committee that the Department would have to be considerably strengthened if they are to be treated with the same consideration with which the officers of other Departments are being treated. I am not now suggesting for a moment that it would be possible to make any progress worth the name in that direction, but still we shall have to bear in mind that this is a Department in respect of which no possible retrenchment can be made in many directions in which we may hope for retrenchment in other departments and activities of the Government of India or Local Governments. So much for what has to be done or what is possible to be done.

It has been said that it is in the interests of the poor that these amendments are put forward. We have got 8,000 odd village postmen; and even assuming that out of more than 29,000 postmen in all, the village postmen carry about $\frac{1}{3}$ rd of the total postcard and letter mail, what does it come to? 175,000,000 people have between them 350,000,000 letters and cards, that is, 2 cards and letters per head per annum; and assuming that to be so, it means you would be raising $\frac{1}{3}$ ths of an anna per head of the population per annum in rural areas; and that is a very liberal estimate, because I am sure I am putting it on the high side when I say that the rural areas do correspond to the extent of about 350 or 400 million letters. Therefore, let us not talk in the interests of the agricultural population. We shall confine ourselves to the other 75 millions of the population living in towns and villages of over 2,000 in population. Coming to that, how does it work out? For 75 million people you have about 800 or 900 million letters and post cards, or 6 postcards, let us take it, and 6 letters per head; it comes to about half an anna or less than half an anna per head per mensem; surely it would not be contended that in these large centres of population half an anna per head would act with any very great oppressiveness on the poor.

[Mr. B. N. Sarma.]

You may say, 'Oh! but it is not these classes so much we have in mind as the literate classes.' It is true that it is the literate classes that largely indulge in writing letters; and even taking it that the literate population is only 30 millions, how does it work out? As the Honourable Sir Malcolm Hailey put it last year, on the assumption made, it works out to 30 letters and cards per year, or rather 15 postcards and 15 letters or $3\frac{3}{4}$ as. *plus* $7\frac{1}{2}$ as., and that is not much. I, therefore, submit that you cannot oppose the taxation proposals of the Government on the ground that the taxation would press heavily upon those who use the letter post. But I have got a higher ground. It has been calculated, though not with exact precision, that the half-anna letter post and the postcard alike put together or taken separately are a burden and a charge upon the Department as a whole. The Department does make some money on its money order business and its insurance business and so on; Honourable Members will find that under the estimates we have budgeted for about Rs. 110 lakhs from money-order and other business and we made about Rs. 18 lakhs in 1920-21 in insurance business, and the whole of that is swallowed up really in carrying postcards and letters at a quarter and half an anna, i.e., at very cheap rates. Therefore it is not a business proposition to ask the department to carry out its chief function, namely, the carriage of His Majesty's mails, at a decided loss and that the accessory activities of the department should be asked to contribute towards the discharge of the main function of the Department. I submit, therefore, that we shall not be meeting through this increased taxation more than the net loss on the service under these two heads. I think the Honourable Mr. Lindsay said that we should not make any money out of this, that it is a commercial department. Let us accept that for a while. We hope to be able to make about 160 lakhs; the Honourable the Finance Member has suggested that we are running these two departments at a loss of Rs. 90 lakhs unless the Government proposals are accepted; but we make a profit of about Rs. 81 lakhs on the telegraphs on the actuals of 1920-21 and therefore the net loss on the Postal Department would be Rs. 171 lakhs, and these increased taxation proposals would not meet them.

Therefore, what I would suggest to the House is that by these taxation proposals we are not making the post office more than pay its way. We have no reason to ask that these two departments should for financial purposes be clubbed together, that they should be treated as a whole, or that the profits of one should be made to balance the losses on the other, even assuming that the other departments of the post office, whose activities are no doubt beneficent, should be made to pay to discharge the principal function, namely, of carrying the letter mail of His Majesty's Government.

Mr. W. M. Hussanally (Sind: Muhammadan Rural): For how many years has this Department been worked at a loss, may I inquire?

The Honourable Mr. B. N. Sarma: Last year we ran the department at a loss. This year we are going to run it at a loss. In 1919-20 we did make some money and that was because the interest charges on the capitalised value of the post office building, etc., had not been debited, and I doubt, therefore, if it is treated purely on a commercial footing, whether the profits will be so large.

Rao Bahadur T. Rangachariar (Madras City: Non-Muhammadan Urban): The profits would be larger if you adopted that course.

The Honourable Mr. B. N. Sarma : There might be a little loss or a little profit, but there is a pertinent answer to that question. We were running the department very cheap on the old rates of pay, whereas we incurred about 130 lakhs of rupees extra cost in increasing the establishment charges of menials and clerks and also of the lower subordinates of this department. Honourable Members may be under the impression that we have increased the establishment charges, etc., to a very appreciable extent by adding to the salaries of the controlling staff or higher officials. No. The Postmasters who draw the higher salaries have still their grievances, the Superintendents who draw the higher salaries have still their grievances unredressed and the emoluments of the higher officers have not been touched, assuming that anything is desirable to be done in that direction. I am not saying for the moment that anything is desirable or necessary. We may not be able to do anything for them within this year or for some time to come.

Mr. W. M. Hussanally : Then I hope it that there has been a surplus all these years up to 1919-20.

The Honourable Mr. B. N. Sarma : If you do not take the interest and other charges into account, there was a surplus in respect of the post office for some years—I cannot say for how many years. But we have been running the department at a loss. We are, however, concerned with the present, and we cannot make both ends meet, for two simple reasons. We have got now a progressive rate of pay, therefore, for a little while, until the older men retire, the annual increments that would have to be added to the establishment charges would be on an appreciable scale. That is one item of expenditure. Then, again, if your time test proposals are to be revised, the establishments may have to be strengthened. Therefore, I do not see any possibility of retrenchment. On the other hand, I see many possibilities of an increase in expenditure under the establishment charges as well as other charges, and this deficit therefore is bound to increase as time goes on unless we take some steps to make both ends meet. I would therefore suggest to the House that excluding the Telegraph Department which admittedly is levying a very high rate

Rao Bahadur T. Rangachariar : No, no, 12 annas.

The Honourable Mr. B. N. Sarma : It is, when compared with other countries.

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

The Honourable Mr. B. N. Sarma : If you exclude that, the department would not be run at a profit. It will merely pay its way even assuming that these taxation proposals are agreed to. I therefore, suggest, Sir, that there is no scope whatsoever for any amendment in the direction suggested by the Honourable Member.

I fully appreciate and sympathise with those who wish to give the middle-class man a chance of sending letters by post at the same rate as has been existing hitherto, that is half-anna. But I have said enough to show that the half-anna postage with the modification suggested last year has not brought in any revenue. It has brought in only about 10 lakhs revenue and has led to grave administrative inconvenience, because the continual surcharges have had to be adjusted, they have had to be levied, and it is not worth the

[Mr. B. N. Sarma.]

trouble. Furthermore, the number of such middle-class people whose cause has been pleaded here would be comparatively small, they will be all townsmen principally, persons whose wages have gone up fairly high during the past two or three years. I am not saying for the moment that the cost of living has not gone up, but still we do look forward to the ability of these townspeople being able to bear the slight additional burden both in the general interests of the department as well as in the interests of the general financial condition of the country. Sir, great has been the history of this department in the past. Its beneficent activities have been appreciated and we are thankful to the public for the same. But if the benefits of the postal department are to be carried further to the doors of the very poor, to the doors of the agricultural classes, if the benefits of the Savings Banks Department and other activities of this department are to be carried to the very doors of these numerous millions in the remote villages, most of which are not at present served by a post office, directly, then I would submit that those who do use the post office in such large numbers must agree to bear a little more than they have been accustomed to in the past. It is a mere question of sentiment, and nothing more. It has already been pointed out that 3 pies three years ago were equivalent to 6 pies now. Therefore, on that one single ground, I think the department is entitled to higher charges which we are asking this House to sanction. I shall not weary the House any more, but I hope the House will not labour under any misconception that these proposals have been put forward solely in the interests of the financial exigencies of the moment. I would submit that, apart from the financial exigencies of the moment the post office should be made to run without any loss, and these proposals should be sanctioned on their merits. But there is no doubt, there is this higher consideration for this year, namely, that having cut down so many proposals of the Government

Rao Bahadur T. Rangachariar : No, we did not cut you down.

The Honourable Mr. B. N. Sarma : At any rate, the effect of your action is that our uncovered deficit is much larger than under our proposals, and I would therefore suggest to the House that the pruning knife cannot be applied any more.

Mr. N. M. Samarth (Bombay : Nominated Non-Official) : Sir, may I ask the Honourable member in charge of the Department as to what he thinks of the specific proposal of my Honourable friend Mr. Darcey Lindsay ? How does it in any way affect the anticipated revenue ? It would be just the same as on the half-anna postcard. Supposing there are one lakh of postcards or 10 lakhs of postcards which you anticipate passing through the post offices during the year with half-anna stamp on them ; well, divide the same between some postcards and some half-anna envelopes embossed. How will this proposal in any way prejudicially affect the anticipations of the Honourable the Finance Member in respect of revenue ?

Dr. H. S. Gour (Nagpur Division : Non-Muhammadan) : May I also ask another question, Sir ? The Honourable Sir Deva Prasad Sarvadhikary moved an amendment that reply postcards might be sold for 9 pies. Of course, that raises a difficulty, because whether the reply postcard can be used only for the reply or for general purposes is a question which I should like the Honourable Member in charge of the post office to reply to.

Another question, Sir. If we agree to the increase in the postcard charge from one pice to two pice, or three pies to six pies, do the post office people agree to increase the size of the postcard, or are they going to retain the old size? These are the two questions I should like to ask. Also, as suggested

12 NOON. by an Honourable Member, what difference would it make if the increase on postcards is from 3 pies to $4\frac{1}{2}$ pies? What difference will it make in the revenue if, instead of suddenly jumping from 3 pies to 6 pies a postcard, an intermediate stage of $4\frac{1}{2}$ pies was introduced?

Mr. R. A. Spence (Bombay : European) : May I ask with regard to that suggestion, Sir, where we are to find a $4\frac{1}{2}$ pies coin? Will that be produced?

Mr. J. Chaudhuri (Chittagong and Rajshahi Divisions : Non-Muhammadan Rural) : A couple may be sold for 3 pice or nine pies. Cards are usually printed in couples and sold. They are usually printed in this form (showing a reply postcard). Two may be sold for 9 pies. The cost of printing will be the same for each postcard or even less when printed in couples. At any rate there will be no additional expenditure.

Dr. H. S. Gour : The increase will then be 50 per cent. instead of 100 per cent.

Mr. J. Chaudhuri : That will bring in 50 per cent. additional revenue without any additional cost. A couple should be sold at a time, and not one. They should be issued only in couples as they are issued now very largely.

Mr. G. B. Clarke (Director-General, Posts and Telegraphs) : May I reply to the questions that have been asked? We have been asked what will be the effect of having a reply postcard sold for 9 pies. A reply postcard, so far as the post office is concerned, consists of two postcards and it is simply made for the convenience of the public to enable a postcard to be sent to an addressee and to get an answer without costing the addressee anything. It is used almost entirely by commercial and professional people who want to send out either advertisements or notices, and to get replies which will cost the addressee nothing. If we are going to have a reply postcard sold for 9 pies there is nothing to prevent the public buying this for 9 pies, and cutting it into two, and a postcard will then cost only $4\frac{1}{2}$ pies. The half-anna rate for a postcard will then disappear. But the poor man about whom you are talking so much wants one postcard at a time. He does not want to buy two postcards at a time. Suppose that he goes to a post office to buy a postcard for $4\frac{1}{2}$ pies. What do you think he will be charged in any post office? He will be charged $\frac{1}{2}$ anna. There is no change. We do not keep pies. They are not current coins now-a-days. He will be charged $\frac{1}{2}$ anna. You are really putting a rate on to the postcard which the public will get no benefit out of, and will simply cause confusion and trouble.

Dr. H. S. Gour : Is half pice not a current coin? I ask the Honourable the Finance Member whether $1\frac{1}{2}$ pies is not represented by a copper coin?

Mr. J. Chaudhuri : That difficulty will be obviated by selling a couple for 9 pies or 3 pice of the current coin. It is used very largely. Postcards may be sold in couple only. If an agriculturist or a poor man wants to buy, let him buy two at a time. One he may use and one he may lay by for future use. If the price of postcards be raised to half an anna each, and if

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Mr. Lindsay's amendment for the retention of half-anna embossed envelopes be accepted, postcards will practically go out of circulation and it would deprive the Post Office of revenue, whereas if you issue postcards in couples, they will be as largely availed of as they are to-day by the public at large, by ordinary traders and commercial people for printing advertisement (*Mr. Jamnadas Dwarkadas* : ' Especially at election time ') on the one side and using the reply postcard for securing orders, and that will bring in very substantial profits to the Post Office and also facilitate and popularize correspondence. . . .

Mr. N. M. Samarth : The more so to the candidates at the time of the elections.

Mr. J. Chaudhuri : That is altogether a different question. That will depend on whether I offer myself for election or not. Anyhow, it will be largely used by the public, the traders and commercial people, and without any additional expenditure it will bring in to the Post Office over the postcards quite 50 per cent. more net profits. I have written out an amendment which I shall submit if Mr. Lindsay's amendment is accepted by the House.

The Honourable Mr. B. N. Sarma : I think from the revenue point of view this taxation is supposed to bring in 160 lakhs—Rs. 70 lakhs under the head of Postcards and Rs. 90 lakhs under the head of Letters, altogether Rs. 160 lakhs. I have informed the House already that there was a profit of Rs. 81 lakhs under the head of 'Telegraphs' in 1920-21 and there is to be a total deficit of Rs. 90 lakhs on the combined system. Therefore, this Rs. 160 lakhs is to make up the loss on the Post Office, *i.e.*, the profits in the Telegraphs *plus* this deficit of Rs. 90 lakhs. Therefore, so far as the Post Office is concerned, this 160 lakhs will merely make both ends meet. There would be no surplus whatsoever to the general Exchequer from the Post Office revenue by reason of enhancing the rates in the manner proposed. If you have your 6 pies for half a tola, you would lose necessarily a considerable portion of your revenue.

Mr. N. M. Samarth : I keep the half anna on postcards and on embossed envelopes.

The Honourable Mr. B. N. Sarma : Half anna will give you only Rs. 70 lakhs. By raising the rate of half anna to one anna in respect of all letters we propose to make about Rs. 90 lakhs. You will lose considerably out of this Rs. 90 lakhs if you have letters carrying half a tola for half an anna.

Rao Bahadur T. Rangachariar : How many of them are under half a tola? Can you give us the actual figures?

The Honourable Mr. B. N. Sarma : I am not sure that there is any clear account showing the number of letters carried under half a tola.

Dr. H. S. Gour : How much by weight?

Mr. G. B. Clarke : In any postal system the number of letters which are carried upon the minimum weight really depends on what is known as the initial weight of postage, and the number is usually 85 per cent. to 90 per cent. I have had it very carefully tested during the last few months and we found that the $\frac{1}{2}$ anna letter is between 85 and 90 per cent. of the total number of

letters posted. That is, I think, the usual percentage it works out to everywhere. Whatever the initial rate of postage is, the community accommodates itself to it very quickly, and it is between 85 and 90 per cent.

Mr. W. M. Hussanally : May I inquire, if the rate of postage is raised to one anna for every $2\frac{1}{2}$ tolas, whether the number of smaller letters will not fall, and consequently the revenue of the Post Office will not fall? I consider that if every one is made to pay one anna for $2\frac{1}{2}$ tolas, the sale of these envelopes and also the postcards will necessarily fall and that there will be a corresponding reduction in the income which will take away the increased revenue that you except.

The Honourable Mr. B. N. Sarma : We have taken account of that. There will be a fall of about 20 per cent. or more by reason of our increased charges. All these increases in revenue that we have mentioned are in spite of the reduction in the total number of letters and postcards which have been carried hitherto in the past.

Mr. W. M. Hussanally : May I inquire how much the reduction will be?

The Honourable Mr. B. N. Sarma : About 20 per cent.

Mr. W. M. Hussanally : I think it will be more than 50 per cent.

Rao Bahadur T. Rangachariar : We have two or three facts to consider in judging this question. This is not a year in which we can embark on making the postal system an ideal system. I think the Honourable Member of the Department will agree with us in that respect. We are out here to make both ends meet as much as possible. No other suggestions to improve based on the statistics about villages and population appeal to us to-day and I do not think they will appeal to the Honourable the Finance Member either. Therefore let us keep such things out of consideration. The anticipated deficit in the combined Department is, if I mistake not, about 90 lakhs. We have to find these 90 lakhs for making it self-supporting. More than that, neither the Finance Department nor this Assembly will agree to embark upon. Now, with regard to the postcard we give you 70 lakhs. Accept Mr. Lindsay's amendment and it will give you at least an additional 25 lakhs, that is, half an anna for half a tola alone, and all the rest one anna. This must give you on the whole at least 100 lakhs. We do not want more than 100 lakhs in this year of financial stringency. One other fact is that we have been ruthless with regard to other Departments. We did not carry our five per cent. reduction in your Department. We let you off with 10 lakhs. Consider that when you are spending crores and crores and you know what estimates are like—do I not know what these estimates of expenditure are?—I will give you facts and figures later on as regards these estimates—but I think Mr. Lindsay's proposal is the proposal which we ought to accept and I do not think that the Department should grudge it.

Khan Bahadur Zahiruddin Ahmed (Dacca Division : Muhammadan Rural) : Sir, one of my Honourable friends has argued to-day and some argued last year, that the enhancement of the postal rates and the raising of the price of postcards will affect the poorer masses very heavily, the poor peasantry and the working classes of men will be almost ruined, or nearly wiped out. Those who have argued thus—either they are not aware of the country or they are trying to mislead this Honourable House. I can boldly say in this Assembly that the poor classes of the population

[Khan Bahadur Zahiruddin Ahmed.]

will not be at all affected. I will just now enlighten the Honourable House that the poor peasantry and the working class of men do not know how to read and write at all any more than they will beging to write letters always. They are all illiterate men from end to end. There is a Persian saying that '*Damun az koja arum ke jamai nadarum*', which means 'Where shall I get a skirt as I have no dress at all?'. Hence I say, when these poor people do not know how to read and write at all, how will they be writing letters at all times, may I inquire? I must say that it is somewhat amusing to hear such arguments in favour of the amendment. The truth is that this enhanced rate will fall on the middle class and richer class too. These two classes can afford to pay a little more. The rich men are out of the question and as to the middle class of men, from which the majority of the Honourable Members come, I beg not to grudge a few annas more per month for such expenses and I also request them not to drag in the poor masses, whose interests in this matter is only nominal. If one will look at the statistics one will find that only on an average one postcard and one letter per head of the population per year is used in India, which goes to prove my contention that the masses of the population in India are not letter writers. I admit a few or some may be writing 100 postcards or letters in a year and others may not be writing one post card or one letter in a hundred years. So far as I know, and I know correctly, in India the masses do not write over three letters or postcards in their lives and I mention the occasions: (1) when the father or the mother is dead, (2) when the son or daughter is born or dead, and (3) when the son or daughter is married. The working of the post offices is giving the public great satisfaction and so this branch of service ought to be made self-supporting. The middle class of people from which the majority of the Honourable Members have come, ought not to grudge a few annas more to help a department which is giving universal satisfaction. In the honest way this department is managed, I have not only love but respect for the postal employees and I make this public utterance in recognition of their excellent services. I have nothing but good to speak of them and I say so with a full heart. With these few words I support Mr. Darcy Lindsay's amendment which will give secrecy without making the Department suffer in any way from the financial point of view.

The Honourable Sir Malcolm Hailey: We have just heard an argument which seems to require immediate attention on our part. We were told that because there is on the combined Post and Telegraph Department only a loss of 90 lakhs, therefore we need only adjust postal rates so as to give us 90 lakhs. Now, the combination of the Post and Telegraph Departments is one mainly for administrative convenience. The House will remember that for very many years they were run separately; during that period, their accounts were, of course, kept apart, and we sought to make each Department balance its expenditure and its income. Now, apparently, simply because for administrative purposes and in order to effect a certain saving in overhead charges we have joined these two Departments together, we are met with the proposition that the losses on the Postal Department must be carried on the back of the Telegraph Department. That is what it amounts to. (A Voice: 'No.')

(A Voice: 'Why not?') You have altogether on the Postal Department a loss of 171 lakhs. You are to replace 90 lakhs of that

from increased charges in the Postal Department itself and you are to take the remainder from the Telegraph Department. Let me carry the argument a little further. Suppose that in the numerous changes which take place in our headquarters arrangements we were to put Railways and Irrigation under one head; suppose that we incurred a heavy loss on Railway; should we be told that we need not make up that loss because we are making a gain on Irrigation? You may apply the same argument in that way to a number of Departments of a commercial or *quasi*-commercial nature. Let us be duly thankful that we continue to make some profit on the Telegraph Department. I do not know how long, in view of the continual increases in the rate of pay of the establishment, we shall be allowed to make this profit or what will happen if the public insists on reduction in the charges. Let us be thankful at all events for our present small mercy. My contention is, that as we are losing 170 lakhs on our Postal Department, we ought to make up that 170 lakhs quite irrespective of the fact that we are making at the same time a small gain from the Telegraph Department, or the Opium Department or any other Department of the Government of India. It is perfectly true that both of these Departments are important means of communication. So also is the Railway Department as a means of communication. But the mere fact that you can bring them under one man does not mean that one Department should pay for the losses of the other. You might drive us on this line of argument, to break up the convenient and efficient arrangement which we have adopted, an arrangement to which this House itself to-day paid a compliment, of running these two Departments under one headship. I am not going to repeat the arguments which I put before the House last year as to the justification of taking a small gain from these Departments. The House seems to think that it is improper that a public service department of this nature should bring in a small gain to the State. But it did so in the past. Our Postal Department in the past used to bring us in a small sum,—in 1917-18, 46 lakhs; in 1918-19, 38 lakhs; in 1919-20, which was a year of trade boom, 75 lakhs. We did not, I remember, receive many attacks then for taking that small gain from the Postal Department. England in the year before last expected to make £3½ millions from the Post Office, Canada, a very democratic country, was going to make 2,800,000 dollars, Australia £387,000, and Japan 73½ million francs. So that if we were in the habit of taking small gains from our Post Office, we erred in good company. This year I do not attempt any justification of that process, for the simple reason that we do not intend to attain to any consummation so desirable. We merely ask that the Post Office expenditure and the Post Office income should be made to balance itself, and made to balance itself quite independent of the fact that we may happen to be making a small gain in any other department which we run in the interests of the public.

Mr. B. N. Misra (Orissa Division : Non-Muhammadian) : Sir, I beg to oppose all these amendments. My sole ground is, of course, quite different from the grounds advanced by the Honourable Members of this House. My sole ground is this. Does the sender of a letter or postcard not get the benefit of the half anna or one anna postage on the letter or postcard sent? That is the sole reason, apart from other considerations. If a man lives a thousand miles away, by spending half anna or one anna he can get every information from a district, a thousand miles away. I don't think there is any reason for him to grudge to pay half anna or one anna. (Hear, hear.) Those who don't go out don't require to send any letters: it is only

[Mr. B. N. Misra.]

those people who go abroad, either for commercial purposes, or for service, or for any other purpose, that require to send letters. I submit it will be quite reasonable for any such man to pay for the benefit he gets out of the letters he sends. If Government wants all these monies for financial stringency, there, I think, will be strong objection, as really the Department which works so hard is not properly paid or remunerated, so that much of it should go to improve the Department, and there will be no objection to a small portion going to the Government as it is at the head of the administration.

On these grounds I oppose all the amendments, and I think Honourable Members of this House will not bring opposition for the sake of opposition but must judge each matter by its own merit, that is, the benefit which it brings to the sender. I hope that Honourable Members will consider that and give their support to Government.

Dr. Nand Lal (West Punjab : Non-Muhammadan) : Sir, I am extremely sorry to hear that the Department is running at a loss. If this loss is caused by a little increase of salary in the monthly pay of poor clerks, then my sympathy will go to the Department; but if it results from the increasing number of Superintendents and Assistant Superintendents and Inspectors, then I must say that the Post Office is responsible for that

The Honourable Sir Malcolm Hailey : My Honourable friend will allow me to furnish him with one piece of information, namely, that the increase is due almost entirely to the fact that we spend 131 lakhs of rupees more on the pay of the subordinate establishment.

Dr. Nand Lal : Then my sympathies are with the Department. However, I have to make two observations for the consideration of the Honourable the Finance Member and other official Members, and I am sure that they will give them their consideration. One of them is this; that at the time of proposing taxation they ought to see what is the popular view, and if they do not know, here I stand to do my sacred duty to tell them that the popular view is against this taxation. The second point of similar importance which is to be looked at is this. What will be the effect of it? The intention of the Government may be good; there may be several reasons in support of that taxation, but the manner in which the masses look at it will not be very wholesome. I submit, therefore, on these two grounds, that it is wrong to enhance taxation, specially with reference to postcards. With these few observations I offer this submission to the House. (Hear, hear.)

Mr. W. M. Hussanally : Sir, I am sorry I have not been able to understand the amendment brought in by Mr. Darcy Lindsay. I understood him to say that he wanted to raise the price of the postcard to half anna, and yet at the same time retain the half-anna envelope. If that be his proposal, I think that the proposal would not work, because if the postcard and half-anna envelope are kept at the same price the postcard will hardly be used, and therefore all the income that we now derive from the postcard will fall almost completely or, at any rate, be very materially affected as everybody will be using the half-anna envelope instead. (*A Voice* : 'Why not?') The half-anna envelope has this advantage, that a man is able to write a letter on a piece of paper, and you can write a good deal more matter in a letter than you can do on a postcard; therefore the advantage you get by writing more matter

in a letter will induce people to use envelopes rather than postcards both being carried for the same amount. I am not therefore in favour of Mr. Lindsay's proposal at all. On the other hand, I might say that the raising of the postal rate to one anna for every $2\frac{1}{2}$ tolas is also wrong in policy, because you give an advantage to the commercial classes of using thicker paper and sending a good deal of matter in that $2\frac{1}{2}$ tolas; where you tax the middle and the poorer classes for allowing that advantage to the commercial classes. This advantage is not right for the commercial classes and rich people at the cost of the middle and poorer classes. Therefore I think that policy is wrong, *viz.*, to tax the lower classes for the benefit of the rich. You must have anyway the half-anna postage, so that the poor classes, I mean the middle classes also, should have an advantage also. I am sure the $2\frac{1}{2}$ anna postage will be a deterrent. They will feel that burden very considerably and it will certainly be an undue advantage to the commercial people. My friend, Mr. Subrahmanayam, has perhaps forgotten all the arguments that were advanced last year against this increase in postage rates and perhaps he also forgets that there was a considerable disagreement between this House and the other House. The result was that we had to come to a compromise after several days' discussion. I am perfectly certain this year also the opinion outside this House is very considerably against any enhancement whatever in the existing rates. I might say that even the rate of 9 pies was agreed to very reluctantly. The only question is—what are we to do with regard to this deficit in the working of the Post Office? The Honourable the Finance Member thinks that the Telegraph Department has no business to contribute towards the losses incurred by the Post Office. I do not think there is much force in that argument. The two departments are sister departments, and there is no comparison between the Telegraph Department and the Post Office and Railway and Irrigation. If the Railway and Irrigation were sister departments, kept for similar purposes, the matter of amalgamation might have been considered. If, for instance, all departments in regard to communications were coupled together and one department bore a little loss on the other, I think there would be no harm. The small deficit of 90 lakhs of rupees need not be covered in the Post Office, therefore, if you take into consideration the fact that the Post Office is a very useful department and it is of great advantage to the people. After all, it is a small deficit which I think can be borne. I believe this year there will be a very heavy deficit which will remain uncovered; and, if that be the case, this small deficit of 90 lakhs can also be added to that sum.

Mr. G. R. Clarke : Sir, we have heard a great deal about this Department being run on commercial lines and on commercial principles. Well, the first essential of any business department is to sell its products at something above the cost of production, and what we are doing in the post office now is that we are selling our services at something very considerably below the cost of production. We cannot possibly afford to carry postcards over this great continent of India and Burma for payment of a quarter of an anna. The Honourable Member of my Department has shown very clearly that this cannot be done. On the half-anna envelope and the quarter-anna postcard we are incurring a very heavy loss. At the Madrid Conference held in 1920, at which I was a delegate for this country, it was deplored by representatives from every country in the world that they had to raise their postage rates. But they all said that it had to be

[Mr. G. R. Clarke.]

done. The value of money had declined and the postage rates were raised enormously. The international postage rate was raised from 20 Centimes to 50 Centimes and their internal rates were also raised. Even with these increased rates which we have now proposed, India will have the cheapest postage in the world. Compare the English rates. They are two pence for a letter and 3 halfpennies for a postcard. That is to say, they are four times our letter postage and six times our postcard rate for a distance that is not even one-fifth of the distance that we have to convey our mails in India. Is it fair to ask the Post Office to render its services for the existing rates which are utterly unremunerative? Then I am told, and I am now speaking on behalf of my own Department, that this Department should be carried as a burden on the general revenues. At least that was the idea of some of the remarks that I have heard. Well, from the point of view of my Department such a position puts a stop to all development. I shall get no money either from this Assembly or from the Finance Department and, as my Honourable friend, Mr. Subrahmanayam, has pointed out, there is much to be done, especially in rural areas. Now, it is an extraordinary thing that these low postal rates have proved a very great impediment to the development of rural postal facilities in India. In very few words I will explain the position. When we want to open a post office in rural areas, we open an experimental post office. The average cost of such an office some years ago was about Rs. 20, namely, Rs. 5 or 6 to the Branch postmaster, who was not a wholetime servant, Rs. 7 to the postman and Rs. 7 to the runner to carry the mails to and from the post office. For that Rs. 20 we asked for a revenue of Rs. 25, which represents roughly a traffic of about a thousand articles a month. If the revenue of Rs. 25 was obtained, that post office was established and it was made permanent. What is the position to-day? The position to-day is that we cannot open a rural post office under Rs. 40. A committee sat and fixed the pay of our staff recently and very properly increased it on account of the rise in prices, so that a post office cannot now be opened under at least Rs. 40. But the revenue is the same. We still get Rs. 25 and cannot get anything more. Therefore, the post office is not opened or else is closed very quickly. The result can be seen by an examination of the statistics. If you look up the figures of the post offices for the last few years you will find that the total number of village post offices has decreased by nearly 100. I do not remember the exact figures. This means that there are not as many rural post offices as there ought to be; people living in villages are thereby greatly inconvenienced. Is it not more convenient for a man to post a postcard in a post office close to him for half an anna, rather than to walk a distance of 15 or 16 miles in order to post it for quarter of an anna? And, as has already been pointed out, with a post office in his village, the villager gets the benefits of the Savings Bank and Money Order system brought to his door. He also gets other facilities which, upon the present rates of postage we cannot afford to give him. As regards the poor man, I do not think I need emphasise the arguments about him any more. Out of three hundred millions in India there are, I suppose, two hundred and fifty millions who never write a letter or a postcard at all. The poor man do not come in in this case. I don't mean to say that they do not ever write letters. They do write, but it happens so seldom that I do not think the increase of the quarter-anna postcard to half-anna and the half-anna envelope to one anna will have effect on them

whatsoever. It is always the cry to have mercy on the poor. But the quality of mercy, Sir, is not strained. I understand that it is twice blessed, it blesseth him that gives and him that takes, but the taker gets everything in this case. A Department, however, that is a commercial Department, which fails to pay its way is twice cursed. It is cursed by him that gives and him that takes because the latter will not get value for his money nor the former for his services rendered. We have had several amendments made to-day to try to get over this difficulty of increasing the minimum letter postage from half an anna to one anna. Mr. Darcy Lindsay's proposal is a very spacious one. He calls it, I think, the poor man's letter, the letter that can be sent for half an anna in a Government envelope and not weighing more than half a tola. Now, that is going to react on our postcard revenue immediately. As regards the envelope, it is not charged for and the result is that you demand only half an anna for a most expensive form of postal stationery. A hundred million of these half-anna envelopes manufactured and issued this year cost two lakhs of rupees.

Mr. Darcy Lindsay : What is the difference between the cost of the envelope and the postcard?

Mr. G. B. Clarke : The postcard costs about 10 per cent. of its face value and the small oblong half-anna envelope costs about 6 per cent. of its face value to manufacture and distribute. But this will immediately re-act on the revenue, I cannot say to what extent; because it is a very difficult thing to estimate, but it is our experience in the Post Office that, whatever you make your initial rate of postage, the community adapts itself to that initial rate at once. We found that out last year in the case of the 9 pies postage. We had a half-anna rate for half a tola and then a nine-pie rate for one tola. What was the result? The business people, who actually write the mass of letters in this country, at once adapted themselves immediately to the new weights. They reduced the weight of their stationery and, instead of getting 25 lakhs, as we estimated, from the nine-pie postage, we got barely 10 lakhs, and this would have got less and less as time went on. So that Mr. Lindsay's proposal, though it will not interfere with the postcard rate, will throw a considerable burden on us in making the minimum postage half an anna for letters and having those letters sent in a most expensive form, that is, in an envelope which has to be manufactured and distributed by the Department gratis. I would strongly oppose the proposal on these grounds.

I do not think I need say much about the reply postcard which is offered for nine pies. It simply means, I should think, that, this would be very largely taken advantage of by middle men who would buy them up, cut them in two and sell the halves separately to the public. The post office cannot distinguish between the reply half of a postcard and the original half of the postcard when it is posted, and I do not think it a proposal that can be seriously considered. I think it is a pity to have proposals, which, so to speak, tinker with the postal rates which have been proposed by Government. We want a certain definite revenue. The post office has been run at a heavy loss and we want the revenue in order to enable us to pay our way and have a profit. We have very many big developments in front of us in the Post Office, both on the telegraph side and on the postal side, and these developments require money. We have many new telephone exchanges we want to put up and work, and they all require money. We also have a big demand at present

[Mr. G. R. Clarke.]

for telegraph offices all over the country, I am talking of small telegraph offices which are combined with post offices. There is a waiting list, at present of 300 combined offices. I did hope that next year we should have been able to open 25 per cent. of these. But, Sir, the House has taken 10 lakhs off my working expenses and I do not think I shall be able now to open more than 10 per cent. of these offices. I do not at all appreciate having to ask for this increase in rates. It is the last thing we want to do, but we have got to do it. It is only fair. The post office has worked well and faithfully for years (Hear, hear) and I think you will all admit that our staff requires some consideration. We have got a very big building programme ahead of us which must be undertaken. Every committee which has sat on the Post Office has asked us to provide quarters for the staff. The condition of our workers is not the same as the condition of workers in ordinary offices. Our men have often to go on duty at 6 o'clock in the morning and stay on till late in the night, and it is absolutely necessary that they should be provided with convenient quarters. How are we going to undertake the programme which, I can assure the House, is going to cost more than two crores of rupees, if we have no money and if we cannot show a profit. I am sure, if you take these matters into consideration, that the House will agree to this increase in rates. I have said, Sir, the Post Office has had an honourable past, and I trust that you will not prevent it from having an honourable future.

Mr. R. A. Spence : Sir, I do not want to detain the House, but, as a member of a party, the party of European non-officials, I came down to this House prepared to vote for my party amendment, namely, that proposed by Mr. Darcy Lindsay. In view of the arguments that I have heard, although I came down pledged to my party, I have changed my mind. I am going to vote for Government, and I ask the Honourable Member of my party, Mr. Darcy Lindsay, to withdraw his amendment. (Hear, hear.)

Mr. J. P. Cotelingam (Madras : Indian Christian) : I should like to ask the Honourable Mr. Clarke as to the financial effect of adopting Mr. Bhargava's suggestion regarding one anna being the charge on a letter exceeding half a tola and not exceeding one tola, and that one anna be the charge for every tola or fraction thereof, exceeding one tola. It will be remembered that the Honourable Mr. Bhargava recommends the abolition of the 9-pie letter weight, and the reduction of the one-anna letter weight from $2\frac{1}{4}$ tolas to one tola.

Mr. G. R. Clarke : Sir, it is very difficult indeed to give an estimate in the case of these intermediate increases in postal rates, but the rate proposed by my Honourable friend, Mr. Bhargava, is a very, very expensive rate. A rate that goes up by one anna a tola, that is, two-fifths of an ounce, is a very expensive rate, and it is a very troublesome rate for the post office. It means perpetually weighing all these letters; it means extra trouble, that is, extra staff, and I doubt if it will bring in any very serious increase of revenue. As I pointed out before, very nearly 90 per cent. of postal articles go at the minimum rate, and for the extra 10 per cent. you would find that the commercial community would adapt themselves fairly quickly to this rise in weights. I doubt if we could expect more than Rs. 10 lakhs to Rs. 15 lakhs at the very outside from this proposal.

Mr. Harchandrai Vishindas (Sind : Non-Muhammadan Rural) : Sir, I find myself in somewhat the same predicament as my friend Mr. Spence. Although I did not come here pledged to vote for any side—I kept an open mind—still, I have been completely converted by the Government. And in this regard, with your permission, Sir, I shall make a few observations in reply to the arguments that have been urged on the other side in favour of Mr. Darcy Lindsay's proposal. I am very sorry that Mr. Rangachariar, a stalwart of the Democratic Party and one of its leaders, should have lent himself to an observation which was quite inconsistent with democratic principles. He said that we could afford to wait in the carrying out of the postal programme for this year. In view of the fact that it is in the interests of the poor, that it is in the interests of the villager, that this postal programme should be carried out, I am surprised that a very small kind of consideration should have weighed with Mr. Rangachariar and his friends. What was that other consideration? As we have been told, probably 250 millions out of 300 millions do not use the postal service. I think that is perfectly true, and the increase that would be made in the postage is so slight that I am perfectly convinced that it would not act oppressively or harshly upon the poor or the rich. I also think that the suggestion made in the amendment by Mr. Bhargava is impracticable, as was fully pointed out last year. Although, at first sight, it might appear to be in the nature of increasing the revenue of Government, if you go into the details, you find that it is against the interest of the public, because, if you make one tola the maximum, it is taking away that advantage from the public which the maximum of 2½ tolas gives them. (Hear, hear.) Therefore that is against the interests of the public, and that should not be considered at all.

One or two points which have been put forward to-day require consideration. For instance, Mr. Wali Muhammad Hussanally has said that, if you adopt Mr. Darcy Lindsay's proposal, the result will be that the postcard will be entirely discarded, because, if the same amount of money is to be spent upon the postcard as upon the letter, then it is quite obvious, it is *a priori*, that people would prefer the letter. And then, when you adopt that letter, Mr. Lindsay entirely ignored the enormous cost that Government would be put to in manufacturing those envelopes.

Mr. Darcy Lindsay : Mr. Geoffrey Clarke told the House just now that there is very little difference in the cost of the envelope and postcard.

Mr. Harchandrai Vishindas : But supposing that argument of mine is not correct, the chief argument that is weighing on the minds of Members of this Assembly is that this increased postage will be a very heavy burden upon the poor. I think that is absolutely groundless and unfounded. A man who writes a letter or a postcard writes it with an object. What is that object? Either he has to write on business or he writes news to a friend or relation, and so on. Now, if he writes on business, I daresay he gets a far greater return by writing than the postcard or the letter costs him. On the other hand, if he writes merely for pleasure, then if he cannot pay for a postcard or a letter he need not write at all. As a matter of fact, I think that a man who writes a letter or postcard can very well afford to pay double the rates that are being exacted from him now. Just look at the example of other countries. Mr. Geoffrey Clarke has pointed out to us, I think very convincingly, that the postage rates in India are the cheapest,

[Mr. Harchandrai Vishindas.]

whereas the distances over which letters and postcards have to travel are five times as long as in other countries. Considering that and considering that our postal system requires daily growth, daily improvement—as a matter of fact, at present I find in my part of the country that many a village is without a post office and people there have considerable sacrifices to bear, much larger sacrifices than would be involved in the increased postage, and therefore post offices are very urgently needed there; considering all this I think this is an item of the programme which should not be delayed, as has been suggested by Mr. Rangachariar, and we shall be best consulting the interests of the country and the interests of the villager if we agree to these rates. Therefore, I earnestly appeal to all those Honourable Members who are labouring under the impression that we are going to impose a crushing burden on the poor by these increased rates, to dismiss that thought altogether from their minds. As Mr. Subrahmanayam has already pointed out, this increase in the rates that has been suggested by the Government will serve all purposes. It will serve the purpose of the poor in giving them larger pay and it will serve the purpose of Government in helping them to meet their deficit. For all these reasons I earnestly appeal to my Honourable friend not to press this amendment.

Mr. N. M. Joshi (Nominated Labour Interests): I move that the question be now put.

Sir Vithaldas D. Thackersey (Bombay Mill-owners' Association : Indian Commerce): Mr. President, I am in a different position from the one described by my Honourable friends, Mr. Spence and Mr. Harchandrai Vishindas. I came here with the determination to vote for the Government proposal and after I heard the Honourable Sir Malcolm Hailey and the Honourable Member in charge, I am more convinced than ever that the Government proposals must be accepted. So far as the Democratic Party is concerned, it is not a party question at all. Every Member is at liberty to vote as he likes, and I do appeal to my friends to support Government, considering that we have already cut down enormous revenue in the four proposals that we have rejected. Well, I do not know if my Honourable friends agree with me, but I am convinced that we have gone to the extreme limit of our financial capacity, and cannot risk any more cutting down of revenue. That is my candid opinion. Others may agree with me or not, but I am convinced that it is dangerous now for us to cut down any further revenue and thus either put Government to great financial difficulties or drive them to giving the certificate. Sir, in our rejection of taxation we have helped the poor in every way. We rejected the salt duty. We saved them 3 annas per head per year according to the calculations placed before us by Government. We rejected the import duty on piecegoods and helped them to the extent of 4 per cent. or three-quarters of an anna per rupee. We rejected the excise which will also help them. Now, are we putting such a great burden upon the poor, even if you call it a burden, if we increase the rate on postage? We know that most villagers do not write at all. The largest revenue comes from cities and towns, and I think those who live there and work there can very well afford to pay this little extra charge for communication. After all, the Postal Department has worked with a loss of 90 lakhs, or 160 lakhs if you deduct the profits on Telegraphs. You must run the Postal Department without loss and I strongly appeal to all my friends to support the

Government proposal and thus show that so far as this House is concerned it is not unreasonable and does not wish that our commercial Departments should work at a loss. After all, if the Department earns larger revenue it will be able to do greater service. I therefore support the proposal.

Mr. President : The question is :

'That in Schedule II to the Bill, under head 'Letters,' for the words—

'Two and a half tolas . . . One anna'

the words—

'Half a tola . . . Half an anna'

be substituted.'

The Assembly then divided as follows :

AYES—17.

Agnihotri, Mr. K. B. L.
Asjad-ul-lah, Maulvi Miyan.
Bagde, Mr. K. G.
Bajpai, Mr. S. P.
Bhargava, Pandit J. L.
Das, Babu B. S.
Hussanally, Mr. W. M.
Ibrahim Ali Khan, Lieut. Nawab M.
Iswar Saran, Munshi.

Mahadeo Prasad, Munshi.
Man Singh, Bhai.
Neogy, Mr. K. C.
Reddi, Mr. M. K.
Singh, Babu B. P.
Sinha, Babu Ambika Prasad.
Sohan Lal, Bakshi.
Subzposh, Mr. S. M. Z. A.

NOES—72.

Abdul Quadir, Maulvi.
Abdul Rahim Khan, Mr.
Ahmed Baksh Khan, Mr.
Aiyar, Mr. A. V. V.
Aiyer, Sir P. S. Sivaswamy.
Akram Hussain, Prince A. M. M.
Amjad Ali, Maulvi.
Ayyangar, Mr. M. G. M.
Barodawala, Mr. S. K.
Bijlikhan, Sardar G.
Bradley-Birt, Mr. F. B.
Bray, Mr. Denys.
Bryant, Mr. J. F.
Chatterjee, Mr. A. C.
Clarke, Mr. G. R.
Cotelingam, Mr. J. P.
Crookshank, Sir Sydney.
Dalal, Sardar B. A.
Dentith, Mr. A. W.
Faridoonji, Mr. R.
Fell, Sir Godfrey.
Gajjan Singh, Sardar Bahadur.
Ginwala, Mr. P. P.
Gour, Dr. H. S.
Gulab Singh, Sardar.
Habibullah, Mr. Muhammad.
Hailey, the Honourable Sir Malcolm.
Hullah, Mr. J.
Ikramullah Khan, Raja M. M.
Innes, the Honourable Mr. C. A.
Jannadas Dwarkadas, Mr.
Jejeebhoy, Sir Jamsetjee.
Joshi, Mr. N. M.
Kabiraji, Mr. J. K. N.
Kamat, Mr. B. S.
Keith, Mr. W. J.

Lakshmi Narayan Lal, Mr.
Latthe, Mr. A. B.
Lindsay, Mr. Darcy.
Manmohandas Ramji, Mr.
Mitter, Mr. K. N.
Muhammad Hussain, Mr. T.
Mukherjee, Mr. J. N.
Mukherjee, Mr. T. P.
Nabi Hadi, Mr. S. M.
Percival, Mr. P. E.
Pyari Lal, Mr.
Ramayya Pantulu, Mr. J.
Rangachariar, Mr. T.
Rao, Mr. C. Krishnaswami.
Renouf, Mr. W. C.
Rhodes, Mr. C. W.
Samarth, Mr. N. M.
Sapru, the Honourable Dr. T. B.
Sarfaraz Hussain Khan, Mr.
Sarvadhikary, Sir Deva Prasad.
Schamnad, Mr. Mahmood.
Shahani, Mr. S. C.
Sharp, Mr. H.
Sinha, Babu Adit Prasad.
Spence, Mr. R. A.
Subrahmanayam, Mr. C. S.
Thackersey, Sir Vithaldas D.
Tulshan, Mr. Sheopershad.
Ujagar Singh, Baba Bedi.
Vincent, the Honourable Sir William.
Vishindas, Mr. H.
Waghorn, Colonel W. D.
Way, Mr. T. A. H.
Webb, Sir M. dePomeroy.
Yamin Khan, Mr. M.
Zahiruddin Ahmed, Mr.

The motion was negatived.

Mr. President : The decision just made by the Assembly disposes, as far as letters are concerned, of amendments 135, 136 and 137.

1 P.M.

But the same question in substance can still be raised on Mr.

[Mr. President.]

Darcy Lindsay's amendment which, as I mentioned before, was not actually put from the Chair ; and therefore I propose to take it next, though actually there are two amendments, one in the name of Rai Sahib Lakshmi Narayan Lal and one in Mr. Shahani's name, proposing to restore the existing postage. I think we had better take the proposal of Mr. Darcy Lindsay first.

Mr. Darcy Lindsay : Sir, I move :

' In Schedule II to the Bill under the head ' Letters ' insert the following entry :

' Letters in stamp embossed envelopes.

For a weight not exceeding half a tola Half an anna.'

I would ask, Sir, in the second clause with your permission to add two or three words ' exceeding half a tola but '—it will read :

' For a weight exceeding half a tola but not exceeding two and a half tolas One anna.

For every two and a half tolas or fraction thereof exceeding two and a half tolas One anna.'

and at the end add the words :

Other letters.'

With these words, I submit my amendment to the House.

Colonel Sir Sydney Crookshank (P. W. D. Secretary) : Sir, I think I ought to inform Honourable Members, with reference to the first item of this amendment, that I know of no country in the world where the minimum letter rate is at the same rate as the postcard rate. In all cases the letter rate is higher than the postcard rate. I think Honourable Members will perhaps realise that, apart from the considerations which have already been put forward in this connection, it would perhaps not be desirable to make an innovation of this sort, which would probably not be very well received by outside countries.

Rai D. C. Barua Bahadur (Assam Valley : Non-Muhammadan) : Sir, a case for the Government has in my humble opinion been made out to a great extent. It is quite correct that the charge for postcards and the minimum charge for letters should not be the same. It is at the same time very difficult that the minimum charge should be one anna for a letter even weighing half a tola. Therefore, my humble suggestion is that the minimum postage for a letter should be 9 pies instead of half anna as proposed, and up to half a tola the minimum charge should be 9 pies, and above that up to 2½ tolas the charge should be one anna. That is the best compromise in my humble opinion. So in the result the postcard will stand at half anna, and the minimum charge for a letter weighing not more than half a tola will be 9 pies and above that up to 2½ tolas one anna and every fraction of 2½ tolas or additional 2½ tolas

Mr. N. M. Joshi : Sir, May I rise to a point of order ? I want to know whether the Honourable Member is supporting or opposing the amendment ? He has his own proposals.

Mr. President : He had better address his remarks to the Honourable Member who is on his feet, and not to me.

Rai D. C. Barua Bahadur : That is the only submission I have to make and I hope it will commend itself to this House.

Raja Mahamad Ikramulla Khan (West Central Punjab : Muhammadan) : I move, Sir, that the question be now put.

Mr. President : The question is :

'In Schedule II to the Bill under the head 'Letters' insert the following entry :

'Letters in stamp embossed envelopes.'

For a weight not exceeding half a tola Half an anna.

For a weight exceeding half a tola but not exceeding 2½ tolas One anna.

For every two and a half tolas or fraction thereof exceeding two and a half tolas One anna.

Other letters.'

The motion was negatived.

Rai Sahib Lakshmi Narayan Lal (Bihar and Orissa : Nominated Non-Official) : Sir, the amendment that I am going to move is :

'That in Schedule II to the Bill, in the Schedule to be inserted in the Indian Post Office Act, 1898, for the entries under heads 'Letters' and 'Postcards' the corresponding entries in the existing first Schedule to the Act be substituted.'

The question of increase in the prices of letter and postcard was before this Assembly last year and the whole matter was sufficiently discussed and both the Chambers decided that the entries in the existing first Schedule to the Act be allowed to continue. As the increase is likely to affect the poor, there is no reason why the House should add to the hardship and inconvenience of the poor. Let us see how the increase is likely to work. A poor man who cannot afford to write a postcard once a week will have to remain content with writing a postcard once in a fortnight, and there shall be no increase in the revenue although the poor men will suffer as has been the sad experience in the past regarding the increase in certain other taxations. Rich persons seldom use postcards, they generally use envelopes, and even those envelopes which are used by them are not those sold by the post office but fashionable envelopes. A middle course is possible by having cards of two sorts, one something like the cards which used to be sold before by the post office for quarter anna and another better card, something like the one sold at present, and similarly two sorts of charges for envelopes—half an anna for envelopes which are sold by the post office and one anna for granite envelopes in which adhesive stamp is used. This will enable the Government to have an increase of revenue without adding to the burden or inconvenience of the poor. But there is no such amendment on the list, and, having regard to what has been said by some Honourable Members on this question, I want the leave of the House to withdraw this amendment.

Mr. President : I warned Honourable Members the other day that that is an extremely improper thing to do. It is actually forbidden by the Standing Orders for the very good reason that if an Honourable Member says what he likes in his speech and then withdraws his motion, all other Members including the Government Members would be deprived of the opportunity to reply. If the Honourable Member wishes to withdraw an amendment, he has merely to say that he intends to withdraw and should not make a speech; he has simply to rise on his feet and say, 'I do not move it', or pass it by *sub silentio*.

The question is :

'That in Schedule II to the Bill, in the Schedule to be inserted in the Indian Post Office Act, 1898, for the entries under heads 'Letters' and 'Postcards' the corresponding entries in the existing first Schedule to the Act be substituted.'

The motion was negatived.

Rao Bahadur T. Rangachariar : I do not think there is any need to move my amendment, Sir.

Mr. President : We have been dealing so far with letters.

Rao Bahadur T. Rangachariar : I don't wish to press my amendment about Postcards.

Mr. President : The question is that Schedule II stand part of the Bill.

The motion was adopted.

Schedule II was added to the Bill.

Mr. M. G. Mukundaraja Ayyangar (Madura and Ramnad *cum* Tinnevely : Non-Muhammadian Rural) : Sir, I beg to move :

'In Part I of Schedule III to the Bill—(i) in item A(6), for the words 'one anna and three pies in the rupee' substitute 'one anna and two pies in the rupee'.

(ii) in Item A(7), for the words 'one anna and six pies in the rupee' substitute 'one anna and four pies in the rupee' and in item (iii)

Mr. President : The Honourable Member had better move one at a time.

Mr. M. G. Mukundaraja Ayyangar : Then I beg to move the first portion of the amendment. In doing so, at this stage of the consideration of the Finance Bill, I feel my task will be much more difficult than that of any of the Honourable Members who have up till now spoken in support of any of the previous amendments to the Bill. Almost every one of them pleaded on behalf of the poor, the dumb millions of the country. I also sympathised with the poor and always gave my silent vote in their favour. Sir, the Finance Bill has been characterised as impartial in that it sought to affect the poor as well as the rich. This statement is true only to that extent; if you go deep into it you will see it affects the rich more than their legitimate share. Whatever may be said of the Bill as originally introduced, I am sure every one will agree that it has now lost the impartiality and the rich alone are sought to be affected, permit me to add, Sir, to an extent which more than their legitimate share.

The poor man's grievances you have already redressed, and now it is the turn of the rich man—I wish this proud privilege of pleading for the rich had fallen to the lot of some one of my able colleagues who would do better justice to the cause both by his ability and eloquence than my humble self.

Sir, I feel diffident, very diffident even at the outset to present my case. On the one hand, there is the Government which says it wants Rs. 34 crores to cover up the deficit of the next year and to run the administration of the country; on the other hand, there is the complaint of the rich everywhere that they are already overtaxed—taxed to the breaking point—and therefore they should not be any further taxed. There is yet another point to be taken into consideration, *viz.*, that this House has up till now cut down from the Finance Bill sources of income to the extent of about 10 crores. When I consider all these points, I feel, Sir, that any attempt at further reduction in the Finance Bill and any appeal from me in that direction may not *at the outset* receive that warm and ardent support from this House which the proposals for reduction of other taxes received, especially when to a superficial looker this tax appears to be one the incidence of which falls upon such classes of people who can afford to pay without any difficulty or hardship.

If, in spite of all this, I make bold to stand before you to plead against the proposal to increase this tax, it is because I represent here a constituency, a substantial portion of which would be affected by the proposal to increase this tax to a degree which I hear from them will be unbearable and it is also because I feel there is a real and just complaint against the tax. A complaint which is real and a cause which is just, I have no doubt, are sure to succeed in this House, even if it should be presented by a bad and weak advocate like myself, and that is the only apology for my standing up before you now.

I now go to the substance of my amendment. What is it it asks? It only requires that the existing rates of the income-tax should be retained; that is, there should not be any increase in the rates of income-tax even for incomes over Rs. 30,000.

It will be accepted on all hands that we will not be discharging the duties which we owe to the country if we should be, in any way, parties to anything which would attempt to materially hamper the development of the industries of our country. The effect of the proposed increase will be to kill the desire on the part of the capitalists of the country to enter into industrial and commercial enterprises.

The general opinion among a portion of the people seems to be that nobody can legitimately take exception to this tax because it is said that it is only people who can afford to pay it that are affected by it. It has been said in the floor of this very House, Sir, that this tax is intended to grab as much money as we can from people who can afford to pay or those from whom it is not inequitable to take money, and that these are the main considerations for this tax. I would only respectfully refer people who hold such a view to what has been recently stated by the Secretary of the Bombay Indian Merchants' Chamber and Bureau. People who hold that opinion do not realise that this is in effect a tax on capital, and any further increase in it would adversely affect the sinews of industry. Capital in this country, as Honourable Members are aware, is very shy and very reluctant to enter into commercial and industrial enterprises, and therefore if you should further increase this tax, you would only be killing the desire on the part of the capitalists to enter into industrial ventures, and you would be hampering the growth of the Indian industries. I know that neither the Government of India nor any of us have any such intention.

It may be said that the proposed rates are to exist only for one year and therefore there is no fear or difficulty. My answer to that argument is this. From the Budget speech of the Honourable the Finance Member it is seen that the deficit of the nature of the current year might continue not only in the coming year but also for some years together. If that is so, is it necessary for me to recall to your mind the misfortune of the people of our country? Here, taxes once imposed or increased are seldom removed, not even after the necessity which brought them into existence passed away. It is very often said, and also truly said, that a revenue, once swollen by fresh or increased taxation into larger proportions, always gives birth to an inclination on the part of the Government to standardise their expenditure in proportion to its new dimensions notwithstanding the fact that this new or increased taxation continues to hit hard upon the tax-payer. Let me illustrate it by referring to the military expenditure. In 1920, Lord Meston fixed the military expendi-

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ture at 43 crores. What is the military expenditure this year? What is the military expenditure for the next year?

I do not desire to deal with some of the stringent provisions of the Income-tax Act nor do I wish to refer to the fact that losses in the business of the previous year and bad and irrecoverable debts (which, by the way, I may say, are not at all written off until after a considerable length of time according to the peculiar Nattukkottai Chetty system of accounting) if not written off, are not liable to be deducted from the assessable income under the Act.

My next point is that the present is not an opportune time for this increase in this tax. It may be that the mill-owners of Bombay and Sholapur have got very huge profits, but generally, traders have not within the last 1 or 2 years got as much profit as they would have got under normal conditions. I know the case of the Nattukkottai Chetty community of my district who trade in the Federated Malay States and Ceylon. There has been a great fall in their business because the price of rubber has suddenly gone down to an abnormally low figure. It has not risen up these 12 months. They feel the financial stringency to a very great extent at the present moment. I hold in my hand a telegram which I received some days ago from that community. It shows, Sir, the feeling in the matter when they heard of the proposal of the Honourable the Finance Member to increase this tax. It is stated that this proposed increase is likely to deal a death blow to all trading concerns, that many members of trading concerns are sure to be ruined and their concerns wrecked beyond all means of reparation. They would rather agree to the imposition of a poll tax than agree to this increase. That is their feeling, Sir. The rich man who has to pay this increased tax, it should be remembered, has also to pay the other taxes along with the other tax-payer, which, it will be admitted, will be a good round sum in his case. He has also got to pay the increased taxes on what are called 'luxuries' by the advocates of the poor but which to him are 'necessaries.' He has to pay the new and ever increasing taxes of the Municipalities and of the Local Boards and the old and the new taxes of the Provincial Government—much more than an ordinary tax-payer. Heavy and increasing taxation is everywhere affecting the rich man to a larger, much larger extent than his legitimate proportion. Is there to be no end to this? I say in all humility, but with all the emphasis I can command, that the Government by increasing this tax are only attempting to overburden the already greatly over-burdened class of tax-payers, and if they should persist in this, they will only try to diminish the ability of this tax-payer.

Sir, one word more and I have done. It was said that it was the stringent 'financial necessity' that forced the Government to impose all these taxes. How did this financial necessity come into being? It did not arise because of any programme on the part of the Government of any social, political or economic advancement of the country, but because of the extravagant and erroneous policy—both military and civil—of the Government of India working under the most costly administration which is eating into the very vitals of the people. The goal of retrenchment and the policy of Indianisation have been absolutely lost sight of from the very beginning. If this fact is borne in mind and if, added to it, Honourable Members will realise that by the proposed increase in the tax, the development of the Indian industries would be hampered, I hope, Sir, they will agree with me that this increase should not be made.

There is one other point, Sir, to which I wish to refer, and I shall very briefly deal with it before I resume my seat. It may be asked, 'You have already cut down income under the Finance Bill to the extent of about 10 crores. If it should be still further cut down, what is the Government to do?'. I shall answer this question by two other questions :

(1) What is the Government going to do for the 10 crores by which the Bill has already been cut down by this House? and

(2) What did the Government think it could do when it consented to a reduction of 141 lakhs under the cotton imports duty of 15 per cent., when to the knowledge of the Government the Finance Bill had been up till then reduced by about 8 crores?

Sir, I do not want to detain the House any longer and I therefore respectfully commend my amendment to the acceptance of the House, to the Honourable Members of the Democratic Party, to the Honourable Members of the National Party and to the Honourable Members of the Independent Party.

Mr. President: The question is :

'In Part I of Schedule III to the Bill :

(i) in item A (6), for the words 'one anna and three pies in the Rupee' substitute 'one anna and two pies in the Rupee'.'

The motion was negatived.

Mr. M. G. Mukundaraja Ayyangar: I move :

'(ii) in item A (7), for the words 'one anna and six pies in the Rupee' substitute 'one anna and four pies in the Rupee'.'

The motion was negatived.

Mr. M. G. Mukundaraja Ayyangar: I move :

'(iii) In item B, for the words 'one anna and six pies in the Rupee' substitute 'one anna and four pies in the Rupee'.'

The motion was negatived.

Lala Girdhari Lal Agarwala (Agra Division: Non-Muhammadan Rural): Sir (*Cries of 'Withdraw'*), the amendment which stands in my name runs as follows :

'In Part II of Schedule III to the Bill, for item 2 (a) substitute the following :

'2 (a) in the case of every Hindu undivided family :

(i) in respect of the first 50,000 of the excess—Nil;

(ii) for every rupee of the next 50,000 rupees of such excess—One anna in the rupee.

In item 2 (c) (i) for the words 'second fifty thousand rupees' substitute 'next 50,000 rupees'.'

Sir, I could feel that the Honourable Members of this House are considering the fact that the financial position of the Government has already been weakened to the extent of ten crores of rupees. But I must say that the Government will have to make its own arrangements for non-votable items and we are here concerned and we are in duty bound, so to speak, to supply funds only for the votable items. But I do not put that argument forward. So far as members of the joint Hindu family are concerned—there can be no joint Hindu family unless there are at least two members—the Government has already proposed that up to the next Rs. 25,000 there should be no super-tax. My humble proposition is that there should be no super-tax up to another

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rupees has opened before us, and the further progress of Government is therefore checked until some means can be found of bridging over that gap in some way or the other. The motion for amending the Paper Currency Act, which I am asking the House to accept, will have the effect of giving to Government revenues to the extent of over 4 crores of rupees, wherewith they can meet the overdrafts of the *current* official year, and over three crores of rupees of revenue to take the place of a portion of those revenues which a majority of this House have refused to grant to Government. My objects in putting forward this proposal are two. Firstly, to afford Government the means wherewith to carry on the administration, and secondly—and this is very important—to safeguard the general financial position during the coming year, which in my opinion will be very seriously jeopardised if any effort, such as foreshadowed in the Honourable the Finance Member's opening Budget speech, be made to deflect the Paper Currency to anything like the extent suggested.

Now, transfers between the cash balances and reserves of Government in England and in this country are often a matter of very great mystery to the public. Indeed so mysterious that I am not surprised that some people refer to them as 'manipulations' of doubtful propriety, or that others sometimes hint that a proposal such as that I am now making to you implies a queer financial outlook almost verging on moral obliquity. For the sake of my own financial reputation, therefore, and perhaps also for that of the Honourable Member opposite to me—the Finance Member—who may conceivably find my proposal acceptable, it may be just as well if I explain the exact meaning and significance of the motion which I have put before the House.

First of all, I would ask the House to recall some of the Honourable Finance Member's words when first introducing this Budget. He told us that during the four years ending on the 31st of this month our expenditure had exceeded our income by 90 crores of rupees. This deficit has been met in part by watering the currency, that is by putting in I. O. U.'s to the extent of almost ten crores a year. Now, I have frequently explained that these continuous inflations of the Paper Currency (which has increased from about 70 crores before the war to over 170 crores now) have had the effect of inflating prices. It stands to reason that, if the volume of money in the hands of the public is enormously increased, the purchasing power of the public is also enormously increased, and the value or purchasing power of money diminishes. As every Member of this House knows, prices have risen by more than twice of those of pre-war days. And here we have one of the root causes of all our difficulties, one of the causes which explains why the expenditure of Government always appears to be going up, and why our deficits grow each year greater and greater.

Now that Government and this House have once more rejected the possibility of obtaining a substantial revenue and also of steadying exchange by means of an import duty on silver,—a rejection that I may say, in my opinion, is in the nature of a step in the direction of financial suicide (for this reason, that an import duty on silver without a bounty on export would keep the rupee from sinking as low as it can otherwise fall, whilst an import duty with a bounty would prevent a rupee from rising too severely), as things are at present, I see at this moment nothing to prevent the sterling value of the rupee sinking to the neighbourhood of its sterling equivalent as

mere metal. If this calamity occur—and I must say that both in this respect and with regard to the exchange fiasco of the last two years Government have been fairly forewarned,—then the Finance Member will find his next Budget burdened by still yet another 10 crores deficit—loss in exchange, etc. Therefore I urge that it is of the very greatest importance that we should now find means for bridging the financial chasm which has opened and which may very well open still further before us.

I mentioned just now that our paper currency has already been expanded by I. O. U. issues during the last four years of nearly 37 crores of rupees. Government, when compelled to make these issues, fully recognised the drawbacks and the dangers of this makeshift type of finance, and the Honourable the Finance Member himself in September, 1920, went so far as to introduce a special clause into the Paper Currency Act providing that the interest on the paper currency securities should be applied not to revenue but to the deflation of the paper currency, that is to the repayment of Government's I. O. U.'s against which paper currency had been issued at moments of emergency.

The Honourable the Finance Member went even further. He promised that, when the Gold Standard Reserve amounted to over 40 millions sterling he would utilise the interest from the Gold Standard Reserve securities also to repay his I. O. U.'s and so destroy some further portion of this mass of paper currency which has inflated prices. So, it will be seen that Government have fully recognised the desirability of deflating the currency as expeditiously as possible. And, if the total deflations contemplated were no more than those provided for by the Paper Currency Act, I myself should hesitate to venture to suggest any deviation from the spirit of the Act to this House. But there is another problem—an altogether different problem—involved. If Honourable Member will turn to another portion of the Honourable the Finance Member's speech when introducing his Budget a few weeks ago, they will find that there is the problem of putting the Secretary of State in funds in England. Now, it is estimated that taking into consideration the amount which the Secretary of State will have to pay for the purchase of railway and other materials this year, and including the Home Charges, the Secretary of State will have to pay out over 52 millions sterling. Out of that 52 millions sterling it is not anticipated that the Secretary of State can hope to borrow more than about 17 millions sterling. So that, in the ordinary course of events, he would have to draw upon India, that is, sell Council Bills for the great bulk of the balance; he may make some recoveries from the Home Government—money due to India—to credit the account. Now, there is no possibility in present circumstances of his being able to draw on India for an enormous sum, so that he will have to make use of such Reserves belonging to the Government of India as he has at hand. Now, if Honourable Members will look at the Paper Currency Statement last published, they will see that about 4 millions sterling worth of securities are now being held in London; and, if they will look at the last published Return of the Gold Standard Reserve, they will see that over 40 millions sterling worth of securities are now lying in London. So that there is a way by which the Secretary of State can put himself in funds. He can sell a portion of these securities, and utilise the money for buying the railway material, and so forth, that we require. But, if that is done, it becomes necessary for the Government of India to earmark an equivalent amount—take it from their current revenues and put

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it into the Gold Standard Reserve or into the Paper Currency Reserve on this side. Now, what will happen? At the present moment there are about 24 crores worth of gold in the Paper Currency Reserve in this country. Now, if that gold be taken out as the result of the Secretary of State selling securities on the other side, if that gold be taken out of the Paper Currency Reserve and put into the Gold Standard Reserve here in India in place of securities which the Secretary of State may have to sell in London, then, under the Paper Currency Act, the Government of India must cancel an equivalent amount of notes. So, here you see how a restriction, or deflation of our Paper Currency will come about to the extent that the Secretary of State utilises funds on the other side. In the Honourable the Finance Member's opening Budget speech this deflation altogether was estimated to come to 33 crores of rupees. Now, the whole of our Paper Currency totals about 170 crores, and I ask this House, does anybody suppose that it would be possible out of a total Paper Currency of 170 crores to cancel 33 crores? Of course a deflation to that extent is quite impracticable. It would produce so serious a financial crisis as to bring all commerce and trade to a standstill.

I should here like to say a word or two about deflation. When Governments find that the amount of paper currency which they have put into circulation is so large as to produce a great advance in prices and create economic and commercial trouble, and produce social and political unrest (such as strikes and so forth, owing to the prices constantly rising), then they begin to turn their attention seriously to the problem of deflation. During the last few years every country has dangerously inflated its currency,—America, England, France, Italy, Germany, Austria, etc.—all through the war, and those countries have been studying how they can best deflate their currencies. America, being a very business-like nation, was perhaps the first to take the matter seriously in hand. There are two things you can do. You can raise the Bank rate, thereby making money very dear, thus checking speculation and over-trading, and you can collect extra taxation and with the proceeds cancel some of the excessive paper money in circulation. Both those ways have been tried and without going into a lengthy history of what has happened in every country, I should like to give this House a couple of extracts from Professor Cassel's important Memorandum which was laid before the Financial Section of the League of Nations last September. Professor Cassel—one of the first economic authorities in the world—points out that a too sudden deflation of the currency must produce a rapid lowering of prices that may result in chaos. It will benumb all commercial enterprise, it will check industrial activity, it will depress commercial efforts and it will lessen the volume of production. Professor Cassel's own words are:

'The prospect of a long period of falling prices is most likely to kill industrial enterprise and the very spirit of economic progress.'

Now, in the case of America, this is what has happened according to Professor Cassel:

'The effects of a too sudden deflation in the case of the United States have been rather pernicious. The steady reduction of prices has made it impossible in a great many cases to pay back money borrowed at a time when prices were higher. Thus, a large amount of what is called frozen credit has been created. The liquidity and even the ultimate solvency of smaller banks have thereby been impaired. Further restrictions of credit have followed

with the result that prices have been forced down still more and fresh amounts of frozen credit have been created. The process of deflation has evidently in this case led to a vicious circle from which it seems extremely difficult to escape.'

(*A Voice*: 'What publication is that?') This is the Memorandum placed by Professor Cassel before the Financial Section of the League of Nations last September. (*A Voice*: 'Page?') I will afterwards give the Honourable Member all details. Further, I should like to remind the House that the fall in prices during the last year has been very great,—Professor Cassel describes it as :

'Perhaps more violent than any other in the economic history of the world.'

His conclusion is as follows :

'The world's work has been brought to a standstill to a degree that we have never witnessed before. Unemployment has risen to alarming figures, *particularly in countries where the policy of deflation has been applied most severely.*'

I think that is quite enough for me to put forward to emphasize and prove my point that a deflation of the Indian currency next year by anything like 33 crores is unthinkable.

Now, I hope the House can understand the exact points of my motion. Whilst you cannot deflate the Indian currency by 33 crores in one year, there is, of course, no reason why Government should not attempt to deflate it to a moderate degree and, this they will have to do in order to give the Secretary of State all the money that he requires for Home charges and Railway purchases, etc; therefore, it is not necessary by legislation to force Government to utilise a further three or four crores per annum for that purpose. There is a very large margin of deflation which must take place in any case quite apart from this statutory deflation. Therefore, I urge upon this House the amendment of the Paper Currency Act so as to permit of this 6 or 7 crores, which is only a small part of the coming deflation, to be otherwise utilised, and with the further object which I have in mind of providing Government with some small amount of revenue—over four crores in the year now closing, and perhaps 3 to 4 crores next year—to take the place of a portion of that revenue which has been hacked out of the Honourable Member's Budget by the axes of the Democrats and the National Parties.

And, in conclusion, I would appeal to the Honourable the Finance Member to reconsider his promise to utilise the interest on the Gold Standard Reserve Securities for the purpose of cancelling Paper Currency. I would ask him to reconsider that promise and to think whether the exigencies of the present situation would not permit him to utilise that interest also as well as the interest on the Paper Currency securities as revenue during this and the forthcoming year. I commend my motion to the House. (Hear, hear.)

May I have your permission, Sir, to add that my proposal receives the unqualified support of the Bombay Chamber of Commerce and also of the Karachi Chamber of Commerce. I have received telegrams to that effect. The latter Chamber would have much preferred to obtain further revenue by a stiff import duty on silver, but in the absence of that, they will accept this proposal.

Mr. J. N. Mukherjee (Calcutta Suburbs: Non-Muhammadan Urban): May I ask the Honourable Member from Bombay whether he has received a representation over the signature of Mr. Thakurdas, also an appendix to it,

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which criticises the proposal of the Honourable Sir Malcolm Hailey contained in his Budget speech as to deflation of currency and as to what he proposes to do in the matter, although he has worded his proposal in very cautious terms? On the Bombay side, I believe, people represented by the gentleman I have named find fault with him. May I take it that Bombay opinion is not unanimous on the subject?

Mr. Manmohandas Ramji (The Indian Merchants' Chamber and Bureau : Indian Commerce) : Sir, I rise to support the motion brought forward by my friend from Karachi. The Indian Merchants' Chamber also favours this idea. Although it means certain facilities, it is intended to avoid certain disastrous effects on the financial position of the country. Therefore, the Indian merchants also support this view, and I have great pleasure in supporting this proposition.

The Honourable Sir Malcolm Hailey : Sir Montagu Webb in putting this proposal forward is able to quote the support of speakers in this Assembly during the past month, and his motion has also commended itself to many thinkers outside the House. I do not know whether the House would desire that I should this afternoon make any very wide survey of the question which is of a somewhat technical nature, or whether I should go at all deeply into the previous history of the case. But it is a matter of so much importance to us, and one in which our action is likely to be the subject of comment in the outside world; I think therefore it would be well if I stated clearly our own standpoint in the matter. I do not wish to go here into the theory which should regulate the constitution of a Paper Currency Reserve. It will, I think, be sufficient if I say that putting the matter only on the most practical grounds, it is necessary that our Indian Paper Currency Reserve should be so constituted, firstly, that we may at all times be able to supply freely the necessary metal to cash our own notes; secondly, that we may always have a sufficient supply of that metal to meet the demands of the country for moving its great grain crops and the like; and I will add a third requirement, namely, that apart from any question of the strength of the metal reserve and the precautions which are necessary to secure its adequacy, we should at all times avoid issuing notes against unbacked securities to such an extent as may have that undesirable result to which Sir Montagu Webb pointed, namely, the inflation of prices. I put this forward not as a complete statement of the case but merely as emphasising its essentials.

Now, before the war we had a note issue of about 65½ crores of rupees, and we have obtained from the Legislature permission to hold 14 crores of rupees as security against that issue. During the war the previous arrangements in regard to our Paper Currency Reserve could not be maintained; we had to make very large issues of notes to finance purchases made on behalf of the Home Government, and were unable to obtain the metal necessary to maintain the old ratio. By a series of temporary Acts we obtained authority from the Legislature to issue notes against securities to an amount finally totalling 120 crores. Very naturally when the war ended we found, as Sir Montagu Webb has said, that that position was an unsound one, and we took the first occasion possible to put our paper currency legislation on a proper basis. My retrospect has shown that under the old arrangement we used to come to the Legislature from time to time to obtain authority to issue notes against a definite

amount of securities. That did not directly bind us to keep any definite proportion of metal against our note issue ; that at all events was the case when the amount of securities grew so large as was the case at the end of the war. When the time came to consider putting our paper currency legislation on a proper basis, we suggested to the Legislature a different procedure, namely, that we should aim at holding as a permanent arrangement 50 per cent. of metal in our reserve. The rest of the issue was of course to be backed by securities. The best securities you can get for that purpose are naturally securities held in England on short terms, because you can immediately convert those into metal. Securities of this class, therefore, were to be unlimited, and we were to hold only some 20 crores of securities in India, of which only 12 would be self-created securities. Those were to be our permanent arrangements, and the Legislature accepted our proposals. But in the condition in which we found ourselves in 1920, we could not hope to attain at once to arrangements so ideal. We held indeed at the time a sufficient

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amount of metal to give us very nearly 50 per cent. backing to our note issues : it was our securities which were wrongly constituted. We had about 82 crores worth of securities, but of these 67 were Indian securities and 59 were self-created securities. It was clear to us at the time that it would be many years before we could work up to that proportion of securities (as between English and Indian) which we looked forward to realising under our permanent arrangements. We had, therefore, to consider the machinery by which we should work to this figure ; the method has been described by Sir Montagu Webb, namely, we undertook to utilise the whole of the interest on our securities for the purpose of cancelling unbacked notes. That would mean at the same time the cancellation of self-created securities. The appropriation of interest would be a charge on revenue. I do not refer for the minute to the other steps which we undertook to carry out because they are not strictly germane to the motion which Sir Montagu Webb has placed before the House. That then was what we set ourselves to do, and we embodied the undertaking in what may be described as the 'temporary' section of our Paper Currency Act (section 13). I think that every one agreed at the time that this was a healthy and a sound piece of legislation. I am not going so far as to say that we would ourselves subscribe to the impression which I think the House may have gathered from Sir Montagu Webb's opening remarks, that we had dangerously inflated our currency. It is true that we had a large amount of unbacked note-issue ; I am not prepared to admit that that amounted to a dangerous inflation. The extent of the harm done by the creation of money by operation of this nature depends of course not only on the quantity of money created but on the velocity of its circulation : and it is not to my mind legitimate to take a strictly European analogy here, for the velocity of circulation in India is far less than that which obtains in Europe. But the best proof is perhaps a practical one ; we have more than once set ourselves to deflate the note-issue and have experienced at times the greatest difficulty in doing so ; it has been very difficult to take money off the market without inducing undue stringency ; and that at all events would seem to indicate that the money market does not really suffer from any serious inflation as the result of action taken by us. That, however, is only said in passing. The fact remains that we had definitely set ourselves gradually to deflate our currency by cancelling unbacked notes by the methods which I have described to the House. But though at the time this seemed not only a proper but a possible course, although that course, I think, won us a great deal

[Sir Malcolm Hailey.]

of credit in Europe where at the time deflationist views were altogether in the ascendant, yet our policy has proved difficult to carry out in practice. Had we been in the fortunate position of working to a revenue surplus, there would have been no insuperable difficulty. As it is, working as we are to a deficit, it will be clear to the House that we are not really, if we carry out the Statute, appropriating from revenue for the cancellation of our surplus note-issue ; we are really only borrowing money on Treasury Bills for the purpose, and the process is therefore to a certain extent illusory. That, Sir, is the case, and even when we were preparing the Budget that aspect of the question was of course present to our minds. I think the House will understand, however, that Government rightly felt some scruples at initiating a proposal of this nature itself. We had bound ourselves by Statute and of our own motion to get our currency arrangements on a permanent basis by the measures which I have described. Further, if Government itself had initiated such a proposal, its attitude might have been regarded in the money markets, not only of India but outside, with something of suspicion. We have, however, now had evidence that in India at all events the great bulk of monied men do not seem to regard the proposal as a dangerous one. As for Europe, it is too early perhaps to say what will be the effect if we take such action. But we may perhaps hope that financiers in Europe will look rather at the general condition of our Paper Currency Reserve than at the fact that we are temporarily suspending the provisions of the Paper Currency Act. They will, I hope, be attracted rather to the fact that our metal backing is no less than 59 per cent. even if our gold is assessed on the two-shilling basis ; if it were assessed on market prices to-day, the backing would amount to about 66 per cent. There is reason to hope, therefore, that if this step is taken it will not be viewed askance by the money markets in Europe. The attitude of those markets is of primary importance to us ; we have to raise large sterling loans, and the rate of interest which we have to pay on those loans has an important influence on our revenue position. There is a further fact, Sir ; I need not refer to it at length because Sir Montagu Webb has already dealt with it. As I pointed out on March 1st, and as he has further explained to-day, we have to carry out a considerable quantity of deflation, in any case this year, in order to keep the Secretary of State in funds ; we shall deflate at our own time and I hope at the time most suitable to the market for that purpose ; and there is in any case therefore no very strong ground for deflating under the conditions laid down by the Statute. For this reason, therefore, Sir, considering that the step has received the support of financial authorities here and that in any case we are bound to carry out a certain amount of deflation to keep the Secretary of State in funds, I think that we may be well advised to accept this motion. Its exact effect will be to give us in the coming year not 4 crores as Sir Montagu Webb said, but 303 lakhs. In referring to 400 lakhs, he was, I think, quoting the amount by which the deficit of the current year will be reduced.

One final point. Sir Montagu Webb has asked us to reconsider the attitude which we adopted a few days ago on the subject of the Gold Standard Reserve. Sir, I did not dwell at any great length on the matter then, because it did not strictly arise on any motion before the House ; it does not strictly arise here to-day, for it lies of course outside the purview of this particular motion. I find it difficult, however, to modify the attitude which I took up then. No doubt there are other Members of the House who will add

their own arguments to those used by Sir Montagu Webb and attempt to hearten us towards taking a step which we should regard with some suspicion and with a certain amount of dislike. If they can do so, Sir, we shall be perfectly willing to hear them, but I cannot at this stage say whether we should be perfectly willing to comply with their desires.

Rao Bahadur T. Rangachariar : What will be the financial effect if that proposal is accepted?

The Honourable Sir Malcolm Hailey : Is it the proposal of taking interest from the Gold Standard Reserve?

Rao Bahadur T. Rangachariar : Yes, Sir.

The Honourable Sir Malcolm Hailey : That act of spoliation would give us 3 crores.

Sir Deva Prasad Sarvadhikary (Calcutta : Non-Muhammadan Urban) : Sir, I desire to give this motion every support, and my work in this connection started under unfavourable auspices at a very early stage is rendered easy by the reasonable, if not absolutely modified attitude of the Honourable the Finance Member. I happened to bring this question before the Assembly and the Honourable the Finance Member some time ago. Legal difficulties in connection with the working expenses of the manufacture of notes, which I submitted should be deducted from profit under the existing Act, were pointed out which did weigh with us. I am very glad that a bold step has been taken by Sir Montagu Webb to meet the situation and to have the law amended in the exigencies of the case.

My Honourable friend, Mr. Mukherjee, referred to some divided opinion in Bombay. When was there a time, Sir, when on a money question that Bombay was not divided from different points of view. (*A voice* : 'It is not divided.') I am glad to hear this assurance from Bombay Members. Mr. Mukherjee referred to a representation from same quarters indicating such a difference of view, but that ought not to weigh with us. Such a representation has its value only as indicating the other point of view. I think, Sir, the attitude which has been taken up by the Honourable Sir Malcolm Hailey is the right one for Government to take. The Government has put forward and given effect to what they consider to be the right and sound position to take, particularly from the point of view of the outside financial world with which we have and must have so much to do. I do not propose to put it any higher for the present. If we are obliged to ask the Government to revise their policy, that ought to count as a vote of confidence, if one was necessary, in their policy. We request them to revise the policy affecting a period not later than 1923. One cannot anticipate what will happen in 1923, but we hope we shall be able to tide over difficulties. Till then this appropriation is needed and should be sanctioned. With regard to the windfall that Sir Montagu Webb hopes for, I would remind him that there are the working expenses of the currency notes operation which I submitted and do submit ought to come out of the profits though the deliberate use of the word 'interest' in the Act interfered with the acceptance of my proposal. That is where we really started the debate and those costs ought to be allowed for, due allowance will have to be made for that in the first instance, and then the residue will come to the revenue proper, which is about all that we can expect.

Sir Vithaldas Thackersey : Sir, Now that the proposition of my Honourable friend, Sir Montagu Webb, has been accepted by the Honourable the Finance Member, I have very little to say with regard to that part of the amendment which provides for the temporary carrying of the interest on the investment securities to revenue. But, Sir, there is one point on which the Honourable Sir Malcolm Hailey still insists. He has informed us that Government, in spite of our repeated requests and arguments, are not yet convinced about the utilisation of the 3 crores of rupees from the Gold Standard Reserve in excess of 40 million pounds. We were told the other day that all the various Chambers of Commerce and commercial communities were combined in protesting against Government utilising the Gold Standard Reserve for any other purpose than the one for which it was intended. But, Sir, what was the position then, and what is the position now? At that time the Gold Standard Reserve was intended to be utilised for the purpose of steadying our Exchange. Now we have got our 40 million pounds in the Reserve. We are not utilising a single farthing from it for the purpose for which it was meant to be utilised. I do not say that Government are wrong in not utilising that amount, because even if they utilised the whole of the 40 million pounds, they will still not be able to steady the Exchange. But what we maintain is this. Government declared their policy that any amount in excess of 40 million pounds would be credited to Paper Currency Reserve when they re-valued their gold at Rs. 10 a pound. The gold itself is valued at more than Rs. 15 a pound. Therefore, you do not require to take these crores of rupees to the Paper Currency Reserve. You do not immediately require this amount in the Gold Standard Reserve, because you are not utilising the Gold Standard Reserve for the purpose for which it was intended, and therefore I think it would be perfectly justifiable as a temporary measure to utilise it for revenue purposes. When we have the Currency problems put on a sound footing, and when the Gold Standard Reserve is to be utilised for the purpose for which it was intended, I daresay the question will be decided then on its own merits.

Rao Bahadur T. Rangachariar : Sir, Both my Honourable friends, Sir Montagu Webb and Sir Vithaldas Thackersey, have approached this question from the point of view of merchants, from the point of view perhaps of practical men, and from the point of view of financiers. I propose to approach this question from the point of view of a politician, who has got some aim in view and who wants to accomplish that aim. The object with which the Democratic Party started discussing this Budget was to bring pressure upon Government to reduce their military expenditure and their extravagance in other departments. How do we stand to-day after our efforts? We began, Sir, with a deficit of 2·71 according to the Government Budget, and by cutting down the taxation proposals to 9·56, we increased the deficit by 12·27. Having done that we cut down the Demands by a sum of 95 lakhs, and, therefore, we reduced the deficit to 11·32. Now, Sir, what is the object of this proposal? This proposal has a two-sided move. One is to transfer the interest on the Paper Currency Reserve, and the other to encourage—I forget the epithet used by the Honourable the Finance Member—(*A voice :* ‘spoliation’) the ‘spoliation,’ I believe that was the term used, of the 3 crores from the Gold Standard Reserve, which means reducing the deficit to 5·29. I say it is quite opposed—with due respect to my Honourable friend, Sir Vithaldas Thackersey, behind me—it is

quite opposed to the principle with which we began our Budget operations. Sir, I do not want to hide my thoughts. I never do. That is our object. We think that this country cannot bear the financial burden due to this military extravagance. We want at once and now and for ever that the matter should be investigated completely and this burden should be removed, so that Lord Meston's figure of at least 43 crores should be reached. But this process of making a present in this dubious fashion of unsettling the deliberate legislative Act of only 18 months or two years ago, to do a thing which, according to the Honourable the Finance Member, is a matter of grave doubt and suspicion, to encourage the Government to do an act of spoliation so that they may say afterwards, 'Look at it. We have balanced our Budget', that is not the way in which we want to balance the Budget. We want to have the Budget balanced by reducing the expenditure, so that it may compare favourably with the revenue, not by increasing the revenue so that it may compare favourably with the expenditure. Therefore, Sir, having regard to the declared object of my party, I am sorry I have to oppose my Honourable friend's motion, though I am sorry to say that I am not able to oppose it on its merits. But on this solid ground I oppose it.

Mr. J. N. Mukherjee: Sir, I feel very grateful to Sir Montagu Webb for having raised this question, because I myself was trying to solve it in the way he has suggested. I thought until very recently that the proposal placed before the House by Sir Montagu Webb afforded temporary solution, but having met with different currents of opinion from different sides, I am inclined to think that the position of caution taken up by Sir Malcolm Hailey is the right one. This question has come in as a sort of side issue. We are going to amend an existing statute, namely the Paper Currency Act, and the amendment has been sprung not only upon the Assembly but upon the country at large without adequate warning. We have had no opinion upon this point from the different parts of the country which might enable this Assembly and the Honourable the Finance Member to come to a satisfactory decision. Therefore, I support rather the Government view of the matter, if I understand it correctly, namely, proceeding with caution in a matter like this regardless of the political aspect of the question, which has been placed before us by my friend, Rao Bahadur Rangachariar. If we had the opinion of the country before us we would be able to solve it in a way which would be satisfactory, and we would then know with certainty whether the remedy suggested would on the whole go to benefit our finances. Therefore, Sir, I submit it will be rather too hasty an act on the part of the House to go into a matter of such great importance without adequate consideration. This question need not be decided in a hurry. I, therefore, support the Government Benches on this point, if I rightly understand their attitude in this matter, namely, of cautious procedure.

Munshi Iswar Saran (Cities of the United Provinces : Non-Muhamadan, Urban) : Sir, it is very refreshing that my friend, Mr. Rangachariar, says that he will stick to principles and speaks against the practical men who have supported Sir Montagu Webb. It was only yesterday that he talked as a practical man himself and brushed aside and poured ridicule on all considerations of principle, but I am very glad that he has seen the error of his position yesterday and has come back to the right path. I congratulate him and the Democratic Party on his return to sanity, to political

[Munshi Iswar Saran.]

rectitude, and to high principles. For the reasons which he has given, I shall also have the pleasure of going into the lobby with him.

Sir P. S. Sivaswamy Aiyer (Tanjore *cum* Trichinopoly : Non-Muhammandan, Rural) : Sir, I have great pleasure in supporting the motion which has been moved by my Honourable friend, Sir Montagu Webb. Upon the question of the reduction of expenditure, upon the question of the avoidance of taxation as much as possible, I do not think that there is any difference of opinion in this House. We are all equally keen about retrenchment of expenditure, civil and military. We are all equally anxious to reduce the burden of taxation that may have to be imposed upon the people in consequence of the financial necessities of the Government. In so far as the latter object of reducing the burden of taxation is concerned, I think we have succeeded in our endeavours to a very considerable extent. We have cut down the taxation proposals of the Government by a sum of about Rs. 9½ crores, and we have also expressed our desire to the Government that they should go about the task of retrenchment not in a leisurely spirit but in right earnest at as early an opportunity as possible, and the Government have expressed their willingness to proceed about that task as quickly as they can. Now, Sir, my Honourable friend, Mr. Rangachariar, expressed his dislike of this motion on the ground that it may give the Government more money, more resources, to play with, and that it may to some extent reduce the pressure which is intended to be applied to them to bring about the object of retrenchment. Sir, my friend, Mr. Rangachariar, claims to be a practical politician. In my own humble way I claim also to be a practical man, if not a practical politician. While I think that expenditure ought to be reduced, I do not know whether, as practical men, we should be justified in considering it possible for the Government straightaway to effect retrenchment to-morrow. We have all pointed out various directions in which retrenchment may be made. Are we justified in saying that the Government should at once carry out our various suggestions and proposals to-morrow without an examination of the merits of those proposals, without an examination of the justice or injustice that may be involved in carrying out those proposals and without examining the question how far the efficiency of the services may or may not be impaired? While I desire retrenchment as keenly as any Member of this House, I do not desire that retrenchment should be carried out recklessly and inconsiderately, without an examination of the merits of the case by a body of competent experts. That has been the motive animating me and, if I may say so, animating the members of my party. We wish Government to take up this task at once, and they have announced their intention of appointing a strong and authoritative Retrenchment Committee. I hope they will be able to get hold of some at least of those eminent gentlemen who have distinguished themselves by proposing retrenchments of a drastic character in the expenditure of the Home Government, and I hope they will also succeed in getting experts who will command the confidence of this country and of all shades of opinion." Recognising, therefore, as I do, that it will not be practical politics to insist upon a reduction to-morrow, or the day after, of expenditure in all the directions we have indicated, satisfied as we are that we have to a very considerable extent reduced the burden of taxation, I do not think we shall be justified in proceeding further and leaving the Government to welter in bankruptcy.

We feel that His Majesty's Government must be carried on, to use a familiar phrase, and we think that the amount of the uncovered deficit which should be left by way of applying the stimulus to the Government to set about retrenchment need not necessarily be the whole amount of this 9½ crores but that it is sufficient to leave a smaller amount, and we feel that we can safely place reliance on the repeated assurances of the Honourable the Finance Minister and upon his *bona fides*. With these words I support the motion of my Honourable friend, Sir Montagu Webb.

Dr. H. S. Gour : I rise to a point of order. I wish to draw your attention to certain rules in the Standing Orders at page 22. Honourable Members will see that the original Finance Bill, as introduced by the Government, did not contemplate any amendment of the Indian Paper Currency Act. That is the first fact which we should not lose sight of. The second fact is that this motion of my friend, Sir Montagu Webb, is a motion for the amendment not of the Finance Bill but of an independent Act, the Indian Paper Currency Act. It is, therefore, in the nature of a Bill to amend a substantive existing Act of the Indian Legislature. An amendment introduced by a private Member is not in order under rule 64, sub-clause 4, at page 22. I may point out, Sir, that I have been myself a victim of this rule, and, therefore, it has been brought vividly to my mind. When I drafted and sent to the Legislative Department the Hindu Coparceners' Liability Bill, which is down for further progress to-day, the Governor General in Council had sanctioned the introduction of that Bill for a certain date, and the Government were pleased to allot to me a portion of a day within thirty days for its introduction. You, Sir, ruled that it could not be done and that the rule was rigid and could not be altered. The result was that I had to defer the introduction of the Bill till the month's notice had expired. Now, I apply that principle to my friend's Bill to-day. It cannot come up as an amendment to the Finance Bill. It is not an amendment to the Finance Bill. Is it an amending Bill intended to amend the Indian Paper Currency Act? As such, my friend should have given thirty days' notice, and, as that cannot be dispensed with or waived, my Honourable friend's Resolution is out of order. I say nothing on the merits of the case.

Mr. President : The Honourable Member wishes to raise a point of order that it is out of order now. He suggests that it is, in the first place, out of order because it is an amendment of the Paper Currency Act.

Dr. H. S. Gour : It amounts to a new Bill.

Mr. President : Clauses 2, 3, 4, 5, 6, 7 and 8 of this Bill, all follow exactly the same procedure. They are all amendments to existing Acts. This Bill will be known by a short title, namely, the Finance Act. If we carry the new clause standing in the name of Sir Montagu Webb, we should only have to amend the title of the Bill, a proceeding which is within the power of this House.

Dr. H. S. Gour : I beg most respectfully to submit that if Sir Montagu Webb or myself wanted to amend a section or chapter of the Indian Penal Code and said, after clause 7 of the Finance Bill, repeal Chapter 33 of the Code of Criminal Procedure, or Chapter 17 of the Indian Penal Code, I should be ruled utterly out of order, and I submit that Sir Montagu Webb stands

[Dr. H. S. Gour.]

on no higher ground. The Government were entitled in the Finance Bill to amend any of the Acts not inconsistent with their Preamble.

Mr. President: The Honourable Member is suggesting that Sir Montagu Webb has introduced a Bill. He has done nothing of the kind.

Dr. H. S. Gour: I think I am perfectly conscious of that fact and I said so. I said that Sir Montagu Webb is either introducing an amendment to the Finance Bill, which he cannot do, or that, if it be regarded as an amending Bill, that too is equally impossible. I put Sir Montagu Webb on the horns of a terrible dilemma. He cannot escape it. If it is an amendment, it is out of order, because the amendment can only be to the Finance Bill, and the Finance Bill does not refer to the Indian Paper Currency Act. Consequently, there cannot be any amendment to the Finance Bill which purports to amend the Indian Paper Currency Act. That is my answer to the first point. I took a somewhat liberal view of Sir Montagu Webb's motion and said that, even supposing for the sake of argument that it might be considered as an independent Bill, in that case thirty days' notice was required and, therefore, it was out of order. I give my Honourable friend the choice of the two evils. If he wishes to move it as an amendment, it is out of order. If he wishes to move it as a Bill, it is equally out of order. He cannot bring himself within the purview of the Standing Orders and the rules, either by calling it an amendment or by calling it an amending Bill. In either case he is out of order. As regards the point that the Finance Bill mentions certain Acts and seeks to amend them, well, the Government can introduce without notice any amendments to any existing law, not inconsistent with their main purpose. The limitation is not a limitation placed upon the power of the Government. The limitation is placed upon the power of a private Member. Sir, it is perfectly obvious that an amendment cannot extend or enlarge the scope of the Bill by introducing therein foreign matter which is not germane to the primary and sole purpose of the Bill. I have already given an illustration and that illustration, I submit, is exactly apposite. I could not by a motion for an amendment of the Finance Bill introduce therein any provision for the amendment of an Act which is not mentioned therein and which that Bill does not purport to amend.

I therefore submit that my friend's motion is out of order.

Rao Bahadur T. Rangachariar: I want to add a word more. My Honourable friend, Dr. Gour, calls this a Finance Bill. All that I know is that it is 'A Bill to enhance the duty on salt manufactured in, or imported by land into, certain parts of British India, further to amend the Indian Tariff Act, 1894, the Cotton Duties Act, 1896, and the Indian Post Office Act, 1898, to impose an excise duty on kerosene, to fix rates of income-tax and to abolish the freight tax'. So that it has got specific objects which it mentions. It does not say 'to improve the finances of the country', but it is confined to certain specific Acts, and this is not one of the Acts mentioned.

The Honourable Sir Malcolm Hailey: We have just heard here, from one who claims to speak with authority on the subject, that Government can move an amendment at any time to any Bill before this Assembly. So, Sir, as you have previously allowed Members of this House to introduce amendments without notice, I have the honour to request that you will permit

me, as a Member of the Government, without notice, to move the following amendment :

'That after clause 6 of the Bill the following clause be inserted, namely :

'7. In sub-section (3) of section 13 of the Indian Paper Currency (Amendment) Act, 1920, for the figure '1921' the figure '1923' shall be substituted and shall be deemed to have been substituted with effect from the first day of April 1921.'

(ii) That clauses 7 and 8 of the Bill be renumbered 8 and 9, respectively.'

Mr. N. M. Samarth : May I ask one question ?

Has section 12 of the Act of 1920, 'An Act further to amend the Paper Currency Act, 1910', been in operation or not ? I want to have a specific answer to that question before I can proceed with my arguments. Have the provisions of section 12 of the Act been brought into operation or not ? May I have an answer to that, please ?

The Honourable Sir Malcolm Hailey : The permanent provisions ?

Mr. N. M. Samarth : The provisions of section 12 of 'An Act further to amend the Paper Currency Act' which received the assent of the Governor General on the 17th September, 1920.

The Honourable Sir Malcolm Hailey : Section 12 of the Act says : 'A reserve shall be maintained'. That is the section to which the Honourable Member refers, and it embraces what I described as the permanent provisions. Section 13 of the Act says that, pending introduction on due date of the arrangements contemplated in section 12, other arrangements shall be made.

Mr. N. M. Samarth : No, but that the following provisions shall be in force. Until the provisions of section 12 of this Act are brought into operation, the following provisions shall be in force, but shall as from appointed date be deemed to be repealed. I think the Government propose that, the provisions of section 12 of this Act not having been brought into operation, an amendment is sought to one of the provisions of section 13, as a side-wind.

The Honourable Sir Malcolm Hailey : That is the proposal, Sir, but I do not admit that it is a 'side-wind'.

Mr. N. M. Samarth : Then we would be in a position to consider what the effect would have been on the other sections. Without notice we are being asked to consider the amendment of an Act which has relation to other provisions of the Act, and with the provisions of other sections with which it is interlaced, and we are asked to amend it in a Finance Bill, although no such provision was intended in the Finance Bill itself.

The Honourable Sir Malcolm Hailey : That does not hold good. Section 13 is self-contained. It is not interlaced with other sections of the Act. The one provision which we are affecting in section 13 is that interest on such securities shall be used as described in that section. We are not affecting it in any other way.

Mr. J. Chaudhuri : May I suggest a solution. All this controversy will be avoided if the Honourable the Finance Member will insert this clause when introducing this Bill in the Council of State. Having regard to the changes made in this Bill by us, consequential changes will have to be made. If the Honourable the Finance Member will add this clause, namely, Sir

[Mr. J. Chaudhuri.]

Montagu Webb's amendment, and introduce the amended Bill in the other House to-morrow and bring the Bill again before us (*Dr. Gour*: 'No') after the Council of State has considered the Bill, as he must, even if verbal alterations are made, he will take the wind out of *Dr. Gour's* sail.

My chief difficulty with regard to this clause has not been one of legal technicality. With great diffidence I would ask the Finance Member, what effect this suspension of deflation and depletion of our Reserve is likely to have on our Exchange. I will not hazard any opinion as to our likely difficulties in the current and future years on this account. But I cannot forget that our loss in the year just closed has been 15½ crores over exchange, and we have further, owing to slump in the trade, caused chiefly by our currency policy, realized 14½ crores less revenue than we expected. That accounts for almost the whole of the deficit in our last Budget.

Supposing the course that is suggested by Sir Montagu Webb is adopted, and instead of strengthening we take away a portion of our gold reserve and utilise it for the purposes of revenue, will the Finance Member tell us whether that will not hamper us in our transfer operations, I mean, with regard to the transfer of funds that may take place between India and the Secretary of State by means of the sale of Council Bills? It is the gold reserve that enabled us to maintain our exchange before we took to the selling of reverse. If, instead of strengthening the reserve, we weaken it, shall we not worsen our position?

Mr. Jamnadas Dwarkadas: I thought we were discussing a point of order in connection with *Dr. Gour*.

Mr. J. Chaudhuri: I only suggest that if the exchange further goes down, we shall be in a much worse position. To stabilize one exchange we must strengthen our gold reserve, deflate and restore the balance of trade in our favour as in the past.

Dr. H. S. Gour: The Honourable Finance Member seeks leave to introduce a Bill before this Assembly. Honourable Members inquire, 'Where is the Bill?' He tells us that his Bill is the Bill, the purport of which would be the amendment moved by my Honourable friend, Sir Montagu Webb; but it is not the Bill. Consequently, there being no Bill before the House—a Member is not in possession of any Bill—my friend on the other side cannot introduce a thing which is non-existent. That is my short answer to his motion to introduce a Bill. If such a Bill be in existence, I want to see a copy of it, because I want to examine and see what his motion before the House is, with respect to what Bill and what are its provisions. Then I shall move that it should be published in the 'Gazette of India.' Rule 67, says:

'As soon as may be after a Bill has been introduced, the Bill, unless it has already been published, shall be published in the Gazette.'

I take it that the Honourable the Finance Member has not in the meantime got it published in the Gazette. Then certain procedure has to be followed which, I submit, cannot be lost sight of here. I, therefore, ask the Honourable the Finance Member not to hurry over this legislation. We have not had time to consider it. It must not be thought that we are going to

oppose it. We are laymen in this House and do not exactly understand and do not mean to fall into the trap of financiers or a group of financiers who may be expressing views not in consonance with the considered opinion of the country at large. We should have time to think about it.

I have listened to my friend Sir Montagu Webb and to the very able reply of the Honourable the Finance Member. I shall take copies of both and go to my financial experts and discuss the whole situation with them. I may frankly admit that I have neither understood his speech nor the Honourable the Finance Member's reply. Therefore, I submit that, if any Bill is to be introduced, Members of this House, who think alike with me and who are laymen like myself, would like to have some time to consider over the question, because it is a curious thing that one private Member moves a certain Resolution and half a dozen financiers in this House get up and say that this is a very fine proposition and should be accepted. That makes me, Sir, somewhat suspicious, and I should like, therefore, to examine the whole question and toss it over in my own mind as to what will be the ultimate result of it upon the currency of the country, upon the paper money and upon other questions. I beg to submit, therefore, that, there being no Bill, the motion is out of order.

Mr. President : The Honourable Member wishes me to rule out of order the amendment moved by Sir Montagu Webb. Technically, the Honourable Member is right. This is one of the many occasions when I rejoice, with the Finance Member, that I am not a lawyer. Had I been a lawyer, my rulings might have been of a different character. Most of the debate which we have had on this Budget would have been ruled out of order. I draw the Honourable Member's attention to the fact that this is a Bill 'to enhance the duty on salt manufactured in, or imported by land into, certain parts of British India, further to amend the Indian Tariff Act, 1894, the Cotton Duties Act, 1896, and the Indian Post Office Act, 1898, to impose an excise duty on kerosene, to fix rates of income-tax and to abolish the freight tax.' That is the Title of the Bill. But, acting under the usual Parliamentary practice, I have interpreted the Title of the Bill on the basis of clause 1, which says, 'This Act may be called the Indian Finance Act.' I have exercised my discretion in calling it the Indian Finance Act, 1922. I have permitted the House for the last two or three days to discuss a great variety of cases which are not within the four corners of the Bill at all: as, for instance, the Army and the general administration in India. If the Honourable Member chooses to maintain his point of order, I give him his choice between the maintenance of that point of order and his application henceforth to Finance Bills in the future of a more generous interpretation which I propose to give.

Dr. H. S. Gour : Well, Sir, I am much obliged to you for giving me a choice. But in this connection I must exercise that choice against my friend Sir Montagu Webb, not because I am not in sympathy with his Resolution or that I shall not eventually support it, but on the ground that we cannot drive a carriage and four through the standing rules and orders which this House has made and which this House must strictly observe. I have already pointed out, Sir, that if there is any intention on the part of my friend or the Honourable the Finance Member to introduce an independent Bill, it will receive an independent and perfectly impartial consideration and I can assure him that, if it is a sound financial proposition, there will be no one

[Dr. H. S. Gour.]

on this side of the House who would be more anxious than myself to further the object he has in view of deflating the paper currency of this country.

Sir Deva Prasad Sarvadhikary : As you have not yet given a ruling, Sir, may I rise to make a submission. What are we doing here? Finance Bills are, for purposes of facility of business, not referred to Select Committees. We are therefore doing here Assembly work as well as Select Committee work, and I put it to Dr. Gour himself as to whether in regard to Select Committee work it is not open to Members to bring forward propositions like this which find acceptance and consequently find place in the report as well as in the amended Bill. May I give an illustration? There is at the present moment the Criminal Procedure Amendment Act with regard to taking of evidence on Commission in Indian States. With regard to that, a question has arisen as to whether some amendment of the Indian Evidence Act and possibly the Indian Oath Act also will not be necessary in order that full and proper effect may be given to the object of the enactment in view. When the Select Committee does make their recommendation on the motion of a private Member to the effect that certain sections of the Indian Evidence Act or of the Indian Oath Act should also be amended in a particular way in order that the object of the Criminal Procedure Amendment Act should be achieved, would it be open to us here to say that this had been proposed, say, by Dr. Gour and therefore it being in the nature of a private Bill ought not to find place in the Bill as amended by the Select Committee. On the other hand, would not the Assembly find fault with the Committee for not doing the right thing? You have already pointed out, Sir, that this is an Indian Finance Act and not an Act for the enhancement of salt duty and other things. That is my second point, and the Title and Preamble may yet be amended in the needful way.

Dr. H. S. Gour : I am extremely surprised to hear these words from a learned Solicitor of the Calcutta High Court, that the Preamble and the definition and the Short Title can be controlled by the Title of the Bill. I ask, Sir, the Honourable the Law Member to say whether it is not a fact that the sole controlling clause in an Act of Parliament as well as in an Act of the Indian Legislature is the Preamble and the Object and Reasons stated at the very commencement of the Bill.

The Honourable Dr. T. B. Sapru (Law Member) : I am not prepared to subscribe to that proposition. Most eminent judges have given a warning against such a proposition. Sometimes you find it from the Preamble, sometimes from the Title and sometimes from the whole of the Act. There is no hard and fast rule about it.

Mr. President : I want to know the point to which Dr. Gour is addressing himself.

Dr. H. S. Gour : I was just addressing myself to the short question that Sir Deva Prasad Sarvadhikary raised, and it was with reference to that that I was appealing to the Honourable the Law Member who spoke a little too soon. The Honourable Sir Deva Prasad Sarvadhikary said that we are sitting here as a Select Committee of the whole House to consider the Finance Bill and, though technically I am right, there is nothing wrong in the Select Committee to introduce this Paper Currency Amendment Bill and

he thinks it would be right and proper for the Select Committee to do so. It was in that connection that I wanted to invite a reference to the ruling given by the Honourable Dr. Sapru on several occasions that, sitting in a Select Committee, it is not admissible for a member of the Select Committee to introduce a matter by way of an amendment to an Act which will extend and enlarge the purpose of the Bill itself. It was in that connection that I invited his opinion and I fortify myself by saying so, and I know that my friends who have sat in so many Select Committees know that it is an invariable rule of practice that sitting in a Select Committee, you cannot introduced therein a matter which is foreign to the main purpose of the Bill. That surely is a very elementary principle of which my friend Sir Deva Prasad Sarvadhikary, so eminent a lawyer as he is, could not be unaware and I am surprised that he should gloss over the objection that I have taken by referring to a procedure which, I submit, is unprecedented.

Mr. President: I think this Assembly will agree with me that it is time now to have done with hair-splitting. Technically, Dr. Gour is right in his contention. I have refused so far to give a ruling on this subject as I did not wish to bind the Assembly and myself down to closely to an observance of the mere letter of the Standing Orders. It is a well-recognised Parliamentary procedure that on a Finance Bill general discussion may arise. If, as I pointed out before, I were to maintain the point which Dr. Gour has put to me now, it would not be in my power to give the Assembly liberty to range over the public administration of India under the Finance Bill, which I hold it is in the power of this House to do at present.

The Honourable Sir Malcolm Hailey: Might I just add, not as contributing or attempting to contribute to the legal aspect of the case, that I fear it will be very difficult for me in future to bring forward a Finance Bill at all if it is to be subject to these dangers. A Finance Bill is necessarily of an omnibus nature. That, as drawn, it is a great convenience to the Assembly and to all those who are affected by the result of our legislation regarding taxation, there can be little doubt. We followed the procedure of the English Parliament in so doing; but, Sir, if I am to encounter, in the course of financial discussions, legal difficulties of this nature, I fear that it will be necessary in future for me to trouble the House with a series of Bills amending each particular Act affected, and that, I think, the House itself would find a distinct inconvenience. Let me point out, if I may, the difficulty to which my honourable friend's objection, if sustained, would involve. If you will turn to amendment No. 58 you will find exactly that the same objection will apply as to the section under discussion. I should be very unwilling to bring that objection against amendment No. 58 and I only ask the House not to force us in future to a procedure which would in itself be inconvenient to the House, because it would have to pass a large number of measures inconvenient to the trade, because they would have no one place to refer to for the results of taxation, and inconvenient in another way, because, discussion would have been circumscribed to the narrow sphere of each individual Act. (Hear, hear.)

Mr. Jajnnadas Dwarkadas (Bombay City : Non-Muhammadian Urban : I take it, Sir, that your ruling on the question is that the Honourable the Finance Member can move his amendment, and, so, I take it, the position in which we are is this, that the amendment of the Honourable the Finance Member is before the House.

[Mr. Jamnadas Dwarkadas.]

Now, Sir, my Honourable friend, Dr. Gour, seeks to enlighten this House on any question that is brought before it. According to his own admission, he was not able to understand the financial matters raised by able financiers like my Honourable friends, Sir Montagu Webb, Mr. Ramji, Sir Vithaldas Thackersey and the Finance Member, and so probably he thought it was dangerous to expose himself to a criticism which might be levelled against him afterwards if he ventured to make a speech on a subject which he could not understand anything about. (Hear, hear.) But, as my Honourable friend is always anxious to enlighten this House on one matter or another, he sought the opportunity of making a speech by raising a technical point of order. However, I have nothing to do with that. But, as a business man, I do think and I cannot help thinking, that my Honourable friend has been guilty of wasting the time of this House

Dr. H. S. Gour : I rise to a point of order. Is the Honourable Member in order in ascribing to me a waste of the time of the House on an objection which you, Sir, have sustained ?

Mr. Jamnadas Dwarkadas : However, Sir, I will not pursue the matter further. (Laguhter.)

With regard to the amendment which is before the House, I give my full support to the amendment moved by my Honourable friend, the Finance Member. The leader of our Party, my Honourable friend Sir Sivaswamy Aiyer, has already pointed out that, while we do not yield to any one in the House in our desire to bring about a policy of retrenchment, yet we do think that we ought to be able to exercise our desire with a good deal of reason and common sense. (Hear, hear.) I feel that, after having cut down the taxation to this level which has been pointed out by my Honourable friend Sir Montagu Webb, we would not be justified in leaving the finances of the country in the state in which they would necessarily be left if we did not support the amendment of my Honourable friend the Finance Member. At the same time, as has been so ably pointed out by Sir Montagu Webb, the interest on the Paper Currency Reserve cannot be used for the purposes for which it was intended to be used without in a way bringing about a financial and a commercial crisis. No better use then could be made of this interest than by taking it to the revenue account so as to adjust our finances in this year of stringency. I go further, Sir, and also support Sir Montagu Webb's contention that the interest on the Gold Standard Reserve be appropriated in the same way. My Honourable friend the Finance Member says that it would be stealing, that it would be spoliation. I do not agree with him. It may be that, strictly speaking, ordinarily, appropriating the interest on the Gold Standard Reserve would not be quite the proper thing, but when you are pressed hard, in this this year of stringency, when you have to keep your finances in proper order so as to secure your credit, I think it is in the country's interest that this interest on the Gold Standard Reserve should be appropriated.

With these words, I support the amendment.

The Honourable Sir Malcolm Hailey : I believe we are discussing now my amendment and I do not wish to add to the length of the discussion. I would not have done so now at all, had it not been that I find it necessary

to explain briefly one or two points that have occurred in the course of the speeches delivered by my Honourable friends.

Mr. Chaudhuri asked for information as to the effect which this operation would have on Exchange. I think that my financial friends here will agree with me that we do not regard this primarily as a matter that is connected with exchange, but, if it has any effect on Exchange, it will be somewhat as follows. If failing the carrying of this motion, we are forced to carry out a compulsory cancellation of note-issue by virtue of the Statute as it stands at present, then we shall possibly be hampered in carrying out our deflation later on, the deflation I mean which we ought to carry out for the purpose of putting the Secretary of State in funds. Now, Sir, if we are not able to carry out that deflation later on, then the Secretary of State will have to come on the market all the earlier to sell Council Bills. To that extent, therefore, if there is any immediate effect of this measure, it would be perhaps slightly to strengthen rather than to depress exchange. There is a second point. Some of my friends here may perhaps have thought that I was arguing equally at one time against Sir Montagu Webb's original proposition, namely, the utilisation of the interest from the Paper Currency Reserve, and his suggestion which was that we should utilise the interest on the Gold Standard Reserve, (*Sir Montagu Webb*: 'Temporarily') temporarily. Now, Sir, I do not wish that these two operations should in any way be confused or that it should be thought that I regard the former of these two operations as a suspicious or undesirable operation. My objections directed to Sir Montagu Webb and to Sir Vithaldas Thackersey were confined entirely to the suggestion that we should use the interest on the Gold Standard Reserve. As to the former, Sir, Sir Montagu Webb's original proposition (though I think that I have now undertaken charge of that infant from him), it is not, as he has represented, a new or surprising proposition. It has not been sprung on the House unexpectedly. It has been discussed at great length ever since, I think, the 2nd or 3rd of March, in many financial papers in India. I can, if my Honourable friends desire, give them numerous references to passages in which this matter has been discussed in papers which are distinguished for the interest they take in financial operations; and that it is no new or strange matter is amply proved by the fact that we have received a number of telegrams, some of which were quoted by Sir Montagu Webb himself, from commercial bodies in the country dealing with the matter. We had not only a telegram but a long letter from the Merchants' Chamber and Bureau of Bombay, a very interesting and well informed discussion of the question. That letter is at the disposal of any of my Honourable friends here who wish to probe further into the question.

Now, Sir, one matter and one matter only in conclusion. I am, I am afraid, sometimes the victim of my own unconscious attempt at humour. I did in replying to Mr. Rangachariar use the word 'spoliation' with regard to the appropriation of the interest on the Gold Standard Reserve. I very much regret that I did so. I did not intend to convey the impression that Sir Montagu Webb or Sir Vithaldas Thackersey had suggested an act of spoliation on the Gold Standard reserve, and I hope that my Honourable friends here will not draw any implications whatever from my somewhat unfortunate use of that expression. Mr. Jamnadas Dwarkardas has phrased the matter very much more happily. I merely wished to state that I do not think it would be quite the proper way of utilising that interest; and I notice that

[Sir Malcolm Hailey.]

my Honourable friends in suggesting that the interest should be so utilised have confined themselves to suggesting that it should be so utilised temporarily only. If I may be allowed to do so, I would like to withdraw the word 'spoliation' and say merely that it would not be proper to use the interest in the manner proposed.

Dr. H. S. Gour : Sir, I must apologise to my young friend, Mr. Jamnadas Dwarkadas, for having encroached upon a province which is specially his own. He has charged me with enlightening this House on any and every question. I confess, Sir, that, that being his special monopoly, I have at times ventured to encroach upon it. An instance of my Honourable friend's versatility must have been manifest to this House when he justified the Honourable the Finance Member's expression 'spoliation', which, he said, meant plunder. (*Mr. Jamnadas Dwarkadas :* 'I never said that.') Well, he did not know its meaning, but he said it was justifiable when you have got to it. Now, the Honourable the Finance Member thinks that that expression 'spoliation' was inapt and he would rather not have used it. But my friend's mentality tends in the direction of justifying everything that comes from the Honourable the Finance Member oblivious of the humour and even the mistakes that the Honourable the Finance Member may hereafter confess to. Such are the sound views of my friend, and I have not the slightest doubt that my Honourable friend must be as equally sound in his finance as he is in his logic; and that is perhaps one of the reasons why this House looks askance at propositions which he so boldly advances but which unfortunately receive such scant justice from the hands of the Honourable Members here.

Now, Sir, to turn to the Honourable the Finance Member—he admits that it would be an improper thing to withdraw the interest from the Gold Reserve for the purpose of deflating the currency and for current revenue purposes; but he says there are circumstances when the withdrawal of that money might be justified.

The Honourable Sir Malcolm Hailey : I am sorry to interrupt the Honourable Member (Dr. Gour) and I know he will excuse me. My remarks referred entirely to the suggested use of interest from the Gold Standard Reserve. I thought it would not be proper to use the interest from the Gold Standard Reserve in the manner proposed. The motion before the House, Sir, refers entirely to the use of the interest on our paper currency securities; and I never said, nor should I say, that the motion, which was brought forward by Sir Montagu Webb, amounted to an improper use of that interest at all. It is a different proposition, and I think that everyone has admitted that, in certain circumstances, it is quite proper to suspend temporarily the operation of the Act which makes us utilise the interest from our paper currency securities for cancellation of our unbacked securities. I beg that Dr. Gour will, if he will allow me to suggest it, keep those two questions entirely apart. One is before the House; the other is a suggestion for our own action, which is not really before the House at all.

Mr. N. M. Samarth : May I ask one question? I do not say anything about the merits of this proposal. I want to make sure that by the change

of this date, the operation of section 12 of the Act is held in abeyance, is postponed. Isn't that the effect of it?

The Honourable Sir Malcolm Hailey: To that extent.

Mr. N. M. Samarth: Well, by this change of date you prevent the operation of section 12 of the Act for another two years.

The Honourable Sir Malcolm Hailey: Section 12 may take 20 or 30 years to come into operation. It will be delayed by just the time for which we suspend the operation of section 13.

Mr. N. M. Samarth: That is the meaning of it, and I am glad that a motion of this character, Sir, has been allowed. I hope to take the fullest advantage of this at the next Finance Bill to introduce into the Bill measures calculated to give us more revenue in respect of, say, Railway fares or Railway freights, or it may be, to reduce the rates or taxes which may have been imposed, although not to be found in the Finance Bill. From that point of view, I welcome the ruling.

Mr. President: The question is :

(i) That after clause 6 of the Bill the following clause be inserted, namely :

'7. In sub-section (3) of section 13 of the Indian Paper Currency (Amendment) Act 1920, for the figure '1921' the figure '1923' shall be substituted and shall be deemed to have been substituted with effect from the first day of April 1921.'

(ii) That clauses 7 and 8 of the Bill be re-numbered 8 and 9, respectively.'

The Assembly then divided as follows :

AYES—56.

Abdul Quadir, Maulvi.
Abdul Rahim Khan, Mr.
Aiyar, Mr. A. V. V.
Aiyer, Sir P. S. Sivaswamy.
Akram Hussain, Prince A. M. M.
Amjad Ali, Maulvi.
Barodawala, Mr. S. K.
Barua, Mr. D. C.
Bijlikhan, Sardar G.
Bradley-Birt, Mr. F. B.
Bray, Mr. Denys.
Bryant, Mr. J. F.
Chatterjee, Mr. A. C.
Chaudhuri, Mr. J.
Clarke, Mr. G. R.
Cotelingam, Mr. J. P.
Crookshank, Sir Sydney.
Dalal, Sardar B. A.
Dentith, Mr. A. W.
Faridoonji, Mr. R.
Fell, Sir Godfrey.
Gajjan Singh, Sardar Bahadur.
Habibullah, Mr. Muhammad.
Hailey, the Honourable Sir Malcolm.
Hullah, Mr. J.
Hussanally, Mr. W. M.
Ikramullah Khan, Raja M. M.
Innes, the Honourable Mr. C. A.

Jamnadas Dwarkadas, Mr.
Kabiraji, Mr. J. K. N.
Keith, Mr. W. J.
Lakshmi Narayan Lal, Mr.
Lindsay, Mr. Darcy.
Manmohandas Ramji, Mr.
Mitter, Mr. K. N.
Muhammad Hussain, Mr. T.
Nabi Hadi, Mr. S. M.
Percival, Mr. P. E.
Ramayya Pantulu, Mr. J.
Rao, Mr. C. Krishnaswami.
Renouf, Mr. W. C.
Rhodes, Mr. C. W.
Sapru, the Honourable Dr. T. B.
Sarfaraz Hussain Khan, Mr.
Sarvadhikary, Sir Deva Prasad.
Schamnad, Mr. Mahmood.
Sharp, Mr. H.
Spence, Mr. R. A.
Thackersey, Sir Vithaldas D.
Tulshan, Mr. Sheopershad.
Vincent, the Honourable Sir William.
Vishindas, Mr. H.
Waghorn, Colonel W. D.
Way, Mr. T. A. H.
Webb, Sir M. dePomeroy.
Zahiruddin Ahmed, Mr.

[Mr. President.]

NOES—41.

Abdul Majid, Shaikh.
 Agarwala, Lala G. L.
 Agnihotri, Mr. K. B. L.
 Ahmed, Mr. K.
 Ahmed Baksh Khan, Mr.
 Asjad-ul-lah, Maulvi Miyan.
 Ayyangar, Mr. M. G. M.
 Ayyar, Mr. T. V. Seshagiri.
 Bagde, Mr. K. G.
 Bajpai, Mr. S. P.
 Bhargava, Pandit J. L.
 Das, Babu B. S.
 Ginwala, Mr. P. P.
 Gour, Dr. H. S.
 Gulab Singh, Sardar.
 Ibrahim Ali Khan, Lieut.-Nawab M.
 Iswar Saran, Munshi.
 Kamat, Mr. B. S.
 Latthe, Mr. A. B.
 Mahadeo Prasad, Munshi.
 Man Singh, Bhai.

Misra, Mr. B. N.
 Misra, Mr. P. L.
 Mukherjee, Mr. J. N.
 Mukherjee, Mr. T. P.
 Nag, Mr. G. C.
 Nand Lal, Dr.
 Neogy, Mr. K. C.
 Pyari Lal, Mr.
 Rangachariar, Mr. T.
 Reddi, Mr. M. K.
 Samarth, Mr. N. M.
 Shahani, Mr. S. C.
 Singh, Babu B. P.
 Sinha, Babu Adit Prasad.
 Sinha, Babu Ambika Prasad.
 Sohan Lal, Bakshi.
 Srinivasa Rao, Mr. P. V.
 Subrahmanayam, Mr. C. S.
 Subzposh, Mr. S. M. Z. A.
 Yamin Khan, Mr. M.

The motion was adopted.

The new clause was added to the Bill.

Mr. President : The debate will now be resumed on clause 1. The question is that clause 1, as amended, stand part of the Bill.

Rao Bahadur T. Rangachariar : May I know, Sir, what clause this amendment of Sir Malcolm Hailey's will be? What will be its number?

Mr. President : The clause comes in at the end of the Bill as clause 9.

Rao Bahadur T. Rangachariar : May I have your permission, Sir, to include it in this clause, that is, that instead of 'sections 2, 5 and 7' in sub-clause (3) of this clause, it should be 'sections 2, 5, 7 and 9', which shall remain in force only up to the 31st day of March, 1923? We will be able then to reconsider our position at the end of the year.

Honourable Sir Malcolm Hailey : That is already provided for in the substantive motion.

Rao Bahadur T. Rangachariar : I think your figure was 1923 or 1924.

The Honourable Sir Malcolm Hailey : Sir, the amendment ran—'the figure '1923' shall be substituted.' I am not competent to speak about drafting terms, but it was certainly intended to apply only to the present year.

Sir Montagu Webb : And the coming year.

The Honourable Sir Malcolm Hailey : And the coming year.
 Clause 1 was added to the Bill.

Mr. A. V. V. Aiyar (Finance Department) : I beg to move, Sir,

'That in the Title and Preamble to the Bill, for the word 'enhance' the word 'fix' be substituted.'

This is a purely formal amendment, Sir, because clause 2 of the Bill as passed by the House does not enhance the duty on salt but fixes it at Rs. 1-4-0 a maund.

The motion was adopted.

The Honourable Sir Malcolm Hailey: Am I in order in moving an amendment to the Title, Sir?

Mr. President: Yes.

The Honourable Sir Malcolm Hailey: Sir, I beg to move:

'That in the Title and Preamble to the Bill the word 'and' where it first occurs be omitted, and after the words and figures 'the Indian Post Office Act, 1898', the words and figures 'and the Indian Paper Currency Amendment Act, 1920,' be inserted.'

The motion was adopted.

Rai Sahib Lakshmi Narayan Lal: Sir, I beg to move:

'That the following words and figures be deleted from the Title and Preamble:

'The Cotton Duties Act, 1896.'

The motion was adopted.

Mr. A. V. V. Aiyar: Sir, I beg to move that such further amendments be made in the Bill as are consequential on the amendments already made.

Dr. H. S. Gour: May I say, Sir, that I have given notice of an amendment which will exactly suit the Finance Bill, as it has been finally passed. My amendment is to delete the words 'to enhance the duty on salt manufactured in, or imported by land into, certain parts of British India', 'Further to amend the Indian Tariff Act'—that I have allowed to stand

Mr. President: That is settled because we have altered the word 'enhance' to 'fix'.

The question is:

'That such further amendments be made in the Bill as are consequential on the amendments already made.'

The Preamble and Title to the Bill as amended were added to the Bill.

The Honourable Sir Malcolm Hailey: I beg to move, Sir, that the Bill, as amended, be passed.

Sir Sivaswamy Aiyer: Sir, I wish to congratulate the Honourable the Finance Member upon the good humour with which he has piloted this Bill. When the Honourable the Finance Member made his financial statement, he complimented the House upon the spirit of co-operation which it had displayed in dealing with the Budget last year, and he invited us to face the situation this year, with the Government in a spirit of co-operation and with the same high sense of responsibility. When after the general discussion on the Budget in a moment possibly of temporary irritation, due I believe to the fierceness of the criticisms with which he was assailed, he asked, has it come to a parting of the ways? Are you going to decline any responsibility for our financial proposals? Sir, I hope that the attitude of the House during the discussion of the Finance Bill has supplied the answer which he wanted.

[Sir Sivaswamy Aiyer.]

Though the Government of India Act does not confer upon us any responsibility in the real sense of the term, we have endeavoured to act as a responsible body and discharge our duty to the country. We have endeavoured to recognise the difficulties in which the Government has been placed, difficulties mostly not of their own creation, but due to a system which they have inherited and to circumstances not altogether under their control. We have sympathised with them in their difficulties and we have brought a spirit of co-operation in the discharge of our duty. Here I may acknowledge with thanks the attitude which has been adopted by the Government in working the constitution. Though, as I said, no responsibility has been conferred upon us, the Government have been desirous to work the constitution in the manner in which they would have worked it as if we had some share of responsibility, and for some portion at least of the expenditure. I believe the Government have been as desirous as we have been to establish the constitutional convention of not going behind the decisions of the Legislature but accepting them. Sir, I hope that it will be recognised that we have tried to discharge our duty as conscientiously as possible. I said we have tried to face the situation with sympathy and in a spirit of co-operation. I hope the Government will also sympathise with us by putting themselves in our places—I do not mean in any real sense of the term but in imagination. Fortunately for us both, we cannot exchange places, and I do not wish to, certainly in this period of embarrassment of the Government, but if the Members of the Government will only put themselves in our position they will realise our responsibilities to the country. I ask them to put themselves the question what they would have done if they had been in our places. We have had no desire to embarrass the Government or to paralyse the administration. Our sole desire has been to work the Reforms successfully, to supply the administration with as much funds as we thought were really necessary and to supply incentives to economy. Beyond that we have not proceeded at all. Now, Sir, I ask the Honourable Sir Malcolm Hailey, has it come to this that you imagine that there can be no honest differences of opinion on questions of administration or the burdensomeness of the administration or as to the policy to be pursued? Has it come to this that we are to be patted on the back if we agree with you, but that if we do not agree with you, we are to be told that our constitutional advance will be hindered or retarded? If the price of constitutional advance is to be the suppression of our right to criticise the Government, of our right to represent the popular voice, then I say I am not prepared to pay the price for constitutional reforms. We are not prepared to be a body of *jo hukums* subservient to the Government. We are anxious to secure constitutional advance but not at the price of for bearing to exercise our rights as representatives of the people.

Mr. P. P. Ginwala (Burma: Non-European): Sir, I am afraid I do not find myself in such an amiable mood as the leader of the National Party found himself this afternoon. I am prepared to join him in complimenting personally the Honourable the Finance Member on the excellent manner in which he has dealt with his difficulties and his heroic efforts to get over them. But all the same, speaking for myself, I cannot consent to the passing of this Bill without protesting against some of its principles and sounding a note of warning with reference to others of them. The object of this Finance Bill that we have now to pass is to vote a large sum of money for the purpose of the administration of this country. If the estimates of the Honourable the Finance Member are correct, in spite of the democratic axe which, I am sorry to say, rather failed in the end,

he will be able to realise a sum of Rs. 80 crores odd from the Finance Bill alone. Last year he was expected to realise a sum of about Rs. 60 crores. Of that sum last year Rs. 67 crores was spent on military expenditure. This year, out of 80 crores odd, the estimate is about Rs. 67 crores. Thus, the result of our voting this money is that apparently all the Departments of the Government of India are to make revenue for the purpose of maintaining the Army in this country. That, in substance, is the result of all these discussions and the outcome of the Finance Bill. Out of all this money, we find that we have really speaking voted about Rs. 20 crores, and the rest is, though voted in this form, to be spent by the military authorities without reference to us. Sir, we have protested before, and we protest now, against this principle. We are not going to vote you money which you spend as you like without reference to us. The Law Officers have advised you fortunately that the Military Budget is going to remain non-votable. We have got to accept the advice of *your* Law Officers though *our* Law Officers have advised us differently on that point.

The Honourable Sir Malcolm Hailey : Is that so ?

Mr. P. P. Ginwala : Our Law Officers of the Democratic Party. But before a single farthing of this money is spent by the Government of India, we shall put you to proof of your right to spend it. If it is spent upon the Army, though you may make the estimate non-votable if you like, but we shall put you to proof that you have got the right under some Statute or some authority to maintain a Standing Army in this country. I am not one of the Law Officers of the Crown and therefore I do not know the whole law on the subject, but before this House commits itself to this vote for any money, under the Finance Bill, it must take an assurance from the Honourable the Finance Member that he will put those who claim a share in the money to prove all their right. I can find no enactment that I can lay my hands on which authorises the Governor General or the Governor General in Council to maintain a Standing Army in this country, and I hope that the Auditor General or whoever is expected to look into the expenditure of public money will see that, before he sanctions any money, he puts them to proof of their right. I see a smile on the face of the Honourable the Finance Member. Probably he has got something to justify this. If that is so, well and good. But before we come to this House again, Sir, I should like to be satisfied by the Honourable the Finance Member that he has got authority to hand over this money for the purpose of maintaining the Standing Army in this country. For our own part, we tried this year, apart from this question, to cut down the expenditure in the various Departments, so that we may be able to hit the Military Department, through the Civil Administration. But, this afternoon we found that after all we were not successful, judging by the results. The deficit is now reduced to 4 or 5 crores.

The Honourable Sir Malcolm Hailey : No, no.

Mr. P. P. Ginwala : Or 6 or 7 crores at the most.

The Honourable Sir Malcolm Hailey : My Honourable friend need not be so depressed. It is 916 lakhs according to our calculation.

Mr. P. P. Ginwala : Very well. It ought to have been 14 or 15 crores according to ours, so that to that extent we have been defeated. But unless a

[Mr. P. P. Ginwala.]

real attempt is made—and I have no doubt that we fully believe the Honourable the Finance Member when he says that he is seeking to make a genuine effort to reduce the expenditure—unless a real attempt is made to cut down expenditure and unless we hear that some attempt is made to cut down the military expenditure, I am afraid we shall have to find other means of accomplishing our object. On this occasion, Sir, the Democratic Party do not wish to go further than this. We have made it perfectly clear to the House and to the Government that we are bent upon cutting down this military expenditure as best we can by the proper exercise of our rights under the Act and we shall do our best for that purpose. If the Honourable the Finance Member, of course, says that he has got no control over the military expenditure . . .

The Honourable Sir Malcolm Hailey : I have never said that.

Mr. P. P. Ginwala : Well, he says he has got control over the military expenditure, but we have also been told by him, that the military expenditure cannot be reduced. We shall then have to hit the military expenditure through the Honourable the Finance Member. This is not a threat at all. The temper of the House has made it perfectly clear that this military expenditure has got to be cut down and that the Military Budget has to be placed before this House, and, if that is not done, we shall hereafter have to refuse to take any responsibility in passing the Finance Bill which, as I have pointed out, is only for the purpose of maintaining the Army in this country. In other countries, the Army protects, and is kept for the maintenance of, the Government. In the Government of India, the Government is run in order that the Army may be maintained. That is the net result of all we have been doing for the last many days.

With regard to the method of taxation, I should like to point out to the Honourable the Finance Member that I object to this method which is now being more or less crystalised. We would like to see some other method adopted by which the appropriate sources of taxation can be found out, the taxable capacity of the country may be ascertained and some attempt may be made to make the incidence of taxation more or less even. Unless the Finance Member takes some serious steps to get proper information as to the taxable capacity of the people and the kind of taxation that we ought to have having regard to the present day conditions, he will find himself, I am afraid, in a much worse condition hereafter, because some of these sources of taxation have almost been over-tapped. I would also suggest to him, though of course it is no part of the duty of this side of the House to make any constructive suggestions, to make it possible for this House—and I know that the Honourable the Finance Member will meet us in that way—to allow this House to discuss the general administration of the country by way of discussions on Appropriation Bills. Here, we vote this money once a year and it is spent on by the various Departments, but there is no other opportunity during the year of our reviewing the general administration of the country because no Appropriation Bills are brought up and no legal effect, really speaking, is given to the sums which are voted by this Assembly. With regard to the non-votable items, the Governor General in Council appears to help himself without getting any legal authority to appropriate any amount for particular services. If the system of appropriating monies voted by means of Appropriation Bills is introduced, we shall have an opportunity

throughout the year of reviewing the administration and keeping some sort of check over the Finance and other Departments. With these remarks, at present, I protest against the passage of this Bill without moving for its rejection, but in any case I am entitled to be satisfied that the money that we are now voting is money that under any provision of the law the Governor General is entitled to spend.

Sir Deva Prasad Sarvadhikary: Sir, the Honourable Sir Malcolm Hailey, in concluding his speech when presenting the Financial Statement, warned us that we ought not to help in diminishing the number of friends of Reform either here or in England. If we lose them anywhere it will be in spite of ourselves. I think the Assembly has on this occasion as last year absolutely justified itself. It is not for us to congratulate ourselves on what is called moderation of our own views by a distinguished *ex-Viceroy* elsewhere in another concern, unlike Lord Clive's boasted moderation at the Murshidabad Treasury. We did set ourselves from the beginning to see that if possible 10 or 12 crores were reduced not merely by way of putting pressure on Government but to assist retrenchment. On all sides of the House, our efforts have succeeded though for different reason. We believe that the Government will be able to carry on with reduced taxation in certain directions that appeared to be very necessary. Sir, I join Sir Sivasawmy Aiyer in congratulating the House and the Honourable the Finance Member on the way we have between ourselves carried through the Finance Bill. I cannot share in the regrets and gloomy pessimism expressed by Mr. Ginwala although I appreciate his efforts and everybody else's efforts to have more powers and to build up healthy conventions. A sort of Blue Beard Chamber character has been given to the Assembly in some matters by some who believe in and are swayed by rumours of threats and mandates. That character is disclaimed by the Finance Department, though at its door stand impotent Finance Committees and Public Accounts Committees that exhaust themselves at the end of the year. The reason may be, so far as Public Accounts Committee is concerned, that accounts are not and possibly cannot be ready in time for examination by the out-going Accounts Committee. May I suggest in this connection that early and effective steps may be taken to make the audit and appropriation reports available as soon as possible and not be delayed as at the present time, though possibly unavoidable under the circumstances. There is another suggestion that I want to make. If possible, the state of affairs in the year's finance should be brought home to the Assembly somewhat earlier in the sessions and we should not be left a bare week or less to study facts, eke out information and make up our minds upon the various difficult and intricate problems that confront us in connection with the Budget and the Finance Bill. I know that gambling and speculation and things of that description have to be guarded against. At the same time we ought to have the considered opinion of Government and its present and future expert advisers with regard to proposed and possible taxation. The difficulties which have been suggested are real and we ought to be assisted in getting over some way. If that is done there may be less desultory speculation debate. It is not at all wrong of us or any way derogatory to admit that it is not possible even with so-called statements and figures—bulky and intricate—placed before us in haste, to read them aright or to deduct correct conclusions or to challenge conclusions or to offer helpful constructive suggestions. The result of our uninformed and unassisted criticism is

[Sir Deva Prasad Sarvadhikary.]

inaccuracies, misapprehensions and mistakes sometimes. The Retrenchment Committee is going to be appointed and we shall also soon have the new Finance Committee. Would it not be possible, I ask in all seriousness, to depute some financial and audit experts—capable, willing, experienced and impartial—who would be able to help the Members of the Assembly and of these Committees with regard to difficult matters that they want to discuss and to have cleared up. It is not enough for the Department to place and press its case. The Government is having all the assistance they want—even extra assistance in Budget time—and they certainly ought to have it. But we also ought to have some sort of Braille system to assist our own admittedly and naturally blind vision.

Mr. C. W. Rhodes (Bengal European) : I consider myself fortunate that on the last occasion when I shall probably be able to speak in this House. I am able to join with all other parties in the House to express to the Honourable the Finance Member our appreciation of the skill and humour with which he has piloted this Finance Bill through the House and enhanced an already great reputation (Hear, hear.) I confess, Sir, that the Budget does not satisfy the European commercial community or is not likely to do so in one respect, that we are budgeting for a deficit and commercial men are always opposed to what is practically borrowing from the future. But I do not want to say too much on that point, because I feel that there is not a single man or a single party in the House who can throw a stone at the Honourable the Finance Member; I feel we have all helped. Sir, as regards the more general remarks I do not take the pessimistic view which has been expressed in certain quarters about the ability of this House to take a responsible view of the finances of the country. I have only been a Member for a very short time, long enough to make many friends and short enough to make no enemies. But, Sir, I shall leave it with the perfect confidence, with distinguished men all around me, that the finances of the Indian Empire are in perfectly safe hands.

Sir Montagu Webb : I should like to say one word in support of the motion before the House and that is this. I feel that, in
5 P.M. considering this Finance Bill, we have not on the whole given the Finance Member the credit for the efforts which I am sure he must have made, without our assistance, to cut down expenditure. There seems to me to have been a tendency on the part of the House to regard the Finance Member as a financial profligate who was throwing money recklessly away in all directions, instead of which I expect he was in fact employing many private axes of his own, and cutting down every Department in every possible way.

Only in one matter do I venture to express regret, and that is in connection with the Honourable the Finance Member's reluctance to grapple with the problem of the foreign exchanges. I was unable yesterday to put my finger on the wise word of Professor Cassel; but with your permission I would like to read those words now :

'If we are true to ourselves we must feel that no one can really take the responsibility of abandoning all efforts and acquiescing in the present monetary confusion.'

I want to impress on this point that by budgeting for a deficit, as we are doing now, we are budgeting for a descent to bankruptcy : for if

the Finance Member cannot cover this deficit, he must put forth more paper currency; he must borrow; he must have further losses in exchange; he must have another deficit.

I should like to impress upon this House that the first way to overcome the present difficulty is not to budget for a deficit but for a surplus. I sympathize with my friends on the left in their desire to impress retrenchment and economy upon Government, but there is an old proverb which says, 'There is no use in flogging a dead horse', and I think we might adapt it a little and say, 'There is not the slightest use in flogging a very willing horse', for we know that in the Honourable the Finance Member we have a friend of retrenchment and economy, who will do all in his power to economise. I think we might give him all the assistance we can to carry out that aim.

The Honourable Sir Malcolm Hailey: Sir Sivaswamy Aiyer has used very generous words in regard to the way in which this Bill had been conducted in the House by me. On me, Sir, falls simply the mechanical and by no means difficult task of presenting the case of Government to the Assembly, of delivering a certain number of speeches, perhaps far too many, on the points which come up for discussion and of attempting to meet the criticisms levelled at our proposals. But of all the financial operations of Government, probably the mere task of presenting a Bill of this nature to the House is the easiest. Behind me there stand a number of men on whom falls the real burden of the year's work. (Hear, hear.) I cannot express sufficiently my obligations—though my obligations are of small moment—but the obligations of the country to the men in our Finance, Accounts and Currency Departments. I shall say no more on that point, Sir, I know the House feels with me there.

Well, Sir, so much for the purely personal part. If I speak of it shortly and lightly, do not let the House assume for one moment that I do not appreciate very highly indeed what my friends here have so kindly said. As to the Bill itself, I cannot of course be expected to accept with equanimity the fact that the House has taken the view that our taxation must be reduced by some 8 or 9 crores of rupees. We had to face a somewhat desperate state of affairs. It was my duty—it would be in a similar case the duty of every Finance Member—to comply with the essential requirements of the situation, and place before the country proposals by which its revenues could be made to balance its expenditure. I share with Sir Montagu Webb and Mr. Rhodes, the profoundest apprehension at the prospect of having to face a deficit of over nine crores during the current year. Our feet are on the slippery slope; it is difficult to know whether we may be able to prevent ourselves from descending that slope all too rapidly and with fatal results to the country. I have described our attitude. What has been that of the House? The House has considered it necessary to deprive us of a large portion of the means for which we asked, because it believed that by doing so it could bring pressure to bear on us for greater economy in other directions. I am not going to criticise further that attitude of the House. It has made its decision, I deplore it, for I do not believe but that it is the best decision. But now that I am asking the House to pass the Bill providing for such additions to our resources as remain unaffected by its previous voting, it would avail little to attack its general attitude on the subject. I will only say I cannot myself foresee with any clearness or confidence what

[Sir Malcolm Hailey.]

will be the result of the action that the House has now taken. In saying this, let me make one point clear. If in a moment of what Sir Sivaswamy Aiyer described as temporary irritation, but which I cannot recognise as such, for I regard what I said merely as a serious and friendly warning, I spoke on the 7th of March to the House regarding the possible political results of its action, I speak now entirely of the financial results of such action. Sir, they are likely to be grave, and I do not know how we shall surmount them. I can only leave the matter at that.

As for our hesitating to use resources which you have given us, in the manner which is allowed by the Government of India Act, there my answer to Mr. Ginwala is clear. India has no Militia Act; there is no Statute in India which forbids Government to maintain a Standing Army. We do not, as he said, 'hand over money to the army', but keep it entirely in our own control. I do not think that the House will really sympathise with Mr. Ginwala in the suggestion that we are committing an illegal act if we continue to maintain a standing army, apart from the question of the scale on which we maintain it.

As to the other points, perhaps I had better not detain the House, as it has other business before it; let me only say that while I appreciate very highly what my friends here have said, in reference to my attitude during these debates, I in my turn can only say that the process of this Bill has been a period of some enjoyment—not a pleasure because of its results—to me. It would be a faint heart that was apprehensive of debate. My friends here had many criticisms to bring against us; they had much to say of our sins of commission and omission. They have not directed their remarks to deaf ears. I knew the difficulties of the House; I knew that they were faced with a situation which for them was not only an exceedingly difficult one but one which they felt to be full of danger to the country itself. I appreciate that. I do not think Government in dealing with it ever will lose sight of serious considerations of that nature. (Hear, hear.) May I, in return to the compliment which has been paid to me, address my own assurance to the House. We have spoken a good many strong words to each other. But, whatever our differences and views, I think we and the House together have throughout been actuated only by one feeling. We have both desired to the best of our consciences and to the best of our abilities to find the solution of a difficult situation—the solution which both we and you, though differing in our view as to the method, believed to be the best for India. (Hear, hear.)

Mr. President : The question is :

'That the Bill be passed.'

The motion was adopted.

The Assembly then adjourned till Eleven of the Clock on Thursday, the 23rd March, 1922.