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LEGISLATIVE ASSEMBLY.

Monday, 20th March, 1922.

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

QUESTIONS AND ANSWERS.

AMOUNTS WRITTEN OFF BY HEADS OF CERTAIN DEPARTMENTS.

290. * **Rai Bahadur P. V. Srinivasa Rao** : What is the amount written off as irrecoverable, if any, by the Heads of Departments—Ordnance, Clothing, Marine and Remount—during the past three years ?

Sir Godfrey Fell : The labour entailed in collecting the information desired by the Honourable Member would be out of all proportion to the value of the result, and the Government, therefore, regret they are not prepared to undertake the task.

AMOUNT UNACCOUNTED FOR IN THE POONA DISTRICT OFFICE OF THE MILITARY ACCOUNTS DEPARTMENTS.

291. * **Rai Bahadur P. V. Srinivasa Rao** : What is the amount unaccounted for, if any, in the Poona District Office of the Military Accounts Departments on 31st March, 1921 ?

The Honourable Sir Malcolm Hailey : I do not fully understand the meaning of the term 'unaccounted for' in the question asked by the Honourable Member. As far as I know, we have no unaccounted-for items; but, if the Honourable Member will kindly explain to me at some subsequent date exactly the purport of his question, I shall be very glad to furnish him with any information that I can obtain on the subject.

Rai Bahadur P. V. Srinivasa Rao : I shall explain later.

DEPUTY EXAMINERS IN MILITARY ACCOUNTS DEPARTMENTS.

292. * **Rai Bahadur P. V. Srinivasa Rao** : (1) What is the number of permanent Deputy Examiners fixed on a salary of Rs. 550 and above, under the time-scale scheme in the Military Accounts Departments ?

(2) How many of them are Graduates ?

(3) How many Accountants were appointed on 1st April, 1919, and how many of them were made Deputy Examiners under the time-scale scheme ?

(4) Is there any direct recruitment to the posts of Deputy Examiners ?

Mr. A. V. V. Aiyar : (1) 25.

(2) 4.

(3) 49 clerks were appointed as Accountants on the 1st April, 1919. None of them received appointments as Deputy Examiners under the time-scale scheme as that scheme did not contain any provision for the enlargement of the cadre of Deputy Examiners.

(4) Men who are not already in the service of Government are not directly recruited to the posts of Deputy Examiner.

EDUCATIONAL QUALIFICATIONS FOR THE SUBORDINATE ACCOUNTANT SERVICE
AND THE CLERICAL STAFF OF THE MILITARY ACCOUNTS DEPARTMENT.

293. * **Rai Bahadur P. V. Srinivasa Rao :** (1) Have the Government laid down any minimum educational qualification for the Subordinate Accountant Service, and the clerical staff of the Military Accounts Department ?

(2) Is it a fact that even Graduates and Intermediates are required to pass the clerical test in Arithmetic, Handwriting and Dictation for being appointed as clerks in the Military Accounts Department ?

(3) How many Graduates are there as temporary clerks in the Department ? Do the Government propose to absorb them into the Subordinate Accountant Service with a view to efficiency ?

Mr. A. V. V. Aiyar : (1) No special minimum educational qualification has been prescribed for the Subordinate Account and the clerical services of the Military Accounts Department ; but suitable departmental examinations have to be passed before admission to these services permanently.

(2) It is a fact that Graduates and Intermediates are required to pass the departmental test prescribed for appointment as clerks in the Military Accounts Department, unless the test is dispensed with in special cases in consideration of special qualifications possessed by the individuals concerned.

(3) The exact number of Graduates who are at present employed as temporary clerks in the Military Accounts Department is not readily available. Government have already issued orders providing for the absorption of especially deserving Graduates in the Subordinate Account Service under certain limits.

DISCONTENT IN THE MILITARY ACCOUNTS DEPARTMENTS.

294. * **Rai Bahadur P. V. Srinivasa Rao :** (1) Is it a fact that in the Military Accounts Departments close relations are allowed to work in the same office, and even in the same section ?

(2) Is it a fact that the Officiating Controller of one of the district offices has two of his sons in his office, and has even appointed one of them, an Accountant on Rs. 170, as Deputy Examiner on Rs. 550 ?

(3) Is it a fact that there is discontent in the clerical staff of the department that due consideration was not shown to the length of service in the introduction of the time-scale ?

Mr. A. V. V. Aiyar : (1) There are instances in the Military Accounts Department and in other Government Departments and in private firms, in which close relations are working in the same office or in the same section. No rule has been laid down by Government prohibiting such a contingency.

(2) It is the case that an officer who was officiating as the Controller of a District office has two of his sons in that office; but neither of the young men was appointed while the father held the post of Controller and the suggestion that one of them, an Accountant on Rs. 170, has been promoted to be a Deputy Examiner on Rs. 550 has no foundation in fact.

(3) Memorials have been received on the subject from the clerical staff of some of the District Controllers' offices and the matter is being investigated by the Military Accountant General.

DATE FOR CONSIDERING BILLS TO REPEAL PRESS ACTS.

295. * **Munshi Iswar Saran**: Will Government be pleased to state the probable date in this Session on which the Bill to repeal the Indian Press Act, 1910, and the Newspapers (Incitements to Offences) Act, 1908, will be brought before the Assembly for consideration?

The Honourable Sir William Vincent: I intend, if possible, to move that the Bill as amended by the Select Committee be taken into consideration on Wednesday.

UNEQUAL BENEFIT TO LOWER AND HIGHER ESTABLISHMENTS OF THE OFFICE OF THE DEPUTY ACCOUNTANT GENERAL, CENTRAL REVENUES, DELHI, UNDER REVISION OF PAY.

296. * **Khan Sahib Maulvi Abdul Quadir**: 1. (a) Is it a fact that the scale of pay of the office of the Deputy Accountant General, Central Revenues, Delhi, has been revised by grant of certain percentage of increase; (b) whether the Government laid out a principle that lower paid establishment should get a higher rate of percentage increase than higher paid establishment; if so, (c) will the Government be pleased to lay a statement on the table showing average pay (including duty allowance) drawn by a member of the clerical staff as well as of the supervising staff prior to and on introduction of revised scale; and (d) is it also a fact that percentage increase in former case, though being lower paid, is less than in case of latter; if so, (e) do the Government propose to reconsider the case of clerical staff and grant them a higher rate than that allowed to higher paid staff?

2. (a) Is it also a fact that for granting percentage increase, temporary increase of pay and war allowance was taken as part of previous pay in case of Local Fund Audit Establishment, Punjab, but excluded in case of the establishment of the Deputy Accountant General, Central Revenues, Delhi; and (b) whether this resulted in practically no immediate benefit and in certain cases in reduction of emoluments; if so, (c) do the Government propose to allow the same concession to the establishment of the office of the Deputy Accountant General, Central Revenues, Delhi?

Mr. A. V. V. Aiyar: The information asked for by the Honourable Member is being collected.

UNSTARRED QUESTIONS AND ANSWERS.

OBJECTIONABLENESS OF MONOPOLY SYSTEM OF SELLING SALT.

308. **Sardar Gulab Singh**: 1. Will the Government be pleased to state the reasons for adopting the system of selling salt through agencies in the districts?

2. Is the Government aware that public opinion is opposed to the system of monopoly as it is unsatisfactory and unbusinesslike ?

3. Do the Government propose to take steps to abolish this system or substitute it by some other competitive system ?

4. Is the Government aware that the Collectors have no time to supervise the said system ?

Mr. A. C. Chatterjee: (1) The Honourable Member is referred to the answer given in reply to Question No. 696 asked by Mr. J. C. Chaudhuri at the meeting of the Legislative Assembly on the 28th March, 1921.

(2) So far as Government are aware, the system is objected to mainly by traders who by speculation and profiteering had taken advantage of the shortage of salt to raise prices. The new system has resulted in a marked fall in the retail prices of salt in a large part of the United Provinces, in practically the whole of the Punjab and in a number of Indian States.

(3) The system is admittedly only a makeshift arrangement, devised to protect the public temporarily against those who were exploiting the salt shortage. As soon as the improvements which are now in hand at the salt sources are completed and adequate supplies of salt forthcoming, it is hoped that it will be possible to abolish the agency system and revert to free-trade.

(4) The answer is in the negative.

RELAYING OF THE QASUR-PAKPATTAN LODHRAN RAILWAY LINE.

309. **Sardar Gulab Singh:** Will Government be pleased to state when the Qasur-Pakpattan Lodhran Railway line will be relaid ?

Colonel W. D. Waghorn: The Honourable Member is referred to the reply given by me to the question put by the Honourable Haji Wajih-uddin in this Assembly on the 20th September, 1921, in connection with this subject.

I can only add that every effort will be made to commence the work of relaying at the beginning of the ensuing financial year.

NEW RAILWAY LINES IN THE PUNJAB.

310. **Sardar Gulab Singh:** Will Government be pleased to state :

(a) What new Railway lines have been surveyed in the Punjab ?

(b) When and in what order of preference will their construction be taken up ?

Colonel W. D. Waghorn: (a) The Honourable Member is referred to Appendix 10 of the Administration Report on Railways in India for the year 1920-21 which gives a list of the lines projected up to 31st March, 1921. The only line since sanctioned for survey is the Sirhind Rupar Nalagarh Railway.

(b) Government are not in a position to say when and in what order of preference construction of the lines will be taken up.

RECRUITMENT OF COUNCIL REPORTERS.

311. **Mr. N. M. Joshi :** 1. Is it a fact that the shorthand writers employed for reporting the proceedings of both the Houses of the Legislature are not recruited by the Staff Selection Board? If they are not so recruited, why not?

2. Is it a fact that some of these appointments were made without any competitive examination? If so, how many, and why?

3. Is it a fact that the vacancies filled during the last two months were not advertised before examinations were held? If not, why not?

4. Is it a fact that as a result of the posts not being filled by proper competition, one community have secured a preponderating share of these posts?

The Honourable Dr. T. B. Sapru : Yes. The attention of the Honourable Member is invited to the Home Department Resolution No. 2366, dated the 15th September, 1920, on the Report of the Government of India Secretariat Procedure Committee published in the *Gazette of India* of the 18th September, 1920; Part I, from which the following is an extract :

‘In the case of Shorthand Reporters for the Legislative Council and other technical posts, these appointments will as now be made by the Head of the Department, who must have a free hand to recruit where and how he can.’

(2) Yes. One. The services of an additional Council Reporter being required urgently, an experienced stenographer from another Department was selected to fill the post as he was considered to be the man on the spot best qualified for it. He was taken on trial and has since satisfied the conditions of the Department by actual work in the Assembly itself.

(3) Yes. The Honourable Member will see from the reply I have just given to part (1) of his question that the Head of the Department has full discretion to recruit where and how he can. These vacancies had to be urgently filled and as there were a sufficient number of well qualified candidates forthcoming, a competitive examination was held without advertising the vacancies.

(4) No. Of the 13 Council Reporters, 3 are Europeans or Anglo-Indians, 2 are Jews 8 are Indians.

PAY AND PERSONNEL OF THE SUPERIOR SECRETARIAT SERVICE.

312. **Mr. W. M. Hussanally :** (a) How many Secretaries, Joint Secretaries, Additional Joint Secretaries, Deputy Secretaries, Additional Deputy Secretaries, Under Secretaries and Additional Under Secretaries were there in each of the Government of India Secretariats in 1914-15; and how many of each of them are there at present?

(b) What was the pay of each kind of appointment in 1914-15 and what is their pay now?

(c) Which of these appointments are reserved for the Indian Civil Service and which for the Provincial Civil Service and others?

(d) Of those reserved for the Indian Civil Service how many are filled by Europeans and how many by Indians?

(e) How many of those reserved for the Provincial Civil Service and others are filled by Europeans, Anglo-Indians and Indians?

The Honourable Sir William Vincent: (a), (b), (d) and (e). I am placing in the library two statements, one showing the number of Indians and non-Indians holding gazetted appointments in the Government of India Secretariat on the 1st April, 1917, and on the 1st April, 1921, and the other showing the personnel, duties and emoluments of the permanent gazetted staff employed in the Government of India Secretariat on those dates. It is hoped that those statements will serve the purpose of the Honourable Member.

(c) The appointments reserved for members of the Indian Civil Service are those stated in the Third Schedule to the Government of India Act. Appointments are not reserved for the Provincial Civil Service and other services as such.

RECOMMENDATIONS OF THE LLEWELYN SMITH COMMITTEE.

313. **Mr. W. M. Hussanally:** (a) Is it a fact that the Government appointed sometime ago a Committee known as the Llewelyn Smith Committee?

(b) If so, what were the terms of reference to that Committee?

(c) When was it appointed?

(d) What was the cost of that Committee?

(e) Have the Committee finished its labours?

(f) If so, do the Government propose to supply a copy of their report to the Members' Library? If not, why not?

(g) What were the Committee's recommendations?

(h) Which of them were approved of by Government and acted upon and which were not?

The Honourable Sir William Vincent: (a), (b) and (c). The Honourable Member will find the information he requires regarding the appointment of the Government of India Secretariat Procedure Committee in the Home Department Resolution No. 1745, dated the 12th September, 1919, which was published in the *Gazette of India*.

(d) Rs. 26,240.

(e) Yes.

(f) No. Certain parts of the Report deal with confidential matters, and it cannot therefore be published.

(g) The attention of the Honourable Member is invited to the Home Department Resolution No. 2366, dated the 15th September, 1920, which was published in the *Gazette of India*.

RESTRICTIONS ON CIVIL AEROPLANING.

314. **Mr. Saiyed Muhammad Abdulla:** (a) What restriction, if any, is observed in allowing civil aeroplaning?

(b) What steps are taken, if any, in giving publicity of the fact before allowing it in any locality?

(c) How are the airmen prevented from damaging the roofs of the houses by alighting on them and from using instruments therefrom to injure or dishonour the people below?

Colonel Sir Sydney Crookshank : (a) The restrictions governing Civil Aviation will be found in Act XVII of 1911, as amended by Act XVI of 1914, and the rules made thereunder as published in the Indian Aircraft Rules, 1920, issued by the Government of India in Notification No. 66-C. A., dated 31st January, 1920, by the Department of Commerce and Industry.

(b) None.

(c) Attention is invited to Rule 10 of the Indian Aircraft Rules, 1920.

AEROPLANES IN INDIA.

315. **Mr. Saiyed Muhammad Abdulla :** How many aeroplanes are there at present in India including the Feudatory States, and where are they?

Colonel Sir Sydney Crookshank : Government have no information as to the number of aeroplanes at present in India, including the Feudatory States; the number at present registered under Rule 15 of the Indian Aircraft Rules, 1920 is 12.

AEROPLANES FLYING ON PRIVATE LANDS AND BUILDINGS.

316. **Mr. Saiyed Muhammad Abdulla :** Are the military men allowed to fly aeroplanes on private lands and buildings?

Sir Godfrey Fell : Military aeroplanes are permitted to fly over private lands and buildings. There are, however, executive orders in force which forbid pilots to fly low over places of worship or sacred localities.

AEROPLANES IN THE POSSESSION OF THE UNIVERSITY CORPS, TERRITORIAL AND AUXILIARY FORCES.

317. **Mr. Saiyed Muhammad Abdulla :** Do the members of the University Corps, Territorial and Auxiliary Forces possess any aeroplanes? If so, where are they kept?

Sir Godfrey Fell : There are no aeroplanes on charge of units of the Auxiliary and Territorial Forces.

AEROPLANES IN MILITARY USE.

318. **Mr. Saiyed Muhammad Abdulla :** How many aeroplanes are in military use and where are they kept?

Sir Godfrey Fell : There are 6 squadrons at present in the Royal Air Force and the number of aeroplanes in each squadron varies from time to time.

The squadrons are located at Quetta, Risalpur, Kohat, Peshawar with schools and depôts at Amballa, Lahore and Karachi.

AEROPLANES WITH THE POLICE.

319. Mr. Saiyed Muhammad Abdulla : Are the Police allowed the use of the aeroplanes and, if so, how many are used by them and where are they kept?

Colonel Sir Sydney Crookshank : The reply to the Honourable Member's inquiry is in the negative.

RESTRICTIONS ON THE SALE OF SCIENTIFIC INSTRUMENTS WHICH MAY BE USED FOR TORTURING THE PEOPLE.

320. Mr. Saiyed Muhammad Abdulla : Is there any restriction in allowing the sale and purchase of the scientific instruments, such as batteries, etc., which may be used in torturing the people? If not, do the Government propose to consider the desirability of allowing the above only under the licenses of the District Officers?

Mr. H. Sharp : There is no restriction on the sale and purchase of electric batteries. In the absence of precise information regarding the nature of the other scientific instruments which the Honourable Member alleges may be used in torturing people the Government of India are unable to give any information. There is no information before the Government of India which would lead them to consider the desirability of allowing such sale and purchase only under the license of District Officers.

CIVIL AEROPLANING UNDER THE LICENSES OF THE DISTRICT OFFICERS.

321. Mr. Saiyed Muhammad Abdulla : Do the Government propose to consider the necessity of allowing aeroplaning after giving publicity of the fact to the people of the locality concerned and permitting civil aeroplaning under the licenses of the District Officers?

Colonel Sir Sydney Crookshank : As already stated, Civil Aviation is governed by the Indian Aircraft Rules, 1920, by which the registration of aircraft and the licensing of personnel is reserved to the Government of India. It is not proposed that this power should be granted to District Officers.

PROJECTED RAILWAYS IN ASSAM AND PROBABLE RETURNS.

322. Rai G. C. Nag Bahadur : With reference to Appendix 10 of the Railway Administration Report for 1920-21, will the Government kindly state which of the projected railway lines in Assam were, as a result of the surveys, found to promise a return on capital expenditure sufficient to cover interest charges?

Colonel W. D. Waghorn : The information is being collected and will be furnished to the Honourable Member as soon as possible.

EXPENDITURE ON LOCOMOTIVE AND CARRIAGE AND WAGON DEPARTMENTS OF RAILWAY SYSTEMS IN INDIA.

323. Rai G. C. Nag Bahadur : Will the Government kindly lay on the table a statement shewing, for the latest year for which accounts are available,

the total expenditure in the Locomotive and the Carriage and Wagon Departments of the different railway systems in India and the pay per mensem of the Chief Accountants or other officers discharging the functions of Chief Accountants employed for those Departments ?

Colonel W. D. Waghorn: The total expenditure in the Locomotive and Carriage and Wagon Departments of the different railway systems in India for the year 1920-21 will be found in Appendix 6 of Volume II of the Railway Board's Administration Report on the Railways in India for 1920-21, copies of which are available in the Library of the Legislative Assembly.

The information in regard to the pay per mensem of the Chief Accountant or other Accounts Officer discharging the functions of Chief Accountants especially employed in connection with the Accounts of the Locomotive and Carriage and Wagon Departments has been called for from Railway Administrations and will be furnished to the Honourable Member when received.

FOODSTUFFS STOCKED FOR SUPPLY TO TROOPS OVERSEAS DURING THE GREAT WAR AND LOSS THEREBY.

324. Rai G. C. Nag Bahadur: Will the Government kindly state whether any foodstuffs were purchased and stocked by them for supply to troops overseas during the last Great War? If so, whether there were any losses due to deterioration, condemnation, loss, etc., and, if so, what was the amount involved and how was it adjusted ?

Sir Godfrey Fell: The answers to the first two parts of the question are in the affirmative.

With regard to the third part, it would be impossible to state, with anything approaching accuracy, the amount involved by such losses. Every unavoidable loss of this kind, occasioned by war conditions, was borne by His Majesty's Government.

APPENDICES TO RAILWAY ADMINISTRATION REPORTS.

325. Rai G. C. Nag Bahadur: Will the Government kindly lay on the table, when available, a statement shewing the description of the Appendices to the Annual Railway Administration Reports which have been omitted or modified since 1905 and the reasons for such omissions and modifications ?

Colonel W. D. Waghorn: The information asked for by the Honourable Member is being collected and will be furnished to him as soon as ready.

CONCESSIONS TO AND BY THE POSTAL DEPARTMENT IN RELATION TO RAILWAYS WITH WHICH GOVERNMENT CAN HAVE NO CONTRACTS

326. Rai G. C. Nag Bahadur: With reference to the answer given on 31st January, 1922, to my Question No. 123, will the Government kindly state the position as regards concessions to and by the Postal Department in relation to the railways with which Government can have no contracts, *viz.*, the Eastern Bengal, the Oudh and Rohilkhand and the North-Western Railways ?

Colonel Sir Sidney Crookshank: Payments made to State Railways are governed by orders passed from time to time by His Excellency the Governor General in Council.

COMPANY MANAGEMENT OF RAILWAYS IN THE UNITED KINGDOM.

327. Rai G. C. Nag Bahadur: Is it a fact that the railways in the United Kingdom are owned and worked by Companies and that the Government there has no direct financial interest in those railways?

Colonel W. D. Waghorn: The reply is in the affirmative. Government understand that the British Government have no financial interest in the railways in the United Kingdom which are owned and worked by companies.

LIBRARY OF THE INDIAN LEGISLATURE.

Mr. President: I have to acquaint the Assembly that various questions relating to the Library of the Indian Legislature have arisen from time to time for which it seems desirable to have a small consultative Committee of both Chambers. The Committee will be nominated by the Presidents of the two Chambers, and I propose to ask Mr. Samarth and Mr. Ginwala to represent this Chamber upon that Committee. I understand both these gentlemen are willing to serve, and, as this House will realise, I have nominated them not only in their personal capacity but in their representative capacity in their respective Parties.

Munshi Iswar Saran (Cities of the United Provinces : Non-Muhamadan Urban) : What about those who do not belong to any Party ?

MOTION FOR ADJOURNMENT.

Lala Girdharilal Agarwala (Agra Division : Non-Muhamadan Rural) : Sir, I move for leave for the adjournment of the business of the Assembly for the purpose of discussing a definite matter of public importance, namely, the news that Sir Henry Wheeler has been nominated for the post of Governor of Bihar and Orissa in succession to the Right Honourable Lord Sinha of Raipur. Sir, this news was received only yesterday and I submit that it is a matter which requires immediate discussion in this Honourable House. The policy that was announced on the 20th of August, 1917, was of the increasing association of Indians in all the highest Services. The Right Honourable Lord Sinha of Raipur was the first Indian Governor, and it was hoped that the policy would be to increase the number of Indians for such high posts day by day. Now we find that with the resignation of Mr. Montagu the policy appears to have been altered and is in contravention of the announcement of the 20th August, 1917.

Mr. President: I have received no information to that effect, and I would ask him whence he has received the information.

Lala Girdharilal Agarwala: The source of my information is a note in the '*Leader*' of Allahabad.

Mr. President: Is the '*Leader*' of Allahabad responsible for the appointment of this person? (Laughter.)

The Honourable Sir William Vincent (Home Member) : May I say, Sir, that we have received no official information at all regarding this appointment. (Laughter.)

Mr. President: I am not sure that I understand the grounds on which this matter is brought before the Assembly.

THE BUDGET—THE INDIAN FINANCE BILL.

FINAL STAGE.

The Honourable Sir Malcolm Hailey (Finance Member) : Sir, I beg to move :

‘ That the 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, be taken into consideration.’

Sir P. S. Sivaswamy Aiyer (Tanjore *cum* Trichinopoly: Non-Muhammadan Rural) : Sir, under the Standing Orders this is the appropriate time for a discussion of the principle of the Finance Bill and its general provisions. I consider it necessary that we should at this stage indicate the attitude that the non-official Members of the Assembly propose to take towards the new measures of taxation contained in the Bill and the reasons which compel them to adopt that attitude. These proposals for fresh taxation are mainly the result of the enormous burden of military expenditure which is sought to be imposed upon the country. (Hear, hear). This expenditure has been the subject of universal criticism. Public opinion has expressed itself in no uncertain tones and the demand is strong and insistent that the expenditure of the Central Government, both on the civil and on the military side, should undergo a substantial retrenchment. During the discussion on the Demands for Grants in the last week attempts were made by the Assembly to effect a reduction of the expenditure on the civil side to the extent of about 5 per cent. This, however, will go but a short way and, unless the question of retrenchment of the military expenditure is seriously and immediately taken in hand, there is no prospect of any substantial relief from the burden of taxation. Financial expedients may and will, I am sure, be suggested by those versed in financial operations for the purpose of tiding over the crisis in the present year. Proposals to utilise the interest on the Paper Currency Reserve, to transfer a portion of the revenue expenditure to the capital account and other expedients of a similar character have been and will be suggested and receive the careful consideration of the Government. But expedients of this character can only afford temporary relief. The only method of making both ends meet is for the Government to cut down its expenditure to limits commensurate with the tax-paying capacity of the people. In view of the remarks which fell the other day from His Excellency the Commander-in-Chief and of the technical character of the subject, it may be considered a piece of great temerity for a layman to put forward proposals for a reduction of the military expenditure; but the layman also has his duty to discharge, and I wish to submit some concrete suggestions for the curtailment of military expenditure in the hope that they will receive the consideration of the Government. It is because the non-official Members deem it possible to effect such curtailment that they consider themselves bound not to accede to all the proposals for taxation which are embodied in this Bill. We do not wish to deny that the scheme of reorganisation of

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the Army which is being carried out by the Government represents a much higher standard of efficiency than what obtained before, and that it is desirable that the Army should attain the greatest possible efficiency. I have always been an advocate of efficiency and the Party to which I belong stands for economy without impairment of efficiency, but there is a limit to the standard of efficiency attainable imposed by the economic conditions of the country. If the normal revenues of India could afford to pay for the attainment of the highest standards of efficiency, it would be worth her while to do so. But we have to take note of the fact that the main heads of Indian revenue are few and inelastic. Having regard to the fact that the amount of military expenditure has been more than doubled within the last few years, it is our duty to consider how far army expenditure can be cut down without any material loss of efficiency. I will offer my remarks later on with reference to the various heads of military expenditure with regard to which a substantial reduction should be attempted.

Let me preface my remarks by stating that I do not wish to propose any reduction in the numerical strength of the main fighting units, but the Ancillary services, Departments and Staffs stand on a somewhat different footing and are capable of reduction.

Compared with the pre-war figures of the Standing Army, the post-war figures show an increase under the head of Engineers (S. and M.) of 43 British officers, 136 British other Ranks and 3,180 Indian Ranks over the numbers maintained before the war or roughly 66, 40 and 60 per cent. increase, respectively. Similarly, the head Army Signal Service shows an increase of 130 British officers, 1,529 British other Ranks, 2,920 Indian Ranks or 600, 850 and 800 per cent., respectively, of the pre-war strengths. These increases are not explained in the estimates for this year or the next year, nor is it at all clear what necessary purposes the increases provide for. The above increases exclude the additional strength for Aden and Persia, but perhaps they include additional strength for Waziristan. If this is the explanation, some part of the increases must be temporary and the rest should be reduced, but if the increases are not accounted for by the operations in Waziristan, then those under Engineers should be cut down and the strength of the Engineers should be reduced by one third to the pre-war figure, thereby effecting a saving of 25,84,200. Similarly, if the increase under Army Signal Service is not temporary and due to Waziristan operations, the strength should be reduced to one-fourth, thereby effecting a saving of 69,87,000. The war has doubtless led to great developments in signalling, but the Assembly ought to be satisfied that the huge increases under this head are really essential before providing funds by taxation. While there has been no extensive change under the head Animal Transport from the pre-war figures, a large establishment has been formed for Mechanical Transport Units at a cost of Rs. 1,13,71,000. The number of British other Ranks has been raised from 569 in the current year to 743 in the next year. No explanation is given as to how and where the Mechanical Transport is used and in the absence of such information it may be assumed that in view of the employment of Mechanical Transport, the establishment of Animal Transport may be reduced by half, thereby saving Rs. 1,09,90,000.

Mechanical Transport, unless proved to be wholly of undoubted use to the Army, should be ruthlessly reduced. It would probably be found that

excluding the requirements of Waziristan, it might be reduced by half, effecting a saving of Rs. 56,85,000. But these Rs. 1,13,70,000 do not by any means include all the expenditure under Mechanical Transport. There are many other items of expenditure in connection with Mechanical Transport which have to be tracked through the bewildering maze of the Budget in its novel form in different nooks and corners. The full figures of the Mechanical Transport expenditure, excluding Aden, are given under various heads :

	Rs.
Mechanical Transport Units	11,37,100
Central Mechanical Transport School	4,28,000
Recurring expenses of Mechanical Transport attached to Arsenals and Ordnance Depôts	16,090
Central Mechanical Transport Stores Depot	4,73,000
Reserve vehicle park	2,70,000
Mechanical Transport Shipping section	14,000
Base Mechanical Transport Workshops	32,53,000
Technical Inspector of Mechanical Transport Stores	95,000
Deputy Director of Mechanical Transport	25,000
Assistant Directors, Mechanical Transport	22,200
Deputy Assistant Director	15,600
Staff Captain Mechanical Transport	12,000
Mechanical Transport Stock account	12,00,000

The whole will give us about Rs. 2,62,46,200.

I will suggest later on the scrapping of several of these items in due course.

The Medical Service shows a great increase in personnel over the pre-war strength, an increase which has taken place in spite of the reduction of the fighting units. Excluding sub-assistant surgeons, there is one doctor for every 312 officers, men and followers in India. Assuming that the daily average of sick is so high as 10 per cent., there is one doctor, excluding sub-assistant surgeons, to every 31 patients, which seems rather a high proportion. In 1913-14, the Medical Services, excluding Medical Stores, cost Rs. 58,75,000.

The corresponding head in the estimates for 1922-23 appears to be Working Expenses of Hospitals which amounts to Rs. 318 lakhs odd (excluding expenditure in Aden) or more than five times the pre-war expenditure. There seems to be a case for considerable retrenchment here and if the expenditure were reduced by Rs. 61 lakhs only (which is the amount of the excess over the revised estimates for the current year) it would still be more than 4 times the pre-war figure which is surely sufficient in view of the reduction of the fighting units, it being noted that the cost of Medical Stores is not included herein and that the increase therefore is not caused at all by the increase of drugs, etc. In passing I may point out that the cost of patients' diet has increased from 20 lakhs in the current year to 87 lakhs in the estimates. Surely there has not been a rise of prices to 4 times the prices of last year. I am afraid that the provisions include many an article of luxury like champagne for the British Officers and that this phenomenal increase also indicates the necessity for curtailment, 61 lakhs.

The cost of Educational and other departments of the Army is summarised on page 37 of the Estimates and details are given in the following pages Under head III-A (a) Supervising and Inspecting Staff, provision is made.

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for a Commandant for the Small Arms Schools and for an Inspector of Physical Training, and the latter is an officer on a salary of Rs. 64,200 per annum. The salaries of these officers seem to be unduly high and this head may well admit of a retrenchment of Rs. 50,000.

Staff College, Quetta. The pay and allowances of the Instructional and Administrative Staff which seems to be over Rs. 1,900 per mensem per head seem too high. A retrenchment may be effected per annum of at least Rs. 10,000.

In the case of the Small Arms schools, the pay and allowances of officers proposed for the next year are exactly double those in the current year. A saving may be effected under the head of salaries for officers of Rs. 1,50,000.

The Light Mortar and Grenade Wing at a cost of Rs. 62,280 may well be abolished. If bombing is needed in any local operations, it can be taught on the spot. The saving would be 62,280.

Mr. President : Order, [order. This is not a Bill to establish an Army.

Sir P. S. Sivaswamy Aiyer : I am only pointing out the various ways of effecting retrenchment so that it may not be necessary to make all the proposals of the Government.

Mr. President : It is legitimate on a motion that this Bill be taken into consideration to discuss those items of public policy which have contributed to the deficit, but such details as the Honourable Member is now giving are beyond the bounds of order.

Sir P. S. Sivaswamy Aiyer : I may point out, Sir, that my reason for putting forward these things is that it is not necessary for the Assembly to assent to all the proposals for taxation for the purpose of meeting the deficit. It is upon that ground that I beg to put forward these suggestions with all deference to the proposals made by the Government.

Mr. President : It is open to the Honourable Member to discuss in more general terms. He is now discussing Army estimates, which is not in order.

Sir P. S. Sivaswamy Aiyer : I thought, on the other hand, that if I merely indulged in general remarks, it may be said that I have no specific suggestions to offer.

Mr. President : It is open to the Honourable Member to fortify his general remarks with a certain number of statistics, but the detail which he is giving now go beyond the bounds of reasonable order.

Sir P. S. Sivaswamy Aiyer : Very well, Sir, I will try to avoid a reference to figures. The Physical Training Schools are on a large scale. They are intended to train British and Indian Officers and Non-Commissioned Officers as Instructors. The Staff is intended for the instruction of various officers and, considering the number of units in the Army, I may point out that the number of Instructors are far too many for the requirements, and that it is quite possible to reduce it by half.

In the case of the Cavalry School, the forage and forage allowances have risen from 55,000 in the current year to more than double or Rs. 1,29,210

in the next. This may be reduced by Rs. 24,000. The Senior Officers School may well be abolished. To save the House the trouble of listening to these details, I will mention to them the general effect of my proposals, and hand over my speech to the Government for consideration.

Dr. H. S. Gour (Nagpur Division : Non-Muhammadan) : May I rise to a point of order, Sir ? If the Honourable Member is going to hand over his written speech to the Government, we shall be deprived of the benefit of hearing it read. We feel interested as much in the details as in the underlying principles, because we believe that the principles are fortified by the details given by the Honourable Member.

Mr. President : I have already said that the Honourable Member is entitled to fortify his principle with details provided that he does not overload his speech with details which will not be in order.

Sir P. S. Sivaswamy Aiyer : As I pointed out, Sir, the Physical Training Schools are on a large scale, and they provide for far more Instructors than would be necessary for the purposes of the Army. The Staff is intended to train 177 British Officers, 378 British Other Ranks, 153 Indian Officers and 699 Indian Other Ranks, and considering the number of units in the Army, if so many Instructors are turned out, there will be an excess of Instructors. A reasonable course at schools should not exceed 6 months, in which case the excess of Instructors would be twice as great. Excluding British and Indian Officers, the Schools can turn out once a year one Instructor to every 170 British Other Ranks and one Instructor to every 207 Indian Other Ranks. One of these schools may be abolished or both cut down by half, effecting in either case a saving of about Rs. 94,875.

In the case of the Cavalry School, as I have already said, the forage and forage allowances are excessive. I propose a retrenchment of Rs. 24,000 here.

The Senior Officers School should be abolished. It is solely for the instruction of British Officers, and while it might have been a useful institution during the war, I submit that it is no longer necessary. Its abolition would save 2,87,170.

The Artillery School is a new institution costing Rs. 2,38,000, and inasmuch as this is a new institution, it may also be shut down, because, after the war, conditions have altered, and it is unnecessary now.

Armoured Motor Centre is a new institution and unnecessary. Its object can be equally well, if not better, served by training officers and men with the Armoured Motor Company. The scrapping of this will save Rs. 2,76,000.

The Central Mechanical Transport Training School is a pure extravagance and should also be scrapped, effecting a saving of 4,28,000. The proposal is to train Indian drivers of Mechanical Transport units. There is bound to be a dreadful waste of time, and supplies and damage to machinery. My suggestion is that the Mechanical Transport units should enlist drivers who have been trained and train their own drivers, instead of maintaining a costly establishment costing Rs. 4 lakhs odd.

The Supply and Transport School may also be now abolished and the cost of Rs. 84,000 saved. I have already suggested that the Animal Transport should be reduced by half and the establishment under Supplies has already been largely reduced.

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The cost of educating Military pupils at Medical Colleges is one for which there is no justification. The abolition of this will save Rs. 3 lakhs.

Under the head Army Education, I admit that it is desirable to improve the education of the soldier to make him a more useful citizen, but I contend that it is not the duty of the people of this country to improve the education of the British soldier who leaves this country on the termination of his service. The country in which he spends the greater part of his life after his service benefits from his improved education and not India. Therefore, the cost of measures intended to improve the education of the British soldier should be paid by the Home Government. If this principle be adopted, the cost of Garrison, Regimental and Detachment Schools for British troops, *viz.*, 16,12,040, and the cost of the School of Education (British Wing) Rs. 1,84,000, would be saved to the Indian revenues. For Army Education, the Supervising and Inspecting Staff costs Rs. 3,41,000. The cost of this staff in so far as it is for the inspection of schools for British troops should be borne by the Home Government. The number of schools to be inspected is not given but it would perhaps be found that there is no full time inspection and supervision work for 27 British and Indian Officers and 25 British soldiers provided in the estimates. The staff should be reduced to half and the cost to Rs. 1,70,680. Schools for British troops cost Rs. 17,96,370 while those for Indian troops cost Rs. 5,69,580. The Lawrence Military Asylums are excluded from the cost of British Troop Schools, because the children there educated are generally domiciled in India. On the proportion given, the Home Government should bear three-fourths of the Supervising Inspecting cost and the Indian Government one-fourth. This would result in the cost to the Government of India being reduced to Rs. 42,670 and the consequent saving will be Rs. 2,98,690.

Then, Sir, the provision for schools for the education of Indian troops is not excessive, but it is not understood why so much as 1,68,660 is provided for travelling allowances and incidentals. This figure can be reduced by 100,000. There is one item under these estimates which occurs again and again, and that is travelling allowances and incidentals. This sum is really enormous and I suggest in various places that the amount of these travelling allowances and incidentals should be reduced by a very considerable amount. For instance, take the Lawrence Royal Military School. This item amounts to Rs. 1,21,000. I suggest a reduction of Rs. 50,000. The school of education, Indian wing which is a training school for teachers may be dropped till funds can be provided in better times. The particular object of the school can be attained by training teachers regimentally and the saving will be 1,26,080.

Then, Sir, with regard to Arsenal, Ordnance Depôts and Mechanical Transport, what I submit is that some effort should be made to reduce this expenditure, and I suggest that out of the cost of 15 lakhs for the current year's estimates, at least 10 lakhs ought to be saved. It is a technical subject and I do not wish to go into it but it may be suggested that in consideration of the reduction of the fighting units, the expenditure should not exceed twice the pre-war expenditure. Moreover, the Mechanical Transport should be abolished or if some of this can be proved to be necessary, the expenditure should be heavily reduced.

Then we come to Clothing Depôts and Supply Depôts. The travelling allowances and incidentals amount to 11 lakhs and I suggest that it may be cut down by at least six lakhs. The travelling allowances and incidentals under Medical Stores Depôts and Veterinary Stores are much too high and should be limited to 1 lakh, thus saving Rs. 68,600. Veterinary Hospitals are estimated to cost 26 lakhs and odd. There has been a reduction in the cavalry units compared with the pre-war figures. There must be a corresponding reduction of veterinary establishment. Reduction of the mounted units by half should reduce the cost of Veterinary Hospitals by half, saving Rs. 13,49,500.

Then, Remount Depôts cost 53,94,000 including Rs. 36,36,500 for food of animals and expenses of cultivation, Rs. 2,82,000 for travelling expenses and incidentals and Rs. 3,09,200 for fuel, light, etc. The excess over the current year under the heads of transport charges maintenance and fuel amount to Rs. 6,75,000 and out of this sum at least half or 3 lakhs ought to be saved.

Cavalry British and Indian British Artillery and horses have, I understand, been reduced by about half and the Remount Depôt may therefore be presumably reduced by half. If so, a sum of Rs. 26,97,000 can be saved. The horse and mule breeding operations cannot be considered as justifying their cost, if the number of animals bred and supplied to the Army is not given. These operations should pay for themselves or be otherwise discontinued and the expense of Rs. 12,18,000 may be saved. The Central Mechanical Stores Depôt cost Rs. 4,73,000. This, I submit, should be scrapped unless it can be proved that it has saved its cost to Government. It would probably be more economical for units to purchase their own stores. If it is scrapped, the saving would be Rs. 4,73,000. Even if this is not done, at least, 1 lakh out of the excess over the current year may be saved.

The Reserve Vehicle Park which costs Rs. 2,70,000 should be abolished, the Reserve vehicle being kept with the units concerned. Even if the Reserve Vehicle Park is not abolished, the excess of Rs. 67,000 at least over the current year should be saved. The Mechanical shipping section is perfectly superfluous and the work can be done by deputing officers and men from the units concerned. This would save Rs. 14,000. We now come to the Manufacturing Establishments. The total expenditure is shown as Rs. 1,06,08,000 and the receipts are estimated at Rs. 79,75,000 leaving a loss or net expenditure of Rs. 29,68,000. My position is that these manufacturing establishments ought to be worked on a commercial basis and should pay their own way and ought not to be a burden on the tax-payer. It is believed that the Base Mechanical Transport Workshops are largely employed in rebuilding cars suitable for work and if so a profit should be made by these workshops. If the manufacturing establishments are worked in a business-like way, the loss of 26,33,250 should be saved. Turning to the Stock Account Ordnance Equipment I find that there is a net cost of Rs. 77,85,200 representing additions to equipments and so on (Head H), and there is a net cost of 12 lakhs representing additions to vehicles. What is the need for purchasing 77 lakhs and odd worth of ordnance and miscellaneous stores and 12 lakhs worth of Mechanical Transport vehicles beyond the requirements of the next year? I suggest a reduction of 89,95,200 under this head. Then Inspection of Stores is a head including several items. Technical Inspectors of Mechanical Transport

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Stores cost Rs. 95,000 and may be abolished. Running expenses of motor vehicles amount to Rs. 19,200 and the travelling allowances to 11,300. Even if the whole section is not scrapped, Rs. 15,000 out of the total excess of Rs. 25,000 over the current year may be saved. The military food laboratory which costs Rs. 86,000 may be scrapped and the analysis required conducted by civil laboratories. At any rate, out of the excess of Rs. 20,000 over the current year, Rs. 15,000 may be reduced. Inspectors of Equipment and General Stores costing Rs. 1,85,550 may be cut off. The inspection necessary can be done by the Staffs of the Army Clothing Department and the Ordnance Department. The Inspector of Remounts costing Rs. 54,700 may also be abolished, as this is a new department. Then the Recruiting Staff costs Rs. 3,46,000 and the travelling and incidental allowances amount to Rs. 1,05,199. That, I submit, is much too high and the excess of Rs. 46,000 over the current year may be saved. Supply and Transport Record Office and the Veterinary Record Office which cost respectively Rs. 2,61,000 and 5,000 are new institutions which should be abolished. No other Department has got a separate Record Office, and there is no reason why the Supply and Transport or the Veterinary Department should have a record office, but not the medical, educational, etc. The records can be more economically kept in the original offices, and the cost of Rs. 2,69,000 saved. I have finished my detailed criticisms. I now come to the Army Headquarters. I find it is an exceedingly delicate and difficult subject and I do not wish to make any impious suggestions dealing with that Department. All I would say is that there has been an increase under this head over the pre-war establishment of 83 per cent. of British officers and 600 per cent. of civilians and this in spite of a reduction of fighting units. Now, one cannot help feeling that in view of the decentralisation effected by four Army Commands and the reduction in the pre-war strength of the Army there ought to have been some proportionate reduction from the pre-war establishment of this branch. One can not help feeling that like many other departments of the Government of India, the Army Headquarter is much too top-heavy. The Railway Transport Staff is unnecessary and may be scrapped, unless it is required for Waziristan, but that does not enter into the sum of 4 lakhs and odd provided under this head. This will effect a saving of Rs. 4,85,800. The temporary staff employed in the Board of Industries and Munitions which cost Rs. 2½ lakhs may be reduced by 1 lakh, Motor charges for District and Brigade Commands and Staff Commands amount to 8,21,060. There ought to be a reduction of at least 3,00,000 on this item. Coming to the Air Force, the staff costs in proportion to the army three times as much. The staff of the Army costs $\frac{1}{8}$ th of the cost of the maintenance of the Army and $\frac{1}{30}$ th of the total cost of the Army, whereas in the case of the Air Force it costs one-ninth of the cost of the maintenance of the Air Force and $\frac{1}{15}$ th of the total cost of the Air Force. I suggest a reduction by one half. The saving will be Rs. 4,24,250. Then there is a charge of 10 lakhs for Aden operations which I do not understand, and I suggest that it may be kept at the present figure of 10 lakhs for the year. Under the Head Miscellaneous Charges there is a lump provision of 20 lakhs for sundry charges which may be cut off. These various suggestions which I have made in the course of my speech which I propose to hand over to the Honourable the Finance Member come to Rs. 5,86,97,195 or 5,81,21,195 or a little more, and in these suggestions I have proceeded on the principle

of cutting off luxuries of organisation and not on the policy of Indianisation, a policy which is necessary not merely for satisfying the just desire of the people for self-reliance in the matter of defence, but is absolutely essential in the interests of sound finance and the moral and material progress of the nation. I am well aware that it may be said and said with great force that the present juncture is not opportune for any considerable replacement of the British element by the Indian. No one can detest the non-co-operation movement more than I do or deplore its baleful reaction upon the problem of military organisation. But are we not entangled in a vicious circle of increased military expenditure, increased taxation and rise in the cost of living, increase of discontent and again increase of military expenditure? I do not belong to the school which suspects the military authorities of ambitions of their own for professional glory. Knowing, as I do, His Excellency the Commander-in-Chief, I can confidently assert that his one and supreme object is the safety of India and the improvement of the efficiency of the Army to the highest practicable pitch. It is absurd to suppose that financial considerations occur to the mind only of the non-official critics of the Government or do not occur to or appeal to His Excellency. Naturally His Excellency feels that his office imposes on him the responsibility of suggesting to the civil Government the measures necessary for the absolute ensurance of the security of the country. He feels that he cannot as military adviser afford to take any risks, but we have now reached a point when it must be allowed that differences of opinion are reasonably possible. I appeal from His Excellency the great General to Lord Rawlinson the statesman to consider and give due weight to the reaction of the burdens of military expenditure and taxation on the political situation. Let the Government take its courage into its hands and go in boldly for announcing a policy of substitution of the Indian for the British element and as an earnest of its intentions replace 10 British units in the next year. This alone will effect a saving of about 135 lakhs. Let them also replace the British civilians and artificers in the administrative and ancilliary services of the Army as soon as suitable Indian personnel can be found and trained and in so far as it is possible to do so under existing contractual obligations.

I believe, Sir, that the announcement of such a policy will pour oil on the troubled waters and bring back the mind of the masses to a condition of sanity. The course I suggest may not represent the highest ideal of military efficiency which His Excellency may desire, but in this world of limitations encompassing human desire and endeavour on every side, are we not often obliged to be content with the second best or even the third best? We piously hope our alliance with Afghanistan may be durable. In any event the Afghan menace has passed from the acute stage. The Bolshevik regime in Russia shows signs of collapse. There is no near danger of any conflict with any European power. With the world powers reducing their armaments and the statesmen of every country endeavouring to make war impossible in the future there can be no need for India to have a greater army than is absolutely necessary to safeguard the frontiers, and maintain the internal security and it should be the constant effort of the Government to prune down the army and bring its cost down as near as possible to the pre-war cost. The difficulties in the way of carrying out these are immense and to a very considerable extent insuperable. In the

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meantime, something must be done to avoid extravagance, to reduce and abolish unessential establishments and expenditure. For Heaven's sake, do not play into the hands of the political agitator who is sure to exploit the burden of military expenditure as calculated to keep the nation down under an everlasting load and send the constitutional reforms to a watery grave.

The Honourable Sir Malcolm Hailey : I deem it fitting that I should reply at once to the suggestions that have been put forward by Sir Sivaswamy Aiyer, in a spirit that was, I think, intended to be entirely helpful not only to this Assembly but to Government. I should like, if I may, to pay a tribute to the breadth of view and of judgment that his speech has evinced. It is easier perhaps for me to reply on behalf of Government, because His Excellency the Commander-in-Chief is not here himself; and for two reasons. The first is this. The decision to put forward a Military Budget of 62·18 crores was after all the decision of Government as a whole. It was not forced on us by the Commander-in-Chief and it does not represent the views of any one Member of Government. I have explained elsewhere that when a decision of this nature has been arrived at by a united Government, the Members of that Government must stand by as a whole. It is not open for me as Finance Member to say that that expenditure is in any way excessive and must be reduced. It is not open to His Excellency the Commander-in-Chief to represent that that expenditure is inadequate and must be increased. The decision, I repeat, was that of Government, and the point on which we took our stand, after the most careful and the most anxious consideration of the many details which compose the Military Budget, was that we could not see our way to a reduction, unless we reduced the number of combatant troops. Now that is the point which makes Sir Sivaswamy Aiyer's speech so interesting at this moment. He himself does not advocate a reduction in the present number of combatant troops. He points out to us a very large number of instances within the Army Budget itself in which he believes that economy and retrenchment would be possible without a reduction of combatants. Let me say first that I think his speech affords ample proof that we have not starved the Assembly of information regarding the composition of our forces or the cost of each individual item.

Rao Bahadur T. Rangachariar (Madras City : Non-Muhammadan Urban) : He had other facilities.

The Honourable Sir Malcolm Hailey : I am not aware that Sir Sivaswamy Aiyer, in the figures that he has presented to us, had any facility which was not open to every Member of this Assembly. When I heard on an earlier occasion that although the Governor General has opened for discussion all questions relating to the Army Budget, yet the Assembly is not able to discuss it because full information has not been placed in its hands for the purpose, I knew that I should not have to await long for a practical refutation of that suggestion.

Sir P. S. Sivaswamy Aiyer : May I say a word by way of personal explanation with reference to the insinuation by Mr. Rangachariar? Let me assure my friend that there is not one word in my speech or one statement of fact which I have not taken from published records.

• **The Honourable Sir Malcolm Hailey :** The refutation, Sir, is confirmed. While I am on this point, namely, whether as a matter of fact we could not have made a large number of reductions within the details of our current Military Budget without reducing combatant troops, I may state that we discussed this question at great length with the Commander-in-Chief. Again let me say that my task is made the easier this morning by the absence of the Commander-in-Chief, because I on my part should also like to add my testimony to the tribute which has been paid by Sir Sivaswamy Aiyer to the fact that Lord Rawlinson is capable of envisaging these problems not only as a soldier but as a statesman. Of the many soldiers with whom I have been connected, I have seldom met one who is more willing to recognise that there are other problems affecting the State than the mere problem of maintaining a sufficient army, and that there are other aspects to the question than that of military efficiency pure and simple. I can bear testimony also to this that he has been an advocate not of a forward military policy at all costs and at all risks, but merely of attaining the maximum efficiency within the Army as it now exists. Now the President has ruled that any discussion in detail of these figures would be outside the scope of this morning's programme, and much as I should like to justify some of the figures that we have placed in the military budget on account of the various items to which Sir Sivaswamy Aiyer has alluded, I shall refrain from doing so. I have another and a good reason. It is this—that we have, as I have assured the House before, been attempting for some time to arrive at arrangements in connection with our proposed Retrenchment Committee which would give it a really authoritative constitution, and we are not without hope that we may arrive at such a constitution as will enable us to charge that Committee to go into certain details of military as well as civil expenditure. If we succeed in our purpose, then Sir Sivaswamy Aiyer's speech or his memorandum, will be a valuable document for the consideration of the Committee. With that, Sir, I shall leave the matter. I hold out to the House the hope that some at least of these items to which Sir Sivaswamy Aiyer has referred will be considered by a body so composed that the House itself and the country at large will be able to accept its opinions as authoritative.

Mr. President : The question is :

‘That the 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, be taken into consideration.’

The motion was adopted.

Rao Bahadur T. Rangachariar : May I suggest that this (clause 1) may wait till after we have discussed the substantive portion, because my amendment is only consequential.

Mr. President : The question is that the consideration of clause 1 be postponed.

The motion was adopted.

Mr. N. M. Joshi (Nominated : Labour Interests) : I beg to move :

‘That in line 10 of clause 2 of this Bill for the words ‘two rupees and eight annas’ the words ‘one rupee and four annas’ be substituted.’

Rao Bahadur T. Rangachariar : May I know what amendment this is?

Mr. N. M. Joshi : No. 25.

Mr. R. A. Spence (Bombay : European) : May I know in what order the amendments are taken up? There is no reference in the printed documents which we have in hand.

Mr. President : The Title and the Preamble to the Bill come last. Therefore the amendments on the first page cannot be moved just now. When I called upon Rao Bahadur Rangachariar to move his amendment to clause 1, he made a reasonable suggestion to postpone. In items 13 to 24 the motion that clause 2 be omitted is unnecessary—in fact it is not allowed by the Standing Orders—and therefore we come to item No. 25 where Mr. Joshi desires to substitute the words 'one rupee and four annas' for the words 'two rupees and eight annas' in the clause imposing the enhanced salt duty.

Mr. N. M. Joshi : My intention in moving this amendment is that the proposed increase in the salt duty should not be allowed by this Assembly. Sir, when I spoke during the Budget discussion, I gave in a very few remarks my reason why the salt tax itself is an obnoxious tax altogether. It is a tax that falls upon every man, woman and child without any consideration of their ability to pay it. I also showed that in India the average income of a man is not more than Rs. 35 a year, and that income is hardly sufficient to maintain one person throughout the year. As long as this state of things lasts, I think it is absolutely wrong to suggest a tax which will indiscriminately fall upon all people. I do not object to those people who can pay some tax being taxed; but we must always draw a line below which no man should be asked to pay any tax; and I think that unless we do that, the tax is bound to fall upon those people upon whom it ought not to fall at all. Sir, when these proposals for taxation are generally considered, it is said it is but fair that the tax should fall upon the consumer. I do not quite understand why it is considered fair. The money that is required is required for the work of the State, and the tax-payer is made to pay because he is protected by the State. But it is not a fact that the protection which the State affords is given in increasing proportion according to the wealth that a man possesses. If that fact is true, I think the taxation must fall in an increasing degree upon the richer people. Sir, moreover, if it is said that every consumer should pay a tax, I should like to know whether this House is willing to give representation to every consumer outside this House whether he has educational and property qualification or not. As long as that is not conceded, I do not think it is fair that every consumer in the country, irrespective of his ability to pay, should be taxed in any way. We have not yet got any proposals in this House under which every consumer will be given a representation in the administration of this country, because it is felt that every consumer, in the first place, does not deserve it, and in the second place that the consumer may not be able to take part in the administration. On this ground also I feel that it is not right to put a tax upon every consumer irrespective of his ability. Judging from this point of view, the salt tax, which falls upon every person,—man, woman and child—is an unfair tax altogether.

Sir, salt is required by all persons as an article of food. Upon the quantity of salt consumed, to some extent, the health and the strength of a man depends

Sir, when the Honourable Finance Member spoke about the salt tax, he only showed that the incidence of the salt tax will not be very large, but he did not show whether this tax will reduce the consumption or not. I believe that if this salt tax is doubled, the consumption of salt in India will be reduced to some extent at least. This has been the experience of past years. When the salt tax was gradually being reduced, the consumption had increased. Moreover, the consumption of salt last year was, as has been pointed out, 12 lbs. per person in India. It has been also found by people who have studied the subject that the minimum quantity of salt that is necessary for a man to keep him in health and strength is at least 20 lbs. That is, in India every person consumes 8 lbs. of salt less than he ought to. Under these circumstances, I do not think that the Government is justified in doing anything which will reduce the consumption of salt in this country. I therefore urge upon this House that the salt tax, the increase of the salt tax, should not be allowed by them in the interests of the people in this country, especially in the interests of those who have not got the ability to pay any tax. Sir, it is also said that the poor people must pay some tax. But is it maintained by anyone that the salt tax is the only tax which falls upon the poor man? A large part of the indirect taxation also falls upon the poor man in proportion to the articles which he consumes. He pays several other taxes. The land tax falls upon the poor man, and all the local taxation falls upon the poor man. It is indirectly a tax on grain, which everyone has to consume. Therefore, the salt tax is not the only tax that falls upon the poor man; and I therefore feel that the Government is not justified in levying this taxation at all, and there is the least justification for increasing a taxation which is already very heavy.

With these words, I recommend my amendment for the support of the House.

Mr. Harchandrai Vishindas (Sind : Non-Muhammadan Rural) : May I inquire whether there is any difference in effect between the amendment of Mr. Joshi and the other amendments asking for the deletion of the whole of clause 2?

Mr. President : Amendment moved :

'That in clause 2, line 10, for the words 'two rupees and eighs annas' the words 'one rupee and four annas' be substituted.'

Rao Bahadur T. Rangachariar : Sir, I rise to a point of order. You will, Sir, see that the effect of clause 2 of this Bill is to amend the old Act, Act XII of 1882. The effect of Mr. Joshi's amendment will be to restore or rather to leave the old Act standing as it is.

Mr. President : I had to proceed on the assumption that the amendment was not the same as an amendment to omit clause 2. I am prepared to hear the Finance Member.

The Honourable Sir Malcolm Hailey : Sir, as always, I speak with diffidence on what seems to be a legal point. But it appears to me that, if clause 2 were omitted, we should simply fall back upon the existing procedure. That is, the rate of salt tax would be fixed by executive order under the existing Salt Act.

Rao Bahadur T. Rangachariar : Subject to a maximum.

[Sir Malcolm Hailey.]

The Honourable Sir Malcolm Hailey : Yes, subject to a maximum. I may explain that we considered it undesirable that we should proceed by executive order in a matter of such importance to the House and to the country at large. We, therefore, proposed to place in our Finance Bill a clause which would have the effect of laying down the rates for the coming year, instead of our fixing it by executive order. If clause 2 is removed entirely, then we return to action by executive order ; though I need hardly assure the House, that, having once placed the matter before them, we should be guided by exactly the same considerations as we should were the matter decided on this proposal for legislation.

Mr. Harchandrai Vishindas : Could the Finance Member kindly tell us whether the Government have power to enhance the rate without this Bill being passed.

The Honourable Sir Malcolm Hailey : Yes, Sir. We can at present enhance the rate within the maximum, which is Rs. 3 per maund.

Mr. N. M. Samarth (Bombay : Nominated Non-Official) : Sir, I take it that, having regard to section (3) of clause 1 of the Bill, namely :

' Sections 2, 5 and 7 shall remain in force only up to the 31st day of March, 1923,'

it will be open to the Assembly to make any changes it likes in the rate when the Bill comes before us next year.

Rao Bahadur T. Rangachariar : In clause 2 of the Bill Government propose to substitute Rs. 2-8-0 for Rs. 3. It says :

' . . . the provisions of section 7 of the Indian Salt Act, 1882, shall, in so far as they enable the Governor General in Council to impose by rule made under that section a duty on salt manufactured in, or imported into, any part of British India other than Burma and Aden, be construed as if they imposed such duty at the rate of two rupees and eight annas per maund.'

Does that mean that Rs. 2-8-0 is now to be substituted for the maximum of Rs. 3 ?

The Honourable Sir Malcolm Hailey : No, Sir. Section (7) of the existing Act reads as follows :

' The Governor General in Council may, from time to time, by rule consistent with this Act, impose a duty not exceeding Rs. 3 a maund on salt manufactured. . . . etc.'

Three rupees is the statutory maximum up to which we can exercise our powers by rule. What we propose to do here is to say that the Act shall be so construed as though we had definitely fixed Rs. 2-8-0 per maund for the coming year.

Rao Bahadur T. Rangachariar : I understand.

Mr. W. M. Hussanally (Sind : Muhammadan Rural) : Sir, salt is a commodity which is one of the chief necessities of life. The present proposal to raise the duty on this article will hard hit the poor masses. Sir, in the year 1882, when the question of reduction of the salt duty was discussed, Raja Siva Prasad said :

' Reduction in duties on salt will be regarded by the poor as a great boon. They will be able to use salt in more adequate quantities to preserve health and life.'

The present proposal is directed to removing that boon and the increase will fall so heavy on the poor masses of India, whose average income is only about Rs. 35 per annum, that they will have to curtail the use of salt which is so necessary for preserving even life. Even in England, Sir, where the average income of the people in 1882 was calculated to be £33 a year, it was considered inadvisable to tax necessary articles of consumption used by the poorest classes. It is beyond my power of thinking, how the Government here can go on raising the proposed tax on salt which is one of the main necessities of life of the poor as well as the rich. As a result of this proposed increase of salt duty, people will not only have to curtail their own consumption, but they will have to give less to their cattle which must directly effect agriculture. Sir, in this connection, I would like to quote the words of the then Honourable President of the Imperial Council, which run as follows :

‘It is contrary to public policy to maintain at a high rate a tax which has a practical tendency to discourage and interfere with the progress and advancement of agriculture.’

Another argument for the proposed increase of duty which finds favour with the Government and its advocates, is that this tax ‘presses most equally upon the poor as well as the rich.’ But this theory was exploded by His Excellency, the then Viceroy and Governor General of India, as far back as 1882. His Lordship said :

‘I admit the wealthier classes in India have always a very large number of persons depending upon them and the salt tax they pay is not a tax upon what they consume themselves only, but also upon the salt consumed by the large number of their dependants. Nevertheless, when every allowance is made for that consideration, I am at a loss to understand how it can be argued that this tax is equitable ; because, however great the number of dependants a rich man may have, it is quite impossible that the amount of salt duty he pays can bear to his revenue anything like the same proportion which the amount of duty paid by one of those poor raiyats bears to his small income.’

I then, Sir, apprehend, and correctly too I believe, that this increase in duty on salt will, instead of bringing an increase of revenue, decrease the sale of salt and thereby adversely affect the revenues of the coming year. Sir, my apprehension becomes all the more strong when I am reminded of His Honour the Lieutenant Governor’s remarks which were uttered in 1882 :

‘The reduction of the salt duty did relieve the poorer classes and strengthened the financial position very much.’

Coming to the history of the case, Sir, I find that from 1888 to 1903, the duty on salt was Rs. 2-8-0 per maund. In 1903, it was reduced to Rs. 2, in 1905, to Rs. 1-8 and in 1907, to Re. 1. In 1916, it was raised to Rs. 1-4. The successive reductions in duty have led to a largely increased consumption, the figures rising by 25 per cent. between 1903 and 1908, which, I believe, is the lowest increase in consumption which has accrued within the last few years. It therefore follows that if the duty is now raised once more, the consumption must necessarily fall, and the anticipations of the Honourable the Finance Member of realising 5 crores out of this tax will not be realised in any way.

The Honourable Sir Malcolm Hailey : 4 crores and 30 lakhs.

Mr. W. M. Hussanally : Even so, Sir, I do not think there is any chance of realising that amount out of this tax. It will press upon the poorest of the poor and I hope this House will unanimously reject the proposal.

Bai Sahib Lakshmi Narayan Lal Bihar and Orissa :) Nominated Non-Official) : Sir, the proposal to increase the salt duty is, in my humble opinion, entirely without any justification whatever. Says the Honourable the Finance Member in paragraph 28 of his Budget speech :

‘Finally, we consider that the present emergency is such that there is now no alternative but to increase the salt duty, which has always been regarded as our *ultimate* reserve.’

May I respectfully ask, have all other possible means of meeting this emergency been so exhausted as to leave no alternative but to approach this *ultimate* reserve? I hope this House will bear with me that no other means whatever has been tried to meet this emergency and not only the stereotyped way of fresh taxation has been resorted to, year after year, but even the *ultimate* reserve of taxation has been approached, and the greatest curiosity of all curiosities is that although we are supposed to be seriously discussing the Budget day after day and moving amendment after amendment to the Demands and the Finance Bill, the increase in the duty of even this *ultimate* reserve has already been given effect to from the 1st of this month, as if to give an additional proof of the fact that the new Reform still stands in need of much further improvement before any success may be expected therefrom. Some of the Honourable Members were pleased to remark during the Budget debate that the attempt to reduce the expenditure before the decision of the Retrenchment Committee was putting the cart before the horse. I hope they will surely agree with me that approaching the *ultimate* reserve for taxation without trying beforehand to meet the emergency by all other possible means of adequate retrenchment of expenditure is putting the cart before the horse. (Hear, hear.) Sir, the remedy of taxation has been tried year after year, but instead of curing the disease it has caused a lot of complications. The deficit has been increasing year after year, notwithstanding fresh taxation proving beyond doubt that the maximum taxable capacity of the people has already been reached and it is high time that the wise physician, in charge of the poor patient, should give up the remedy of fresh taxation which may be a very good remedy in a rich country, but is not suitable to the conditions of poor India and which has already been given a sufficient trial and administer the only other remedy of retrenchment by sufficiently Indianising the administration as much and as soon as possible and by adopting some of the Indian systems, along with the European systems, without which no adequate retrenchment is practicable. But if taxation is unavoidable, I respectfully pray, Hail Cherisher of the Poor, please do not impose a tax which may directly or indirectly touch the pocket of the poor dumb millions or affect the poor industry of the country.

Sir, the Honourable the Finance Member has been pleased to observe in his Budget speech that the increase of Rs. 1-4 per maund will represent 3 annas per head per annum and that it cannot surely be maintained that this will be felt appreciably by even the poorest classes. This could be said if this 3 annas per head per annum was the only tax that the poor had to pay, every tax directly or indirectly affects the poor; then, they have to pay the direct taxes of the local bodies and the Local Government. Poverty does not admit of any sort of taxation whatever. It is difficult for the poor even to make the two ends meet and the Government should never contemplate imposing any sort of tax whatever upon the poor. Even a small increase is sure to prove heavier than the proverbial last straw which may break the camel's

back. Then this tax will affect not only the poor but even the numberless beggars of India, and not only the beggar but even the dumb animals. The regular supply of salt to the cattle is necessary for the preservation of their health and strength and the cultivators, even at the present sale rate of salt, cannot afford to supply sufficient quantity of salt to the cattle, which is one of the causes of their deterioration, leading to the present economic distress of the country, and the increase in the salt duty will accelerate this deplorable deterioration. Sir, this is not the creation of my own imagination. Mr. M. F. E. Gibson, I.C.S., of Madras, in commenting on the subject wrote as follows :

'Even at the present rate it is found that its consumption where most desirable, e.g., for cattle, is very seriously checked by its excessive cost : now, remember the labourers are all vegetable eaters having large families to support on a wage that may be put at 4 pence to 6 pence a day at the highest, for the family in the prosperous districts of Southern India. Suppose each family for personal use alone consumes the small allowance (too small) of two ounces of salt per diem, i.e., less than half an ounce each for table and cooking ; this, with a very small margin for waste, will be, say, 4 pounds a month on which unpurified salt in the lump the duty imposed by Government will be at least 2 pence or one-half day's wage of the whole family.'

Sir, all these remarks are *a fortiori* true to-day when the price of every article is abnormally high. I therefore support this amendment with all the force that I can command.

Haji Wajih-ud-din (Cities of the United Provinces : Muhammadan Urban) : Sir, I support this amendment. My reasons are clear and plain. Salt along with bread is the only diet available to the poor. So, such a heavy taxation on salt will, no doubt, cause a great hardship to this unfortunate class. In pre-war days, salt was sold at about 6 pies per seer. Even in times of war, when it was difficult to get hold of this commodity for want of wagons, the price did not go up more than one anna per seer. Since the proposal of enhancement was brought before the House, the market has considerably gone up and consequently the poor are feeling the pinch very badly. I think it to be my duty to ask the House to accept this amendment simply to help the poor and make up the deficit from other sources not affecting the masses.

Sir Montagu Webb (Bombay : European) : Sir, I oppose this amendment. I do so because I think that the first duty of this House is to provide the Government with ample resources wherewith to meet the expenditure which this House granted last week. Owing to a combination of high prices and poor trade, we are once more faced with a serious deficit, and unless we provide the means wherewith these deficits can be avoided, we must of necessity go further and further down-hill to bankruptcy and destruction. Now, even if this House votes every item which has been put in the Finance Bill and if those new taxes yield to the full the income which is anticipated, we shall still have to face at least a two crore deficit. But I ask this House, does any man believe that these estimates will yield the figures which are entered in the Budget? Does any business man, any practical producer, any trader or banker or ship-owner believe that the customs revenue will yield the Rs. 15 crores of additional revenue which appears in the Budget? I think not. Nor do I believe even that the income-tax changes will yield the Rs. 2½ crores which have been shown in the Budget. We are, therefore, faced with a very serious position and funds have

[Sir Montagu Webb.]

to be found. I should like also to remind this House just in a couple of words what must happen if we do meet this deficit. If we do not fill the deficit, we shall then have to repeat for the fifth year in succession the same unsatisfactory and bad finance which we have witnessed for the last four years; more borrowing, more inflated currency, still higher prices, greater expenditure all round, more complaints against Government, greater deficits still next year, and, in general, a vicious circle from which there is no escape. Now, I should like just for one moment to turn to the question of the ability of the poor to pay. Let it not be supposed for one moment that I have no sympathy for those who are in the lower classes of the social and economic scale; not at all; but as a practical man I must say that with all those with whom I am in touch in the last few years,—working classes in all branches of life, there is no getting away from the fact that their earning powers have increased, their wages have in some cases doubled and even trebled. In fact at no time were the working and poorer classes more capable of meeting a slight portion of the Government's extra expenditure than they are at the present day. If we turn now for example to 1903 when the salt tax was last at the Rs. 2-8-0 level, and if we try and discover at what level wages were generally throughout the country among the agricultural classes and among the industrial workers, as compared with wages to-day, we have ample material in the Department of Statistics' Record of Prices and Wages, we see that wages since 1903 have doubled and trebled throughout the whole country. If we take unskilled labour in the rural areas, I find the increase has in some cases been 50 per cent., 75 per cent. and 100 per cent. (*Mr. Shahani*: 'And prices?') Prices, I quite agree, have risen too, and there is no reason that I can see why the price of salt should not also rise a little. It is very largely because prices have risen and wages have risen that Government has incurred increased expenditure. That is why we are called upon to provide this additional taxation, because Government have had to incur increased wages and increased expenses owing to the rise in prices in all directions. It seems to me, therefore, that the argument that the poorer classes cannot stand this additional taxation is not based on solid grounds. I do not think that this House should allow its humanitarian feelings for the poor—and, as my Honourable friend on the left said—also for the beggars and for the animals,—to refuse to provide the Finance Member and the Government with the money which is essential for carrying on the work of the Government.

I can summarise my arguments by saying first of all that the poorer classes are quite able to contribute a small additional sum towards the cost of carrying on the Government; that is the first argument; secondly, if we do not provide the necessary means, then Government will have to meet more deficits with more inflation of the paper currency and still higher prices. If perhaps Government can meet the sentimental feelings of the House by raising the duty only to Rs. 2 instead of Rs. 2-8-0, I think perhaps that might go a good way to meet the sentimental feelings of the House (*Cries of 'No'*); but I submit that no case has been made out for not raising the salt duty at all.

Mr. T. V. Seshagiri Aiyar (Madras: Nominated Non-Official): Sir, Sir Montagu Webb with that great sympathy which he always feels towards the poor of this country has suggested that, if there is a deficit, it is right and proper that the salt tax should be increased; that is to say, he would suggest

that the people who are voiceless, the dumb millions, should be taxed and persons who have voices, who are vociferous, should be left alone. Certainly these people whom we are here to represent ought to be protected under all circumstances. Now, Sir, the history of the raising of this salt tax proves that there has not been enough consumption in the country; this has led to the increase of sickness and epidemics. I find, Sir after the year 1887 when the consumption of salt stood at 3,37,00,000 and when Lord Dufferin raised the duty to Rs. 2-8-0 per maund, there has not been any steady increase in consumption, although as was pointed out by the Honourable Finance Member the figure at this moment is higher than what it was in the year 1887; we will have to take into account the fact that there has been a considerable increase in the population of the country; yet the consumption of salt has in no way been commensurate with the increase in the population; and as a result this increase of duty has had this disastrous effect, namely, of making the people take less salt than they ought to do; and as everybody knows the result of that has been that there have been greater epidemics and greater sickness in the country. Sir Montagu Webb said and the Honourable the Finance Member has also said the same thing in paragraph 28 of his memorandum, that the only effect of increasing the salt duty would be to put an additional taxation of three annas per head. Now, the question is whether the poor of this country can bear three annas per head additional taxation. Some years ago, Sir, about 40 years ago, a great financier in Madras, who was also a great thinker, estimated the annual income of the people of that part of India at Rs. 27 per annum, or Rs. 2-4-0 per month. I take it,—having regard to what Sir Montagu Webb has said, that there has been a great increase in the wages—that the income may be estimated now at Rs. 5 per month or Rs. 60 per annum. (*Cries of 'Too high'.*) Some of my friends say, it is too high, but I am willing to take it that the people are able to earn Rs. 5 per head per month. Now, Sir, if you will look into the figures as regards the increase in the cost of living, it will be found that it has grown out of all proportion to the increase in the wages. I have a paper this morning which was issued by the Madras Publicity Bureau to-day which is presided over by my Honourable friend, Mr. Rangachariar. That paper shows that since 1914 alone the increase has been 70·3 per cent. in the cost of living, and if you go back to the days of 1889-1890, it will be found that the cost of living since those years has gone up to so much as 300 per cent. Now when you compare the increase of wages - I put it down at the very high figure of Rs. 5 per head,—with the cost of living, you will find that it makes the position of the poor very unenviable. Sir, taking off 3 annas per head from these people means almost starvation for them. These people have to provide for their clothing, the cost of which has increased enormously. The cost of rice also has increased enormously. Under these circumstances, if they have to make any provision for lean years, it will be found that by increasing the salt tax at the rate of 3 annas per head you will be depriving them of the very necessities of life. Moreover, Sir, it has to be remembered that the people of this country have many ceremonies to perform, they have marriages to perform, and if you calculate their income only at the rate of Rs. 5 per head per month, it will be impossible for them to make both ends meet.

Sir, Lord Cross said in his despatch which was sent to this country when the proposal to raise the tax on salt was made during his regime:

'I do not propose to comment at length on any of the measures adopted by your Government except the general increase in the duty on salt. While I do not dispute the

[Mr. T. V. Seshagiri Ayyar.]

conclusion of your Government that such an increase under existing circumstances is unavoidable, I am strongly of opinion that it should be looked upon as temporary, and that no efforts should be spared to reduce the general duty as speedily as possible to the former rate.

Now, Sir, the Honourable the Finance Member has pointed out that this is a reserve which the Government is entitled to fall back upon on occasions of necessity. He has also pointed out that our deficit is going to be fairly permanent, because, as he said, there is not much chance for a long time to come of normal times setting in. Under these circumstances, if you increase the taxation to Rs. 2-8-0 a maund there is every chance that it will remain at that rate for a long time to come. It was against this from the year 1888 onwards various public bodies in this country, the Indian National Congress in their Sessions year after year, and many eminent Indian publicists, have been protesting, and it was in consequence of the protests that the duty was reduced later on to Re. 1, it was only raised to Rs. 1-4-0 in the year 1897. Under these circumstances, I strongly appeal to the Honourable the Finance Member to give up this tax altogether. We the Members in this Assembly represent the interests of the poor people who have no voice, and I think that the Honourable the Finance Member owes a duty to the country to see that the poor people are in no way taxed and that their life is not made unendurable.

Babu B. N. Misra (Orissa Division : Non-Muhammadan) : Sir, I beg to support this amendment. I rise partly with diffidence, because I am new to this Assembly, and partly with great confidence. I hope I may be excused if I have any shortcomings as a beginner.

Sir, the Honourable the Finance Member said that the present proposal to raise the tax from Rs. 1-4-0 to Rs. 2-8-0 per maund would not tell very heavily on the poor Indian consumer. He also said that it would cost each member 3 annas more and that if each family consists of 4 members, it would cost the family Re. 0-12-0. He has not, of course, taken into account the fact that each individual has to consume about 6 seers of salt, over and above the salt consumed by his animals. Besides a large quantity of salt is spent in curing fish and so on. Now, Sir, assuming that it would cost 12 annas for each family for salt, perhaps the Honourable the Finance Member who always deals with crores and lakhs, hundreds and thousands, cannot imagine what three annas mean to the poor Indian. (Hear, hear.) Sir, the poor people toil the whole day long and each family can spare to spend about two annas for the whole month for salt. Now if you increase the rate, he will be able to buy only half the quantity of salt, he is now consuming. If he buys one seer now, after the tax is increased, he will have to buy only half a seer or one pound. Now, Sir, how can he buy the salt which is necessary for his consumption with his limited income? You have not given him any more wealth. Suppose he has got only one anna in his pocket and he has to buy salt for his use which may be just sufficient for him. Now after the tax is increased, how can he buy the necessary quantity?

Now, Sir, let us imagine what he eats. The poor people of this country have not got large tables richly furnished with crockery forks and spoons, as so many fortunate Members of this House have, nor can they afford to eat chops, cutlets, pulaos with other side dishes. Sir, the poor have got to live only on rice and a pinch of salt; they have to live on wheat or raggy

and a pinch of salt. They have not got side dishes, perhaps there are many who have never seen the face of a curry or a side dish. If you take away half of the salt which is required by him, how is he to live? I submit, Sir, he will simply be driven either to leave half of his food or he must take food without any salt. How difficult it will be for him to live like this I leave the Assembly to imagine. Sir, medical men say that salt is absolutely necessary for our digestion besides being alimentary. A poor man who eats nothing else but simple rice and salt, if he cannot purchase half of it owing to the proposed increase in taxation, I submit, that not only he will not be able to take his food properly, but perhaps we shall be accelerating his death by making him subject to so many diseases. (Hear, hear.)

Sir, many Honourable Members have said: 'The income of an Indian is very limited'. The Indian peasant is always in want. Sir, he always borrows money and takes advances long before his crop is ready for harvesting. We cannot conceive that such a man, who is always in need, will have any reserve to give to Government in the shape of increased tax. I submit, Sir, if you increase the salt tax, it will produce great hardship on the poor peasants, who form about 90 per cent. of the population. This tax we should never increase. Of course, the British Government always deals with crores and lakhs. They perhaps think that 2 or 3 annas mean nothing. But, Sir, in these days when we are living almost on famine prices, for almost every necessary article of life, I submit it will be impossible for the middle class or the poor people to save more money to buy their salt. If a man has got one hundred rupees, you can take away fifty rupees from him, or if he has ten rupees, you can take away 5 rupees from him, or if a man has got only one rupee you can take away .9 from him; but if a man is always in want and if he has .000 with him, how can you take anything from him? (Laughter.) I would ask the House to consider the condition of the poor people according to their standard of life and not judge them by the same standard of life as we are living.

Now, Sir, much has been said about retrenchment, want of revenue and so on, it will perhaps be preposterous for me to make any remarks about these things. But I believe the whole thing is carried on, *on a wrong basis*. Sir, I must say that the English people who have come to India, instead of Indianising themselves have Anglicised the Indians. (Hear, hear and loud Laughter.) Sir, the English people always live in luxury and their standard of life is very much higher than that of the Indians. The people of India are very poor. Whence are they to get so much money to live like the English? If English methods and English standards are applied, certainly it is impossible for India to be able to cope with them. Of course, all Honourable Members have known their own standard of living. One dinner for them costs Rs. 2 or Rs. 5. On the other hand, do the Government realise that with Rs. 3 an Indian can live a whole month? What is the proportion? English standards and Indian standards are quite different. The whole mistake lies with the English Government. There is also another thing. English people, even retired Governors, Lieutenant Governors and other high officials, when they are in England, can go by the penny Bus, penny train. But in India, Sir, three First Class (fares) are necessary for them. In India, for a Lieutenant Governor, a special train is necessary. I admit, that the Englishman is most practical, very business-like and very polite. He is the best friend, companion, helper and sympathiser. But

[Babu B. N. Misra.]

unfortunately the Englishman in India is neither an Englishman of England or in England, but is something quite different. I do not mean that he is transformed into something different from mankind. But, Sir, he is an *official*. We have to understand the English vocabulary in a different way. We must think that the English people have a different Dictionary for themselves and a different Dictionary for Indians. I may quote to you, Sir, an instance. You all know, even His Excellency the Viceroy when he writes to you, will write 'Your most obedient servant'. Any big official, when he writes to you, subscribes himself 'Your most obedient servant'. What is the meaning of those words? 'Your most obedient servant'? When you implore them that a certain thing should not be done, they will carry it out against your wishes. What sort of obedient servants these Honourable official members are? His Excellency has the power to veto all the Resolutions of this House. ('No, no.') Whenever he wishes, His Excellency has the power to veto although he is the most disobedient (Laughter) 'obedient servant.' He must describe himself either as His Majesty's obedient servant or the Indian Government's most obedient servant.

Mr. President: Order, order. It was a little difficult to know when exactly the Honourable Member began to go out of order, but he is certainly out of order now.

Mr. B. N. Misra: I am just speaking about the Englishman in India, Sir. Of course my idea is that they should not write 'Your most obedient servant' but either write the most disobedient servant or the most oppressive master or act like obedient servants.

Coming to the subject under discussion, the difference is between the standards,—the point of view of Government and the point of view of the poor Indian. That is why, Sir, we have always a tug of war for retrenchment. I admit that Honourable Members have a very good intention, but they cannot but think in the way in which they have been brought up. That is why the establishment becomes so costly. Sir, India is very poor. India is overwhelmingly poor. The other day an Honourable Member said: 'We stand by Statute'. But all these Statutes are human-made Statutes. They can be passed to-day, amended to-morrow and repealed the day after to-morrow. But there is a Higher Statute, Higher Right, Justice, Equity and good conscience. I appeal to this Assembly that justice should be done. When His Excellency came out to India, he held out all hopes that British justice will be given, the poor millions should be protected. They cannot support a costly Government. Some sacrifice should be made. (*Cries of 'Salt, salt'.* *Dr. Gour:* 'Now you stick to salt'.) I submit, Sir, that the interests of the poor Indians should be looked into and any increase in the duty will make the scale go down much below and will hang very heavily on the neck of the poor peasants. There is this difficulty, that money should be scraped by any means—by hook or crook. But I appeal to this Assembly that there are many other ways. Perhaps our official friends will never agree to a proposal for retrenchment. But I appeal to them to make us as rich as the British people are. Let them make us as rich as they are and live in as high a style as they live. We have no objection to grant money. Let them look to our interests and those interests will be served perhaps by opening up many new channels, opening up new mines or starting new industries. In this

connection, Sir, I wish to point out to this Assembly that the Orissa coast has a great possibility, and salt can be manufactured there. So long ago as 1822, the then Commissioner of Orissa, Mr. Sterling, wrote that 'First salt of all India' was produced there and the Salt Industry could fetch 18 lakhs of rupees as revenue to the Government. This was a hundred years ago. I think if the industry had been taken care of by the Government all these years, it would be fetching a crore now, and this crore would have gone towards meeting the deficit. There was also a Resolution about this in the Bihar and Orissa Legislative Council, and the Governor of Bihar and Orissa promised to move the India Government to have salt manufactured there. I do not know what has become of that proposal. Besides there are many other ways in which the income of the country can be increased and the standard can be maintained. To increase the taxation without increasing the wealth of the poor is, I submit, really a great hardship, and surely the tug of war will never come to an end.

With these words, Sir, I support the amendment.

Mr. Jamnadas Dwarkadas (Bombay City : Non-Muhammadan Urban): Sir, I rise to support the amendment moved by my Honourable friend, Mr. Joshi, and, in doing so, I wish, in the first place, to answer one or two arguments that have been advanced by my Honourable friend, Sir Montagu Webb. Sir Montagu's principal argument is that wages have gone up, but the salt duty has not gone up, and, therefore, there is room for increasing the salt tax. I ask my Honourable friend, Sir Montagu Webb, if wages have gone up, have not the prices of commodities gone up simultaneously?

Sir Montagu Webb : All except salt.

Mr. Jamnadas Dwarkadas : I ask him the further question, does he or does he not know that, although the wages have gone up, the rise in wages is not in proportion to the rise in prices? If he admits that fact, then he must also admit that there is no room for further taxation on salt. Far from that, Sir. Having proved that economically it is a very unsound proposition for the poor man to have to pay a double tax on salt, I want to bring to the notice of the Honourable Members of this House one more argument which ought to weigh with them. You are asking the poor people to pay this additional tax on salt. It means that people who are not at all concerned about political matters will have automatically a knowledge of the fact that because of the system of Government that exists here, they are called upon to pay double the price they used to pay for salt. The fact is that while you are going to double the duty, I have found that on the 2nd of March the prices were doubled in almost all the places. (*A Voice* : 'Even before that.') What does that mean, Sir?

In these troublous times it means that in the shape of the additional salt tax you are sending round to every home in the country an inevitable messenger of revolution. I ask the Honourable Members of the Government whether, considering the times in which we are now living, they are prepared to take this risk. I ask the Honourable the Finance Member whether, if the salt tax becomes an additional factor in creating further disorder in the country, he will not come along with His Excellency the Commander-in-Chief and say that the military expenditure is justified because there is disorder in the country. Are we to be called upon to bear further burden,

[Mr. Jamnadas Dwarkadas.]

further military burden because our policy of taxing the poor cannot be withheld in these critical times? I feel sure, Sir, that this tax, which not only hurts the poor from the point of view of money but which is an inevitable messenger of revolution, will not be agreed to by this House.

The Honourable Mr. C. A. Innes (Commerce and Industries Member) : Sir, the House will, no doubt, be surprised that I should rise to speak on this occasion instead of the Honourable Sir Malcolm Hailey. The explanation is that salt is dealt with administratively in the Department of Industries, and, therefore, so to speak, it is my business first to go over the top. I am aware that this proposal for an increase in the excise duty on salt has not met with favour in this House. Amendments have been put down not only by the Democratic Party but also by the National Party, and I also notice that many of those stalwarts who have declined to bind themselves by any Party shibboleths have risen in different parts of the House to add to the chorus of its disapproval. Nevertheless, Sir, I stand here on behalf of the Government of India, unrepentant and unashamed. I put it to this House that we deliberately went out of our way to place this proposed increase in the salt tax before this House. That does not look as if we were afraid to do so. As a matter of fact, we held then and I hold now, that this proposal to increase the salt duty is justified in the circumstances of the case. I do not wish to be misunderstood. I hope that every one in this House will recognise that the Government of India do not like raising this tax any more than any one else. We knew perfectly well that the raising of the salt tax would be unpopular in this House, and the House, I am sure, will believe me when I say that we do not wantonly enter into a conflict with the Legislative Assembly. We knew also that the tax would be unpopular in the country and that, as Mr. Jamnadas Dwarkadas has pointed out, it would be liable to misinterpretation and misconception. We recognised also that theoretically the salt tax is a bad tax, that it is a tax on a necessity of life, and more than that, since the consumption of salt does not vary materially with the wealth of the consumer, that relatively the salt tax presses more hardly upon the poor than upon the rich. (Hear, hear.) All that I freely admit. But, when we have said that, I hold that we have said all that can be said against this proposed enhancement of the salt tax, for I am utterly unable to agree that the enhancement of the tax is going to be any real hardship to anybody, even to the very poor.

Let us go back into the history of the tax. I will not go very far, but, as Mr. Seshagiri Ayyar pointed out, the tax was raised from Rs. 2 to Rs. 2-8-0 in 1888. It remained at that figure till 1903 when a reduction was first made. In making that reduction, Sir Edward Law explained that most careful inquiries showed that the impost was not felt severely in the country, but the Government reduced the tax because they were in a position to do so, because they recognised that the tax was theoretically a bad tax and because Sir Edward Law thought it most important that India should have a reserve of taxation on which to draw in case of emergency. Does any one in this House suggest that that emergency has not come now? I should like this House to remember that if this House refuses to raise the salt tax—refuses to raise it not merely to Rs. 2-8 but to raise it at all—no amendment has been put forward that a smaller enhancement should be made, though an addition of every four annas in this tax would bring in a crore—

if this House thinks that this tax should not be raised in this emergency, then the only conclusion that can be drawn is that the Legislative Assembly does not think that in any case the salt tax can ever be raised. Sir, when in the fulness of time Swaraj comes and my friend, Mr. Rangachariar, becomes the Chancellor of the Exchequer, I make bold to say that he will regret this day. (*Mr. Rangachariar*: 'For national purposes only'.) What do we propose to do to-day? We propose to raise the tax by Rs. 1-4-0 a maund. As Sir Malcolm Hailey has told you, that means that we shall add to the cost of living for the consumer to the extent of three annas per head per annum, 12 annas per family of four per annum, one anna per family of four per month, and one pie for a family of four for every 2½ days. Is anybody prepared seriously to say that this country cannot stand it? (*An Honourable Member*: 'What is the daily income?') The country could stand it in 1903-04, and, if anybody here is prepared to get up in this House and say that the country is less able to stand this tax of Rs. 2-8-0 that it was in 1903-04, I join issue with him at once. (*Mr. Joshi*: 'Who said that the country was very well off in 1903-04?') The figures that have been put forward as the estimated annual value of an Indian's income—such figures are mere estimates and are of no value at all. The statement has been made that the rise of wages has not kept pace with the cost of living. That is another statement which cannot be proved. We have no index numbers of the cost of living in India, except recently in Bombay. We know that wages have risen in every class of life. Let us look at the facts we know. (*Mr. Joshi rose to speak.*) Will the Honourable Member make his speech later? What is the best test of the standard of living in India? What is the best test of prosperity in India? There is one absolute and certain test, and that is our experience in times of famine. I was Foodstuffs Commissioner in 1919. In 1919, we had the worst crop failure that we have ever had since 1900-01. The crop failure was so bad that we were literally afraid that there would not be enough food to go round in India, and yet the experience in every part of India was that the country stood up to that crop failure and to the enormous rise in prices that followed it, in the most astonishing and remarkable way. In 1901, the number of persons on relief at any one time was 6,500,000. What was it in 1918? 500,000. Does not that show that the standard of living has gone up all through India? Take, again, another certain bit of evidence. It is stated by Mr. Joshi and others that this tax is going to press most hardly upon the poor men, upon the lower classes. It is a notorious fact that these lower classes drink the most. In 1903-04, the revenue from drink in India was 7 crores of rupees. In 1918-19, the revenue was 16½ crores, and it has grown enormously since then. The lower classes in this country are now able to spend nearly three times as much on their luxury, drink, as they were able to do in 1903-04. After that, does any one mean to tell me that we are going to do any serious harm if we add to their cost of living by a sum which may be estimated at one pie for every 2½ days for a family of four? Surely the statement is nonsense. Look at it in a broad way, and I have merely to repeat what Sir Malcolm Hailey has said—look at it from the point of view of the Government. The Government is responsible for the finances of the country. We took the view, and we take the view still, that the deficit must be bridged. However much we may complain of the way in which the deficit has been caused, it is up to you as well as us, as responsible for the interests of India, not to allow

[Mr. C. A. Innes.]

that deficit or any large part of it to remain unbridged. We consider that that is the right course to take in the circumstances of the present time. India, at the present moment in regard to this matter, stands financially at the parting of the ways. On the one side, there is the straight and narrow path of financial rectitude. India stands high in the estimation of the world for sound, honest and conservative finance, and, if India shows grit, if she is prepared to stand up to taxation, which we admit to be heavy, in a year or two India will be back to solvency as soon as normal trade conditions are restored, and then, Sir, this unpopular tax or any other unpopular tax can go off. But the advantage of that course, a course which I admit to be a difficult one, is this. If we meet this deficit by extra taxation, of course we add to the cost of living. Nobody denies it, but, Sir, we add to the cost of living in a way which we can control. We know precisely how much we add to the cost of living, we know exactly the way we do it and to what extent, and we retain control. The other course is the easy course. The other course is to leave the deficit unbridged and to refuse the Government of India the taxation we require. What will be the result? The danger is that you drive us to inflate the currency and then, mark what happens. You increase the cost of living in a far more dangerous and a far more insidious fashion, and, moreover, you increase it all round, not merely for a condiment like salt, or oil or matches, but you reduce the purchasing power of money and that means that the cost of living goes up in the case of every possible article, the food grains and everything else. You set up a vicious and dangerous spiral. The purchasing power of money goes down. The cost of everything goes up. You set up another cycle of industrial unrest, leading eventually to a large increase of wages. That sends up the cost of production. That means more inflation, another rise in prices, more unrest and more wages. The disadvantage of this course is that we lose control. That is the easy way, the broad and easy way that leads us to financial destruction. Now, Sir, that is the choice that lies before the House. You can take the honest course, the straightforward course and the difficult course of giving us this taxation we require or you can take the easy course which will enable you to go back to your constituents and say : 'We have saved you from the duty on salt.' That is the popular and easy course, but, Sir, what I fear is that, if we take that course, we shall start India on an inclined plane which may lead to financial chaos.

Mr. S. C. Shahani (Sind Jagirdars and Zamindars : Landholders) : On behalf of the agriculturist, I rise to protest strongly against the imposition of this additional salt tax. It has been rightly pointed out that increased salt tax will operate very harshly upon the rural population. I have yet to know that Rs. 27 is the average income of an agriculturist per year ; but granting for the sake of argument that it is, the expenditure of twice 12 annas on salt alone for a family of four is verily a large proportion and will be a great hardship to the *pater familias* in rural areas. It has been said that the need of Government is great, and that on that ground the House should consent to impose this additional tax. I want to point out the desirability of obtaining the additional revenue required from other sources. It has been suggested by the '*Times of India*' that the interest which accrues on the Paper Currency and the Gold Standard Reserves should be applied to general revenue. I would like very much to know why this expedient, if it is feasible, should not be

resorted to. I would also refer to the desirability of closing the bottomless well of military expenditure in Waziristan. I doubt if the entire expected sum, *viz.*, 4·3 crores, will accrue from the imposition of this additional tax. I would suggest the Government seeking to realize about 3 crores, that they will get from the proposed increase in salt tax, from the proposed military expenditure in Waziristan. It may not find favour with Government, but it is a suggestion which is well worthy of consideration. This tax will create political discontent in the country and on that account this tax should not be gone in for.

Rai D. C. Barua Bahadur (Assam Valley : Non-Muhammadian) : The year 1903 is regarded by Indian people as one of blessed memory, for in that year the salt tax was reduced to Re. 1 per maund on the occasion of the coronation of his late Imperial Majesty King Edward VII and in consequence of that it was regarded by the people of India as a permanent settlement in the matter of the imposition of salt tax on India. That is, in other words, people regarded it as a permanent limit even to the imposition. Of course there was a slight increase in the year 1916 in the shape of 4 annas addition to the duty but it was regarded by the people as a war measure and they also expected at the same time that even that could be removed as soon as the war is over. But on the contrary they are now going to find that the increased tax has now been doubled. Of course, apart from the difficulty there will also be sentimentality in this respect and sentiment is not to be killed. We, as Members, feel this difficulty, that when we go back, people will say : 'These people who have gone to the Assembly have managed to raise the tax.' This is the feeling throughout my province. I have been informed by correspondents from my part of the country to that effect. Apart from sentiment, it tells upon the poorer section of the community and so the tax should be removed. Sir, in this connection I beg to submit that salt is not the only commodity on which the poor people are required to spend money. There are other things. Now the embargo on rice has been removed. People will have to pay more for rice. Rice is a necessary of life as much as salt and the removal of the embargo will bring in more revenue to Government as export increases, and increase of export means rise in price for the consumer. The poor people will also be hard hit in that way, while Government will benefit by the removal of the present embargo.

The embargo on the export of rice was put on so that there might be less export and more rice in the hands of the people for the consumers in this country and at a cheaper rate. The putting on of the embargo had the effect of reducing the export of rice, with a consequent reduction in the export duty. Now, the embargo has been removed. This has not been taken into account in the present Budget ; it ought to have been taken into account in the present Budget ; and, if it had been taken into account, it was to be hoped that the Honourable the Finance Member would have seen his way not to saddle these items with further taxation, and not to increase the duty in some cases not only to 100 but to 300 per cent. So, Sir, salt is not the only thing ; it will affect the other things also in effect, and affect the poor people. There have been suggestions for the increase of taxation under other heads also ; so at one and the same time, in my humble opinion, taxation should not be imposed on the necessities of life. Sir, we have seen that the highest ambition of a good Government in every country, in every

[Rai D. C. Barua Bahadur.]

civilised country, is to make the breakfast table free at least; that is the principle of taxation of the English House of Commons; and, in the face of that, if we raise prices generally by raising the tax on salt, by making rice dear, by removal of the embargo and so forth, and if we are going to impose taxation on clothing and other necessities of life, there will be no end to the miseries of the people.

With these few remarks, I beg to support the amendment to leave the salt tax as it has been hitherto.

Mr. J. Chaudhuri (Chittagong and Rajshahi Division : Non-Muhammadan Bural) : I move that the question be now put.

Mr. President : Amendment moved :

‘ That in clause 2, line 10, for the words ‘two rupees and eight annas’ the words ‘one rupee and four annas’ be substituted.’

The question I have to put is that that amendment be made.

The Assembly then divided as follows :

AYES—68.

Abdul Majid, Shaikh.
Abdul Quadir, Maulvi.
Abdul Rahman, Munshi.
Abdulla, Mr. Saiyed Muhammad.
Agarwala, Lala G. L.
Agnihotri, Mr. K. B. L.
Ahmed, Mr. K.
Ahmed Baksh Khan, Mr.
Aiyer, Sir P. S. Sivaswamy.
Asjad-ul-lah, Maulvi Miyan.
Ayyangar, Mr. M. G. M.
Ayyar, Mr. T. V. Seshagiri.
Bagde, Mr. K. G.
Bajpai, Mr. S. P.
Barodawala, Mr. S. K.
Barua, Mr. D. C.
Bhargava, Pandit J. L.
Bishambhar Nath, Mr.
Chaudhuri, Mr. J.
Dalal, Sardar B. A.
Das, Babu B. S.
Gajjan Singh, Sardar Bahadur.
Ginwala, Mr. P. P.
Girdhardas, Mr. N.
Gour, Dr. H. S.
Gulab Singh, Sardar.
Hussanally, Mr. W. M.
Ikramullah Khan, Raja M. M.
Iswar Saran, Munshi.
Jamnadas Dwarkadas, Mr.
Jatkar, Mr. B. H. R.
Joshi, Mr. N. M.
Kamat, Mr. B. S.
Lakshmi Narayan Lal, Mr.

Latthe, Mr. A. B.
Mahadeo Prasad, Munshi.
Manmohandas Ramji, Mr.
Man Singh, Bhai.
Misra, Mr. B. N.
Misra, Mr. P. L.
Mudaliar, Mr. S.
Mukherjee, Mr. J. N.
Mukherjee, Mr. T. P.
Nabi Hadi, Mr. S. M.
Nag, Mr. G. C.
Nand Lal, Dr.
Neogy, Mr. K. C.
Ramayya Pantulu, Mr. J.
Rangachariar, Mr. T.
Reddi, Mr. M. K.
Samarth, Mr. N. M.
Sarfaraz Hussain Khan, Mr.
Sarvadhikary, Sir Deva Prasad.
Schamnad, Mr. Mahmood.
Shahani, Mr. S. C.
Singh, Babu B. P.
Sinha, Babu Adit Prasad.
Sinha, Babu Ambika Prasad.
Sinha, Beohar Raghubir.
Sohan Lal, Bakshi.
Srinivasa Rao, Mr. P. V.
Subrahmanayam, Mr. C. S.
Subzposh, Mr. S. M. Z. A.
Thackersey, Sir Vithaldas D.
Tulshan, Mr. Sheopershad.
Ujagar Singh, Baba Bedi.
Vishindas, Mr. H.
Wajihuddin, Haji.

NOES—32.

Aiyar, Mr. A. V. V.
 Akram Hussain, Prince A. M. M.
 Bradley-Birt, Mr. F. B.
 Bray, Mr. Denys.
 Bryant, Mr. J. F.
 Chatterjee, Mr. A. C.
 Clarke, Mr. G. R.
 Crookshank, Sir Sydney.
 Dentith, Mr. A. W.
 Faridoonji, Mr. R.
 Fell, Sir Godfrey.
 Habibullah, Mr. Muhammad.
 Hailey, the Honourable Sir Malcolm.
 Hullah, Mr. J.
 Innes, the Honourable Mr. C. A.
 Kabraji, Mr. J. K. N.

Keith, Mr. W. J.
 Lindsay, Mr. Darcy.
 Mitter, Mr. K. N.
 Muhammad Hussain, Mr. T.
 Percival, Mr. P. E.
 Rao, Mr. C. Krishnaswami.
 Renouf, Mr. W. C.
 Rhodes, Mr. C. W.
 Sapru, the Honourable Dr. T. B.
 Sharp, Mr. H.
 Spence, Mr. R. A.
 Vincent, the Honourable Sir William.
 Waghorn, Colonel W. D.
 Way, Mr. T. A. H.
 Webb, Sir M. dePomeroy.
 Zahiruddin Ahmed, Mr.

The motion was adopted.

Clause 2, as amended, and clause 3 were added to the Bill.

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

The Assembly re-assembled after the Lunch at Half Past Two of the Clock.

Mr. President : The question is :

‘That Clause 4 do stand part of the Bill.’

Mr. Jamnadas Dwarkadas : Sir, I had given notice of an amendment ‘that Clause 4 be deleted,’ but I find that, as it is a direct negative of the question put to us, it is not necessary to move it as an amendment but that those of us who want to delete the clause should oppose this question, and so I wish Honourable Members of the House to remember while voting that we are not voting in favour of any amendment but against the original motion as suggested by Government. Sir, in my Budget speech, I have already indicated my opposition to the proposed enhancement of the cotton excise duty, and I wish I could avoid going over the same ground over again. It has been pointed out by my Honourable friend, Sir Montagu Webb, that in Japan alone, of all countries in the world, there is a consumption tax which is similar, for all practical purposes, to this cotton excise duty. I want to answer that argument immediately. It is admitted that in the history of no other country in the world, there is a cotton excise duty on the production of cloth. I pointed out in my Budget speech that in England, when she was faced with the gravest financial considerations during the war, the Government did not venture to suggest a tax on the production of cloth. Now, why is it that in Japan there is a consumption tax? I may be able to throw some light on that. In the first place, against the consumption tax of 10 per cent., there is an import duty on foreign manufactured cloth of nothing less than 30 per cent. But you have further to remember that that consumption tax is to be refunded in case of export. The main object of the consumption tax is to encourage export of manufactured cloth from Japan and to bring about economy in the consumption of cloth in Japan itself. In India where conditions are so

[Mr. Jamnadas Dwardadas.]

unfavourable to export it would be impossible for us to think of a consumption tax. As my Honourable friend, Sir Vithaldas Thackersey, has pointed out, we do not produce all our requirements. It is possible if we do not receive any discouragement of this character from Government that we might in course of time be able to supply 80 per cent. of our wants. But at present when we are not able to supply more than half our requirements, it would be impossible for us to think of exporting our manufactured articles outside India, and so the conditions that apply to Japan do not apply here. While the consumption tax in Japan serves as an encouragement to the industry, here consumption tax or an excise duty has served and will always serve as a hindrance to the progress of our industry.

Having answered my Honourable friend, Sir Montagu Webb's argument, let me take the House back to the history of the excise duty. The House will remember, as has been pointed out, that when that duty was first raised, there was a howl in the country, there was unanimous opposition in the country and even in the then nominated Council it was only by one vote that the measure was carried and it is no secret, Sir, that the cotton excise duty was levied in order to afford an indirect protection to Lancashire. Sir, I do not want to go through the bitter controversies that have always raged on this question of cotton excise duty, but I want to remind the House that it is this and this duty alone which has always given us the idea that in this country the Government is carried on not in the interest and according to the will of the people of the country, but in the interest and at the dictation of Lancashire merchants. Sir, I will go further and say that if to-day in the country we find a bitter feeling amongst the people and a desire to use only home made articles, the origin of it is this unfair treatment that was given to India in the shape of cotton excise duty. As I pointed out in 1916 when the policy was adopted by Lord Hardinge's Government to enhance the import duty and leave the cotton excise duty intact, it was clearly pointed out that leaving aside the question of enhancing the cotton excise duty, as soon as the finances of the country permitted, the cotton excise duty which had created such bitter controversy would be abolished. We expected after 1916, year after year that the Honourable the Finance Member would find it possible to make a proposal abolishing the cotton excise duty. In 1921, when the tariff was again revised for revenue purposes, we find the same policy adopted by the present Honourable the Finance Member, the import duty was raised for revenue purposes and the excise duty, although we should have very much liked to have it abolished, was not abolished, but was left at 3½ per cent., and now for the first time in the year 1922, when, I am sorry to say, the Fiscal Commission is appointed to investigate the whole question, the Honourable the Finance Member comes with a proposal to enhance the import duty and also to enhance by 4 per cent. the countervailing excise duty. I venture to submit, Sir, that no more unfortunate proposal could have come from the Finance Member in this year. I believe the Honourable the Finance Member has kept himself in touch with the evidence that is published in newspapers, evidence that is recorded before the Fiscal Commission. I think I should be right in making the statement here that a large majority of the witnesses think it improper that even this 3½ per cent. cotton excise duty should continue. Last year in this very House the predecessor of my Honourable friend, Mr. Rhodes, Mr. Pickford (now Sir Alfred Pickford), pointed out that to continue this cotton excise duty was—I do not remember the exact

words, but I think he said—‘not at all desirable.’ He objected to it on the ground that in the commercial history of no other country in the world had such a tax on the production of a necessary of life been tolerated, and he expressed a wish that it would be possible for the Finance Member at an early date to abolish this duty. Now, Sir, we are told that after all it does not hurt the masses of the people, the money that would otherwise go into the pockets of the mill-owners now goes in time of stringency to swell the revenue. Sir, I do not know what force there is in this argument. Personally I do not think there is any force in the argument. In the first place those who bring forward this argument ought to know that only 15 per cent. at the outside of the population use imported cloth, and the remaining 85 per cent. of the population use home-made cloth. Secondly, the prices of the home-made cloth are not regulated by the prices of Lancashire goods. Anyone who knows anything about the mill industry in India will admit that there is so much internal competition between the mills in India that it is not possible for them to combine and to charge a higher price in consequence of the high price of the Lancashire cloth, and so this argument that, because Lancashire cloth will sell high, therefore the Indian mill-owner will also raise the price of his cloth, does not hold any water. There is competition here and the price of the cloth will always be kept down, because of this competition that prevails in India. But, Sir, I have been noticing in the papers every morning that this solicitude for the masses is not merely confined to the Government of India, who had no hesitation in imposing this cotton excise duty and afford an indirect protection to Lancashire industry, but it has also travelled across the seas to some of the Members of Parliament. We had always thought in the past that when questions concerning India arose, when any suggestions came from ‘this subordinate branch of the British Government,’ according to an ex-Viceroy, they were not to be looked at from the point of view of the interests of this country, but the interests of Lancashire always predominated in the decision that was given on various questions concerning India.

It is only now that we find in England a sudden love, a sudden solicitude for the masses springing up among Members of Parliament who come out and say that, if the countervailing excise duty is not raised, if the import duty is not lowered, ‘we shall be failing in our duty, that we have imposed on ourselves, of protecting the masses of the people of India.’ Sir, when this suggestion comes from across the seas, I think there is not a sensible Indian in this country who does not look with a certain amount of suspicion at this suggestion because it is almost certain that, underlying this suggestion, which is the result of the so-called solicitude that the people in England feel, is self-interest, the feeling that if Indian industries grow and hold their own, then probably England is likely to lose its market in India. Therefore, Sir, I dismiss those suggestions on the ground that no sensible Indian will ever countenance them or think that there is any real good feeling for the masses of India underlying those suggestions. Sir, as I pointed out we were looking forward to the Finance Member coming with a proposal to abolish this tax. We thought that the Finance Member having kept himself in touch with what is going on in the country, having read the evidence that has been recorded before the Fiscal Commission, would, if he could not find it possible to abolish this cotton excise duty, not have ventured to bring before the country a suggestion that it should be enhanced. The additional 4 per cent. will have to be paid, not by the mill-owners, as I pointed out, Sir, but largely

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by the poor consumer of cloth. It has been pointed out how additional tax on salt would have been a great burden to the poor man; he has a very small sum to spare to make up his family budget every year and if he is made to pay more for cloth, when we find that it is hard for people throughout the country to find cloth to cover their bodies, well, I submit that it will be another factor which will enhance the discontent that is already prevailing among the people. The people will know that what is not possible in any civilised country of the world is possible here under this Government that the very necessities of life are being taxed, that an effort is being made - I do not say that the effort is deliberate, but the effect of it cannot be ignored—that an effort is being made to penalise the industries of the country on the growth of which I say emphatically, depends the future prosperity of this country. The Honourable the Finance Member says that last year it was $3\frac{1}{2}$ and 11 per cent. and now it is $7\frac{1}{2}$ and 15 per cent. so that the difference maintained is the same. Sir, I want the Honourable the Finance Member to remember that the men who are engaged in this industry have also to pay 15 per cent. instead of 11 per cent. on stores, sizing materials, dye-stuffs and all the other articles which they require for the purpose of their factories in India. The result of it will be to enhance the cost of production. So the enhanced 4 per cent. to the cotton excise duty in addition to the extra cost of production that will be entailed on the industry in the shape of 15 per cent. duty on other articles will also fall on and have to be borne by the consumer. I say, Sir, that to bring forward proposals of taxation of this character is to invite discontent among the people and to enhance it. To make proposals of this character is to discourage us in the hope that we had just begun to entertain, that after all the policy of the present Government will be at least to encourage the industrial growth of this country. To bring forward proposals of this character is to make it hard for the people of India to live in the ordinary sense of the word. I say, Sir, that it is not possible for this House to accept a proposal of this character asking for a tax on the production of cloth in this country. It is my misfortune to-day that I have to stand merely to oppose a proposal for enhancement. I wish it had been possible for me here to stand up and propose before this House that this cotton excise duty of $3\frac{1}{2}$ per cent should be removed. But I want the Government Members to know that, so long as this $3\frac{1}{2}$ per cent cotton excise duty remains, the people of India will continue to feel that the insult that has been given to them in the interest of Lancashire continues. Do not add to that insult. If the necessity for revenue does not permit us to abolish this $3\frac{1}{2}$ per cent cotton excise duty, I say for Heaven's sake do not bring forward a proposal to enhance it under any circumstances. The tendency of a proposal like this would be, if it is persisted in, to alienate, I am afraid, the sympathies of those friends who have just come to believe that the Government would do their utmost to help the industrial growth of this country. I appeal to the House and also to the Government Members to reject this proposal for enhancement.

Mr. C. W. Rhodes (Bengal : European) : Sir, during the whole of the cold weather I have had the privilege of travelling round the country with the Honourable Member who has just spoken. We have been travelling together through an infected area of economic fallacies; and I am very much afraid that my friend has succumbed to that terrible disease, '*malignant Fiscalitis*.' The symptoms are a rapid rise in temperature and an affection of the optic

nerve which prevents the sufferer from seeing beyond his own front door to the India that lies beyond. Now, Sir, it may be the idea of the Honourable Member that I am rising in my place to resist his motion. I am not. (Hear, hear.) I am rising so that I can put my own position before the House and take the opinion of the House as to which way I should vote.

In order to avoid any misunderstanding, I may be permitted, Sir, to refer to the fact that I have on the paper an amendment suggesting that a corresponding reduction should be made in the duty on imported cloth. I think it will be obvious to everybody present that, if this reduction is carried by the House, I wish the other reduction to be made, but, if not, I do not propose to proceed with my amendment. My point of view is that it should be both or neither.

My Honourable friend has gone into the history of the excise. I am not going to follow his example. This House is now robust enough to make up its own mind on the present issue and in accordance with what it believes to be right principles. My own position was made quite clear so long ago as August last when I spoke at the Rotary Club in Calcutta. I there formulated the view (which I noticed in another country was regarded as an entirely novel idea), that in all our considerations of this question the consumer should be our first interest. (Hear, hear.) As a merchant for 25 years in India I have had to study the wants of the consumer, and it has been borne in upon me that his interests stand first, certainly before any foreign country or even before the interests of any particular industry in this country. It may be necessary, and it is necessary, that the consumer should pay something towards the revenues of the country. But the principle, I think all will agree, should be that you should endeavour to see that every rupee you take out of the consumer's pocket you put into the Honourable Sir Malcolm's pocket. (Laughter.) There is another issue, Sir, which my Honourable friend has touched upon, and that is the industrial question. There my mouth is sealed by the fact that I am still on the Fiscal Commission and we are about to consider our unanimous report. But, Sir, my Honourable friend has referred to what is now public property, the evidence given in Bombay, and it is on the basis of that evidence I have proposed that my amendment should form the natural corollary of this. A leading Bombay millowner told us: 'I am in favour of raising taxation by tariffs. We have now an import duty of 11 per cent. on all cotton piece-goods. We have 3½ per cent. excise duty on Indian machine made cloth. If Government wanted more money I would raise the import duty to 14 per cent. and the excise duty to 6 per cent. The advantage of this would be indirect taxation on the consumer and a help to the handloom industry'. This was from a Bombay millowner, though it was not, I may say, representative of the general evidence we got. The general evidence we got was more on this line. Another leading millowner told us that the Bombay mill industry needed no further protection. The Bombay Mill Owners' Association asked for nothing more on ordinary cloth, and a distinguished Member of this House also told us that the present duty was sufficient. Well, then, Sir, I am in a little perplexity as to whether the difference should be based on 3½ per cent. and 11 per cent. or on the new proposals of the Government. But I am in no doubt whatever after hearing the Bombay evidence that the present difference should in the interests of the consumer be maintained. Mr. Jamnadas Dwarkadas has told us that only 15 per cent. of the population use imported cloth. Now I may say,—and I have

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had to make in the ordinary course of my business a very close examination of this subject,—that imported and locally manufactured cloths are interchangeable. Let me give you one instance which is common now amongst what I regard as the poorest of the poor in Bengal, I mean the educated Bengalee clerk. He was always accustomed to wear imported cloth. Social distinction and social status do not allow him to appear in public in cheap country-made cloth. Therefore, instead of buying, when prices rose, two pairs of imported dhoties, he buys one pair to wear out of doors, and another pair of country-made cloth which he wears, like the English clerk changing his coat when he gets home, at night in the privacy of his home. Now he is buying what hitherto the poor man bought. What is the natural effect on prices? So much less for the poor man, and as a result, prices rise. I might call as a witness on my behalf in this respect, Mr. Gandhi. When he started the boycott of foreign piece-goods, he implored the Bombay mills not to raise their prices. It was a futile and uneconomic appeal and one to which the Bombay mill-owners could not for a moment assent. They are trustees for their shareholders. They have got to sell their goods at market value. But, supposing they had listened to that appeal, who would have got the benefit? Certainly not the consumer, but the middleman, the shop-keeper and the man who peddles the goods from door to door, and the consumer would have been no better off. There was one occasion in which the Bombay mills did reduce the price of their cloth below the market value. 3½ years ago I had the privilege of going over from Bengal to Bombay and of asking them to do so in the interests of the poor of the Punjab, Bihar and Bengal, and without any Government pressure or Act of the Legislature, they agreed to give us standard cloth at a low rate. (Hear, hear.) But the difference in regard to standard cloth was that it went straight to the consumer through a Government shop, and in Bihar we had the utmost difficulty in preventing shop-keepers and others from trying to get hold of this cloth to profiteer, and we had to make very strict rules as to how many pairs or how many yards each person was to buy.

Personally, Sir, I deprecate this question of contest between England, Japan and the Bombay mills. Personally, I believe there is room for all, and for this reason. In 1913-14, the consumption of cloth in India per head was 18 yards. I never heard it said that in 1913 the people of India were over-clothed. In 1920, owing to the simultaneous rise in the price of imported and local cloth, the consumer bought only 10 yards. Now, Sir, was that due to the weather being exceptionally hot? Was it due to a change of fashion? Or was it due to the simple fact which Mr. Coubrough brought out in his book, which the Government of India published for the benefit of us all, that the people of India have only a certain amount of money to spend on cloth, and if they can buy 18 yards, they do; if they have to buy only 10 yards when prices are high, they put up with it.

Although I am in doubt as to whether to go both for this proposal and my own amendment or to go for neither, I must say I incline to cheaper cloth.

In Bengal, I know the suffering, the economic distress, the political unrest, the *hāt* looting which has resulted from high prices, and I should like to see all here combine to do what they can to bring cheap cloth,—and I care not whether it is imported cloth or local cloth,—within the reach of the poor. Mr. Jarnadas Dwarkadas has twitted England

with being a new convert to this principle. He cannot twit me with that, and I cannot be responsible for my friends any more than he can be responsible for his. The object of my rising now is to ascertain the feeling of the House. If the feeling of the house is to have this low level and to have it on both imported and locally made cloth for the benefit of the people, then I am with them. If it is only on one, it will produce no benefit to the people whatever and I am afraid I must vote against it.

Sir Deva Prasad Sarvadhikary (Calcutta : Non-Muhammadian Urban) : What does Sir Malcolm Hailey say with regard to that ? It is of the utmost importance and interest to know that immediately.

Mr. C. W. Rhodes : But I would appeal to the Democratic Party in the interests of democracy (Hear, hear), to the National Party in the interests of the nation (Hear, hear), and to the Government in the interests of the people that they are supposed to, and actually do, protect. (Hear, hear.) I know that on these grounds it is useless to appeal to the Finance Member. To him I must appeal through his pocket. He probably has learnt something about the law of diminishing returns. In 1913, 18 yards per head, in 1920 owing to higher prices 10 yards per head. I do not think he is going to get a very much larger revenue by putting up the price of cloth. It is a necessity for the people, but it is one of those necessities that in a sense they are compelled to do without. Therefore, I think that if we can get a low level of cloth generally, it will be good for the people, it will be good for the mill industry and it will be good also for the Honourable the Finance Member.

The Honourable Mr. C. A. Innes : Sir, Mr. Rhodes, in the very eloquent speech which he has just made, made it with one eye upon his amendment which is to follow. I propose to leave that amendment alone until it comes up for consideration and to confine myself to the immediate issue which is before the House. That issue is this. Are we to increase the cotton excise duty from $3\frac{1}{2}$ to $7\frac{1}{2}$ per cent ? Now, Sir, Mr. Jamnadas Dwarkadas is a very eloquent man. I am not. I am merely a plain, tonguetied bureaucrat. But, Sir, since Mr. Jamnadas Dwarkadas had to summon to his aid all the eloquence which he had at his command and had to appeal to our feelings about the long-standing sore of the excise duty and so on, it seemed to me that he had to employ every artifice of this kind because he knew the weakness of his own case. (*Mr. Jamnadas Dwarkadas* : 'Not at all.') I may explain, Sir, exactly how this problem presented itself to the Government of India. Our fiscal needs rendered it necessary that we should propose to this House that our general *ad valorem* rate should be raised from 11 per cent. to 15 per cent. If that proposal is accepted, it means that the rate of duty on imported piece-goods will be increased by 4 per cent. Now, Sir, if we increase the rate of duty on imported piece-goods by 4 per cent. and if we do not at the same time increase the rate of excise duty, we shall be doing no good to the consumer at all. It is perfectly true that Lancashire goods enter into competition with Indian made goods only to a very small extent. But it is a well known fact that even in that small extent of competition, they exercise an extremely important influence upon the course of the trade out here. They are a governing factor in prices. Prices of Indian made goods are invariably just below those of the imported goods, and I challenge anybody connected with the cotton trade to challenge that statement. Here is a diagram (showing a diagram to the Assembly). The sudden drop there shows the decrease

[Mr. C. A. Innes.]

in imported piece-goods into India in four years. The sharp upward line in this other diagram shows the corresponding increase in the profits made by the Indian Cotton mills. It is an absolute fact that it is the price of the imported piece-goods that governs the price of Indian mill-made goods. I am quite prepared to accept the figures which Sir Vithaldas Thackersey so kindly gave us the other day. Sir Vithaldas Thackersey said that the present duties upon the production of cotton amounted to 11 per cent. and with the addition of 4 per cent. on the cotton excise he told us that they would amount to 15 per cent. and he said that that 15 per cent. would cost every consumer in India 10 annas per head per annum. This 4 per cent increase in a cotton excise means that every consumer in India has to pay 2 annas 8 pies more for his cloth than he did before. But the point is this. If we raise the duty on imported piece-goods and do not raise it on cotton excise, the consumer will pay that 2 annas 8 pies all the same, but the money will go into the hands of the mills and not into the hands of the Exchequer. That is absolutely so.

Now, Sir, the House cannot have it both ways. When we were discussing the salt duty, everybody in this House was getting up and saying that we must not punish the poor man in this way. If we have this Rs. 2 crores of revenue which we expect to get from the increased cotton excise duty, that will at any rate go to relieve the poor man from increased taxation. Is there any necessity for us to give that 2 crores to the Indian cotton mills? I do not grudge the Indian cotton mills this prosperity for one moment. The Bombay cotton industry is an industry that we are all proud of and long may it continue to prosper? But, Sir, I do say that when our financial position is as it is at present, when it is a case whether we are to take 2 crores of revenue for the general tax payer or whether we are to hand it over to the cotton mills, then I say that the duty of this House is plain. Mr. Jamnadas Dwarkadas will not deny that the cotton mills have made very large profits out of the Indian consumer in the last few years. I have the figures here, but I will not read them out. I will just refer to what a gentleman, whose loss we all deplore, said at the 1921 meeting of the Bombay Millowners' Association. The late Mr. Rahimtulla Currimbhoy, in presiding over that meeting, estimated the profits of the Bombay cotton mills in 1920-21 at 16 crores. It is said that we take our share of these profits by means of income-tax. The total income-tax collected throughout India in 1920-21 and super-tax was only about 20 crores. It is perfectly certain, therefore, that we did not take anything like the share we might possibly have claimed out of that 16 crores. We have shown the way by which without doing this industry any harm at all, we can add to our impoverished Exchequer Rs. 2 crores.

I admit that it is a proposal which has come as a shock to India, because of the history of these cotton excise duties, but, now that I have explained it to the House, I am perfectly sure that the House will see that we were justified in making this proposal, and I am perfectly sure that this House, if it considers this question on its merits, will be very loath to let this money go.

Rao Bahadur T. Rangachariar : I admit the question is a very difficult one, and after bestowing considerable thought on the subject, being the first time this elected representative body with its own majority in a Legislative Assembly of this sort has to consider and give its decision on this much-vexed question, we have no hesitation in saying that this excise duty on

cotton good is vicious in principle and ought not to be encouraged by any representative of the people. (Hear, hear.) Having said that, the other question which Mr. Rhodes has put to us with the very illuminating facts and figures which he has quoted to us has to be considered. And may I be permitted to add, for the benefit of the Honourable Mr. Innes' information,—the pathetic fact which he drew our attention to, the boasted advance of the economic condition of the Indian ryot is belied by the facts which are now brought out by Mr. Rhodes—that in a necessity of life such as cloth my countrymen have to abandon nearly half of the cloth which they were accustomed to use on account of the rise in prices which shows the impoverished condition of the land. Those who say that India has grown richer, high prices have come into play, and the economic condition of the Indian ryot or the villager has become much better than it was, let them take note of this fact. Whatever theorists may say, here is a stubborn fact which faces us which no amount of theory—and even Mr. Rhodes' friends like Sir Montagu Webb, let them also take note of it—can refute. Here is a speaking fact which cannot make too deep an impression on our minds. It is hardly likely, especially the people living in Upper India, knowing as I do the climate of the country, that they would willingly part with cloth if they could spare it. They have been driven by dire necessity to abandon for their women, for their children, for their infant babies, this cloth which is a necessity of life. Sir, that has made a deep impression on my mind to-day. I was not aware of it, and I can assure Mr. Rhodes, as regards the other proposal which he has brought forward, borrowing the language again of my English friends, we will consider it with deep sympathy, and I may assure him that, Indians as we are, our sympathy is always turned into action. Therefore, after to-night's meeting of our Party, I will be able to assure my Honourable friend that his appeal has not been in vain. I do not give him an assurance—already my Honourable friend on my side warns me about it—but it made a deep impression and, if I can use my influence with my Party, my present inclination is to support Mr. Rhodes' counter proposal. For at whatever cost, we cannot increase the cost of cloth to the consumer. I know it will make a deeper cut into the ways and means of my Honourable friend, the Finance Member, but that is not our business. That is the view we take of our position. I do not make any secret of it. Speaking for myself, I make no secret of my position here to-day. Till you bring down the expenditure, we do not feel called upon to find the ways and means for this expenditure over which we have no control. We had control over the civil expenditure and we have tried our level best to bring it down to reasonable limits. We were not unreasonable. Our action in respect of the civil budget must have amply proved to the Government and to the wider public at large that we are not out for mere mischief. Certainly not. We are out for improving the Government and thereby improving the country. (Hear, hear.) Sir, speaking on this motion, I give my cordial support to what Mr. Jamnadas Dwarkadas has put forward.

Maulvi Miyan Asjad-ul-lah (Bhagalpur Division: Muhammadan):
(The Honourable Member spoke in the Vernacular*.)

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

Khan Bahadur Zahir-ud-din Ahmed (Dacca Division : Muhammadan Rural): Sir, I support the amendment on the ground that the excise duty which has been raised on cotton piece-goods to 7½ per cent. and the import duty to 15 per cent. will only increase the nakedness in the country. I do not move in the matter in the interest of Manchester and Lancashire nor in the interest of Bombay, but in the interest of the masses of the population. A human being cannot live without a dress. Any Honourable Member who would like to contradict me will kindly give an exhibition in this Hall how this can be done. I wait for a minute for the exhibition. (Pause.) The minute is now over and, as no Member has come forward to accept the challenge and give the exhibition, I take it for granted that I am right in my contention. The cheapest dress that the masses can have is the cotton piece-goods either from England or from Bombay, hence I am against the raising of the excise duty as well as against the import duty. A non-co-operator friend of mine came to my relief, when I was explaining to him the dearness of piece-goods, already, suggesting to me to dress in *khaddar* and when I pointed out that enough of *khaddar* cannot be procured, he replied, go on half ration in your dressing. I fell in with his views and I asked which way to do the halves, whether I am to let go my pant or the coat. I got only a sinister stare at me, but no reply. Neither, I believe, can I discard one leg of the pant and one half of the coat. The only alternative is to cheapen the clothing and that can only be done by removing the import duty and the excise duty or by curtailing both. I say the masses in India are in rags. No less a person than His Royal Highness the Prince of Wales will testify to it. What he saw in India was that the masses were in rags and this the Government should feel ashamed of. These import and excise duties are worse than the salt tax. A man can cut down his salt consumption, but he cannot cut down his dress further. I must say here that, unless this increase of import duty and that of the excise duty is cut down, people will go down from rags to almost nakedness. As one of the masses, I prefer the salt tax to both the import duty and excise duty on cotton piece-goods and as such I support the amendment. We desire to be a member and partner of the British Empire and we must take the same responsibility with the rest of the Empire. It is not right to try to have it both ways. If we are to enjoy the rights, we must also accept the responsibilities of a partner. This question must be looked at from both points of view and I would like that the Honourable Members will do so. With these words, I oppose both the excise as well as the import duty. If one is abolished, the other must be done away with also. In my opinion, the excise duty and the import duty ought to be equal and of the same percentage, though I am doubtful the Honourable non-official Members will not accept it. I say, it is only just. If the capitalists of my country will only desire to be too rich at the cost of the poor, they should remember that they are only encouraging Bolshevism in the land.

Sir Vithaldas D. Thackersey (Bombay Millowners Association : Indian Commerce): Mr. President, I do not wish to go into the arguments whether this tax falls upon the millowners or on the consumers, because I have already expressed my opinion during the Budget discussion. I will therefore confine myself to meeting the arguments of the several Members who have supported the increased excise duty. I will first refer to the points raised by my Honourable friend, Mr. Rhodes, the representative of the Bengal Chamber of Commerce. Mr. Rhodes, as an advocate of the

poor consumer, has maintained that increase in the import duty should be accompanied by the countervailing excise duty. Now so far as the import duty is concerned, Sir, the millowners have never asked that an import duty should be levied or increased when it was increased. In my evidence before the Fiscal Commission I made that point very clear and I gave clearly my opinion that so far as the cotton industry was concerned, we did not need any protection. The only difference of opinion on this point arises when you say that if for revenue purposes import duty is increased, it should be accompanied by a countervailing excise duty. The millowners strongly protest against this principle. Does Mr. Rhodes suggest that if the increase in the import duty had not been levied, the proposal of raising the excise would have been raised? Well, Sir, Mr. Rhodes is very anxious about the cost of cloth to the poor. As I have previously explained, most of the cloth used by the poor is the Indian-made cloth and that cloth does not compete with Lancashire and has absolutely no relation to the Lancashire prices. Sir, the Honourable Mr. Innes showed us a chart. I am not quite convinced unless I examine that chart. There were special reasons in 1920. Owing to war we know imports were largely cut off and the chart in 1920 is no criterion to base our arguments upon. Sir, he said that the profits of the Indian Mills were 16 crores of rupees according to the speech of our late lamented friend, Mr. Rahimtullah. What was the reason for this. I have said, Sir, it was again the conditions arising owing to the war. Here in my hand I hold a list of Bombay cotton mills from which I can show what dividends were given from 1915 to 1921. I can hand over this statement to the Honourable Mr. Innes or any Honourable Member who wants to enlighten himself on this point. You will find that dividends in 1915 varied from 5 per cent. to 14 per cent. and in rare case above that. In 1916, there was a slight increase in the dividends owing to war conditions. During the last two or three years, owing to the conditions of the war, no new machinery could be imported from England and the millowners got the benefit along with others. Every one who had an interest in an industrial concern in India got the benefit. Now look at the jute mills. In 1918, they gave 140 per cent., 190 per cent., 215 per cent. and in one case 400 per cent. If you want to tax production, why not tax jute. If you want to tax production, you must tax all kinds of production, and not confine yourself to countervailing cotton excise duty. Then, again, the Honourable Mr. Innes said that if cotton excise be not increased by 4 per cent, the advantage would go to the millowners. In short, he maintained that those who were engaged in the industries of India and those whose interest was to develop the industries of India should not get extra profit. Sir, if you take that argument to its logical conclusion, he might as well suggest that if the imported goods came in free of duty, the Indian mills cannot make any money and the consumers would receive the cloth cheap.

Such an argument from a responsible Member of Government can only be used in India. Can such an argument be used by any Member of Government in a Self-Governing Colony or in Japan or in Germany,—nay, even in England? To say that Indians will make money if we give them the advantage of an import duty and that that advantage should be stopped is an argument which in no case will this House and the representatives of the people accede to. (Hear, hear.) Then, Sir, the only other plausible argument used is that the Government is in urgent need of money, and that therefore this tax,

[Sir Vithaldas D. Thackersey.]

although it may be unsound economically, should be levied. Sir, that argument has been used in a different way also by my Honourable friend, Sir Montagu Webb and others. They say : We must make our revenue balance the expenditure. It is a vicious circle ; if Government is obliged to issue more paper money, the prices will rise, and then the expenditure will rise further. Well, Sir, this argument has been met by my Honourable friend, Mr. Ranga-chariar. It is a case of a prodigal son spending away all his money and father giving him more and more, until the son is spoilt and the father is insolvent. (Laughter.) What we say is : the country should spend only as much as it can afford, and if you are spending unnecessarily Rs. 20 crores more for military expenditure, it is not for this House to give you the Rs. 20 crores so that you may be able to spend more with ease. After all, Sir, we do not wish, at least I do not wish, and those who agree with me do not wish, that we should put Government into any financial difficulty, because financial difficulty of Government is also harmful to the country. Now let me put before you the correct position, Sir, Government has shown a deficit of Rs. 2½ crores. Is the deficit a correct one ? The interest received on the investment of your Paper Currency to the extent of Rs. 3 crores ought to be credited to revenue. To that extent the deficit disappears. Have you not made 3 crores of rupees by coining silver into rupees, and the interest on your Gold Standard Reserve,—the whole thing amounts to about Rs. 3 crores,—3 crores over £40 million which according to the Finance Member was a sum which ought to be retained in the Gold Standard Reserve, the excess being credited to the Paper Currency Reserve ? That is a profit and may be considered as revenue. Thus, you get 3 crores as a surplus. Then, Sir, our friend, the Honourable Sir Malcolm, has said that Rs. 1 crore 17 lakhs is the amount paid in annuities as a portion of the capital expenditure, and he has used a very ingenious argument that it is a sinking fund. Now, Sir, let me take this House for a couple of minutes to show that the argument has no value at all. Suppose the amount of purchase price is 40 crores. Instead of paying 40 crores of rupees in cash when you purchased the Railways and took possession of them, suppose you entered into an arrangement with the shareholders of the Railways that the purchase price was to be paid in instalments of one crore of rupees for 40 years plus interest during the time on one crore of rupees,—are you not paying every year one crore of rupees as your capital ? What difference does this make,—whether you pay 40 crores in cash, or one crore every year for 40 years ? I daresay the accounting is wrong. This point was raised by me in 1911 or 1912 in the Imperial Legislative Council. At that time the whole amount, including interest, was about £600,000, Rs. 90 lakhs and it was argued that the amount for capital expenditure was so small that the arrangement may not be disturbed, and that when the amount got bigger, it may be reconsidered. It has grown to 5 crores from 90 lakhs, and in that way you will be debiting more and more to revenue every year. I say the entry is wrong and must be taken to capital expenditure ; thus you get a surplus of 4½ crores of rupees. Add to it one crore of rupees reduced in demand grants. That means a surplus of 5½ crores of rupees. Now, are we not justified, is the House not justified, in leaving Government to work with a deficit of at least 5 crores by refusing to grant taxation up to that amount and thus compelling Government to reduce the military expenditure ? We do not wish Government to be put into a difficult position. At the same time, we wish

that we should reduce their resources in order that they may think about reducing the military expenditure; I think, therefore, that this House will be perfectly justified in throwing out new taxation to the tune of ten crores of rupees in order that the results I have suggested may be arrived at.

Sir Montagu Webb: Sir, I find myself in an extremely difficult position, for, whilst I stand here as a Member of this Assembly endeavouring to the best of my ability to assist in making both sides of the Budget balance, the moment that I pass out of these doors I become a Member of the Fiscal Commission, who are giving their impartial and unbiassed consideration to the problem of excise duties, tariffs and so forth. I confess I was under the impression that my friend, Mr. Jamnadas Dwarkadas, who is also a Member of the Fiscal Commission, was in a somewhat similar difficulty. But, after hearing the remarks that have fallen from him this afternoon, I am beginning to suspect that he has a leaning in the direction of the abolition of the excise duties! Now I want to put it to this House that, so long as the Fiscal Commission is sitting, studying the fiscal problem—the type of tariff most suitable for the development of this country,—I put it to this House that it would be very improper for a decision to be arrived at which would prejudice the findings of the Tariff Commission. (*Mr. S. C. Shahani*: ‘How can it?’) It can in this way. If this House declines to advance the excise duties, whilst at the same time increasing the import tariff, then there is a disturbance in the tariff arrangements which plainly indicates a pre-judging of the fiscal problem. Now, I submit to this House that the findings of the Fiscal Commission (I hope and believe that a unanimous report will be forthcoming) will be arrived at in the course of a few weeks. Therefore, if this House postpones its decision until the month of September, it will be acting in the correct way. I am not suggesting that this House should necessarily accede to the increase of excise duties. I put it this way, that if this House decides not to accede to an increase in the excise, then, because of the argument which I have just used, this House must not accede to an increase in the import tariff on cotton goods. I put it to the Democratic Party that it is not a matter for further consideration; it is a matter for decision now. If the Fiscal Commission are not to be put in a position of extreme difficulty, I submit that this House should maintain the relation between the excise and the tariff for the time being undisturbed (*Mr. Shahani*: ‘Not necessarily.’)

Now, my Honourable friend, Mr. Rangachariar, said that the decreased consumption of cloth necessarily implied the impoverishment of this country. I do not think that it necessarily implies that. I can tell the Honourable Member that, two years ago, when I went into my tailor's shop in London, he asked me exactly three times the price which I had been accustomed to pay for my ordinary clothes. My reply was: ‘I am not going to buy clothes while your prices remain at this ridiculously high figure.’ It may be that the decrease in consumption of cloth by the Indian community may be an answer of somewhat the same character to our friends, the Bombay millowners, owing to the high prices of Indian-made cloth.

I think I have made my position quite clear to this House. It seems to me that with the Fiscal Commission sitting, the relation between the excise duty and the import tariff must not be disturbed; and if this House votes against the proposal to increase the excise, it must also vote against the proposal to increase the tariff on cotton goods.

[Sir Montagu Webb.]

There is one little point upon which I feel some difficulty. I have before me here a time-table. On it I see that at 11 o'clock this morning there was a deficit on the Budget of about two crores. At 1-25 the deficit on the Budget was six crores fifty lakhs. At the rate we are going on, by about 4 o'clock the deficit on the Budget will be quite ten crores. Now, it is essential that some means be found for avoiding this terrible deficit. I hope, therefore, that if I and those who think with me give our support to this proposal to reduce the excise, my Honourable friends behind me, the National Party, and also the Members of the Democratic Party will find some other means of making good the consequent very grave deficiency in the Budget.

Sir P. S. Sivaswamy Aiyer : I wish to ask the Honourable the Finance Member for some information. I wish to know whether in England any excise duty or countervailing excise duty is levied upon any home manufactures, apart from liquor and things of that kind ?

The Honourable Sir Malcolm Hailey : Not as far as I know.

Mr. S. C. Shahani : Sir, I rise to support the amendment that has been moved by my Honourable friend, Mr. Jamnadas Dwarkadas.

Mr. Jamnadas Dwarkadas : There is no amendment. I only opposed.

Mr. S. C. Shahani : I rise to support the view of Mr. Jamnadas. I am afraid that the bait that has been thrown towards the House by my Honourable friend, Mr. Rhodes, may come to be swallowed by some. He has suggested that the consumer of cloth has suffered from high prices, and that therefore you should either not impose the proposed import duty of 15 per cent. or consent to the raising of the excise duty from $3\frac{1}{2}$ per cent. to $7\frac{1}{2}$ per cent. I submit that the cotton industry in India should in no circumstances be discouraged. It is true that the Ahmedabad millowners are clearing large profits. (*Mr. C. W. Rhodes :* 'How much?') It is said that they have cleared last year 16 crores of rupees, and figures have been placed before us by Sir Vithaldas Thackersey which show that the highest dividend declared has been about 36 per cent. (*Sir Montagu Webb :* '360 per cent., I think.') Assuming for a moment that they have during the last three years been realising large profits, I say quite frankly that that money remains in the country and will be invested in Indian industries, and that even by this arrangement India distinctly benefits. To seek to accustom the consumer to foreign cloth is, I think, to embark upon an economic policy of a very dangerous character. If for some time the consumer has to give up the use of cloth because he cannot afford to buy it, let him do so. He is sure to benefit ultimately by home manufactured cloth. If cotton is produced and manufactured in India, it will without doubt ultimately be to the benefit of Indians. No one can deny the advantage of a home cotton industry in India. To say that the consumer should at all costs be forthwith provided with cheaper cloth is to suggest a course which will be calculated to do permanent injury to India. I trust that my friends will realise the situation and set their foot on any proposal of this kind.

I want to point out that my Honourable friend, Mr. Jamnadas Dwarkadas, was perfectly right in saying that an excise duty is not levied anywhere else, and that, if it is levied in Japan, it is for the purpose of revenue and is

counterbalanced by a very large export duty and is refunded when the Japan-manufactured cloth is exported. In these circumstances, to propose an excise duty on home-manufactured cloth is to do a distinct dis-service to India. The mill-owners of Bombay may be earning large surplus profits; but that can only go on for a short time. Competition is sure to set in as soon as it is realised that large profits are being made by those manufacturing cloth in India. My Honourable friend, Sir Vithaldas Thackersey, came forward to say that the mill-owners had not proposed an import duty. It may be true that they have not done so; but I do not understand why if it came to their doing so, they should be ashamed of proposing it. If the Indian is ever to become accustomed to wearing home-manufactured cloth, then I say it is a move in the right direction to propose an import duty such as has been proposed. I have no doubt that the duty has been proposed for revenue purposes, and I am not in any manner anxious that the House should pre-judge the question of free trade *versus* protection. But I submit that the House should just at present take such action as commends itself to it, and then await the decision of the Fiscal Commission for future action.

The Honourable Sir Malcolm Hailey: Sir, if I have to speak this afternoon in the character of the prodigal son addressing an impoverished and incensed parent, it is because that character has been assigned to me by one of my friends opposite, and not because I recognize myself in that character. Nor, Sir, if I still have to support this 'tax on Home-made products,' is it because I myself wish, in the words of my Honourable friend behind me, 'to anglicise the Indian.' Indeed, if I am not mistaken, I myself happen to be wearing on this warm afternoon some of those despised Swadeshi products (Applause), whereas I notice that some of the strong advocates of Swadeshi products are themselves clothed in foreign cloth. But let that be, Sir.

Now, Sir, I was told by Mr. Rangachariar that it was not his business or that of his party to balance our Budget. I notice, however, that behind him is a business man who realised that after all it was somebody's business to balance the Budget, and I propose to take up at once the suggestions which Sir Vithaldas Thackersey placed before the House for getting over our present difficulties, because after all he seems to realize that on every ground we ought to close the deficit. We ourselves reluctantly put forward an uncovered deficit of 2½ crores. He proceeds at once to turn that into a surplus by about a quarter of a crore by utilising the interest on the Gold Standard Reserve. (*A Voice:* 'Paper Currency Reserve.') If you prefer, then I will take the Paper Currency Reserve first, the interest on which amounts to 303 lakhs. The House will subsequently have an opportunity of debating the question of the interest on the Paper Currency Reserve, after hearing what we have to say as to the possible implication of the action which Sir Vithaldas Thackersey proposes to take; but at the present moment, and purely as an assumption, I will give him the benefit of those 3 crores, and he will then have his surplus of a quarter of a crore. Next, he proposes to give us a surplus of 3¼ crores by utilising the interest on the Gold Standard Reserve, which is another three crores. And this proposal, Sir, comes from Sir Vithaldas Thackersey! I remember that in September, 1920, when I proposed that we should utilize the interest of the Gold Standard Reserve for a far different purpose, *vis.*, cancelling our self-created securities, a proposal which would after all by the process of deflating money tend to strengthen exchange, and was of course to that extent consonant with the purpose for which the Gold Standard Reserve was created,—when we made that proposal, many of Sir Vithaldas

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Thackersey's friends in Bombay disapproved of our attempting to place a limit to the accretion of the Gold Standard Reserve. (*Sir Vithaldas Thackersey*: 'It was carried out still in spite of opposition.') I remember, Sir, the criticisms, the very grave criticisms that were directed from Bombay and elsewhere against Government when some years ago, as the result of a Committee which, I think, had the support of no less distinguished an authority than Sir David Barbour, Government utilised the interest on its Gold Standard Reserve for Railway Capital expenditure. I forget for the moment whether Sir Vithaldas Thackersey was among the critics; I rather suspect that he was, and now he is proposing not merely that we should set a limit on the accretions of the Gold Standard Reserve, not only that, but that we should use its interest to assist our revenues. (*Sir Vithaldas Thackersey*: 'Temporarily'.) I fear, Sir, that by that one word the Honourable Member has really abandoned the principle he advocated. For I doubt if when the day of repayment comes, Sir Vithaldas Thackersey will be strong enough to hold to the word 'temporarily'; he will then say 'permanently' and I am not sure that he will have many friends among the financial thinkers of this country if he once takes up that attitude. I am not, therefore, for my present purpose, prepared to allow him that 3 crores as a means of giving him his expected surplus of $3\frac{1}{4}$ crores. I am saying only so much for the present, since we would have a subsequent opportunity of discussing the matter. His surplus then still stands at $\frac{1}{4}$ crore.

Then, Sir, he is going to take further assistance by debiting to Capital instead of Revenue the Rs. 1,17,00,000 which we are due to pay as annuities for our Railways. He says this is unsound accounting. Is it, Sir, unsound accounting to take to our revenues every year, what is practically a sinking fund, for payment of a loan? Where does the principle differ in any way from the sinking fund on our ordinary loans?

Sir Vithaldas D. Thackersey: I wish to correct this one point. If there is no sinking fund for 575 crores of rupees spent on railways, why should there be for 40 crores? You never have a sinking fund for that?

The Honourable Sir Malcolm Hailey: We have no sinking fund for our $3\frac{1}{2}$ per cents., but for shorter term loans we have sinking funds, and I put it to any commercial man here whether payments of that nature are not rightly met from Revenue as a matter of proper accounting. I cannot for present purposes give him that 117 lakhs and he still stands at a quarter crore surplus. But he is going to raise that quarter surplus to $5\frac{1}{4}$ by reducing Military expenditure by five crores. We heard Sir Sivaswami Aiyer this morning on that subject. He went through the whole of our Military estimates with the most minute care, and thought he could realise a reduction of 560 lakhs. Now, Sir, in doing so, he had to indulge in such dangerous expedients as reducing largely the number of medical officers in the Army; he had to cut out a very large quantity of mechanical transport; he had even to indulge in the somewhat infructuous expedient of cutting off 20 lakhs of rupees which we incur by way of expenditure on Aden which, as it happens, the Home Government repays to us. Omitted to notice that if economies can be effected, it would be difficult to give them such immediate effect as to benefit the Budget in the present year. However, let us suppose purely for sake of argument that the Assembly is successful in realizing its ambition, and that by leaving before us the continual night-mare and the standing spectre of an uncovered deficit, it can force us to effect that reduction of five crores. Then, I agree, Sir Vithaldas Thackersey's surplus would, as a matter of fact, stand at about $5\frac{1}{4}$

crores. But his 5½ crores, as far as I can see, is going to do a most portentous amount of work for him and his friends.

On the strength of that you are going to refuse a tax on salt; on the strength of that you are going to refuse to raise the cotton excise; on the strength of that you are going to refuse the tax on machinery; you are going to refuse the tax on kerosene; you are going to refuse the tax on matches. (Cries of 'No, no.') I am glad to hear that; and I shall hold the House to that; you are going to refuse to raise postal rates (Cries of 'no' and 'not necessarily'). I should be glad to have had a more unanimous reply. (*A Voice*: 'You are drawing us.') You are going to refuse to tax sugar (Cries of 'no', 'no' and laughter). I am glad to see something that is saved from the wreck; but in any case you are not going to make that Rs. 5½ crores surplus of Sir Vithaldas Thackersey's, like charity, cover the deficit your operations portend.

I must return to the main subject in hand, because I realise that in indulging in counter-arguments to what Sir Vithaldas Thackersey put forward, I am to some slight extent departing from it. If I address the House again after what Mr. Innes has said on the subject of the cotton excise duty, I must do so with the indulgence of the House; for, Sir, the days are past when Members of the Government can come down to the House with carefully studied pronouncements on matters of this primary importance. I shall have to say simply what is in my mind on the subject and in no set terms. How was it that we came to propose this cotton excise duty? Far be it from me to go into the whole history again. The history of the case has been raised against us to-day, I think, mainly because the speaker hoped that by reviving the recollections of a contentious but a distant past he could cover up a weak point in his case as the matter stands at present. But it is only right that I should make clear what factors were present in the mind of the Government when it discussed this question. In 1894 it was proposed for revenue purposes to put on a general import duty. At once there arose—and I admit it—a demand for a countervailing duty on piece-goods; the demand came from England, and was supported on two grounds: first, on the ground that a countervailing duty was required in the interest of English manufacturers, and, secondly, on the pure doctrine of free trade. It was universally opposed here. There were members of Government who were equally opposed to it. But what were the conditions then? The Indian cotton industry was at the time neither fully developed or even firmly established, and it could at the time be fairly represented by the industry that it would constitute an injury to its development if a countervailing duty were placed on it. Well, Sir, it is true that at the time the members of the Government equally with non-official Members spoke against that proposal, and it was only carried—I admit the fact again—under strong pressure from Home (*Dr. Gour*: 'Instructions from Home') 'Strong pressure from Home' are the words I used. Subsequently we increased the general duty to 7½ per cent and we did not increase the cotton excise duty. (*A Voice*: 'What did Lord Hardinge say?') Both Lord Hardinge and Sir William Meyer gave expression to a sentiment which I still feel and my colleagues I am sure still feel that the cotton excise duty in itself quā countervailing duty was undesirable and that it ought ultimately to be removed. But to continue. Last year we increased the general import duty to 11 per cent. and still we did not increase the cotton excise duty. Now, you may ask why in face of those facts, in face of the history of the case in the past and of our own recent declarations, we have taken this step, and taken

[Sir Malcolm Hailey.]

it just at the very minute that India seemed to have gained a promise of fiscal autonomy, when indeed she could quote the convention that the British Parliament would not interfere with her fiscal liberty in certain defined circumstances. How was it that a government presided over by a Governor General whose motto has been justice in India and justice for India, a Governor General who has spared no pains to put forward the views of his government in regard to the claims of one large section of Indian public opinion (Hear, hear), how was it that a government which contained three Indian members on its Executive Council, came to put into its Budget a proposal for an increase in the Indian excise duties? I have spoken of the Indian Members of Government; I will say nothing of the remaining members of our Council. I must leave their reputation in the hands of their Colleagues and those who know their record. But how was it that such a government came to put this 'dangerous and detrimental and reactionary' proposal forward? I use terms, Sir, which have been given to me by others—I myself, as the House might notice, never seek to use epithets of this ornate nature. I believe myself that they are generally used only either to impress Government or to hearten supporters throughout the country; and as I have no need to impress Government and as I do not expect, alas! to find supporters throughout the country, and as my case is so good as a general rule that it needs no epithets at all, I do not use them. Now, Sir, we fully admit that India has a right to its fiscal independence subject to the terms laid down in the convention so often referred to. We realize that our conduct in regard to the Bombay and Ahmedabad mill-owners must be one of caution. They have given us great support throughout the war in subscribing to our loans temporary and permanent; it would be short-sighted policy on our part to alienate them. Allusion has to-day been made to the profits made by them, and if I refer to these profits it is only to correct certain figures which have been quoted. I can do so freely; they are business men and they have no need to fear facts. The profits that they have made are not limited to the maximum quoted by Mr. Shahani; their dividends in some cases have gone up to 200 per cent.; but they have earned these in fair trade and no one need grudge a business man the profits earned by industry and enterprise. We least of all can grudge them, when we see that they have such confidence in Government that they put larger portions of their profits in our State loans.

I have had to repudiate before the suggestion and I think the House has accepted what I said then—that in putting forward a proposal to raise the cotton excise duty we were under stress of any pressure from outside or that we had any desire to assist outside traders or manufacturers. I was twitted the other day because our ideas on the subject happened to coincide with the ideas of Manchester, and I was asked why it was that Manchester happened to be jubilant over our proposals. Well, Sir, it would be a bad world indeed, if we were to refrain in private life from taking any action which we believe to be right and profitable to ourselves merely because it happens to suit somebody else. We stood the racket of opposition from Lancashire when we raised the general import duty to $7\frac{1}{2}$ per cent.; we stood it when we raised the duty to 11 per cent., and we were perfectly prepared to stand the racket now. It was not fear of Lancashire which made us propose to raise the cotton excise when we proposed to raise the general duty to 15 per cent., nor must it be taken as a proof that we desired to help Lancashire because our revenue interests happened to coincide with their ideas. Let me quote the House a

parallel. An English Prime Minister came into office on the platform that Germany should be made to pay for the war. Subsequently it was found that Germany could not pay the whole of the reparations demanded of her. A more cautious policy was indicated. Now, Sir, if the English Prime Minister holds, owing to the force of circumstances, that the reparation programme should be modified—that does happen to suit Germany no doubt,—but does he become pro-German because he advises a policy of moderation? Do we become supporters of Manchester merely because owing to stress of circumstances we propose to make money by raising the cotton excise duty? We sought to raise money from this particular source because we recognised that first of all the present circumstances were not in any way parallel to those of 1894. That the cotton industry needs no protection at all has been admitted by the industry itself. Secondly, we thought that the country would admit that, as long as there continued a wide gap between our import duty and the excise duty, the excise duty could no longer be described as in any sense countervailing, and we believed that the public of India would realize that our excise duty even with the proposed increase was not of a countervailing nature.

Then, Sir, the Fiscal Commission is sitting and, as Sir Montagu Webb has justly said, we were bound, as far as possible, to keep the relation between the two duties the same as it was before. That was a strong argument, so strong that we felt it to be almost decisive. And finally, we had to satisfy ourselves whether as a matter of fact we should be doing any harm to the consumer if we placed this addition on the cotton excise duty, or any good to him if we omitted to raise it. I have listened to many speeches this afternoon, I had of course expected, after the attitude that we had taken up on the 8th March and elsewhere, to hear the most triumphant refutation of that position; I was waiting to learn that the prices of manufactured cloth in India did not depend to any extent on imported cloth. When Mr. Jamnadas came to that point, his voice failed; full of confidence in other respects he now evinced a telltale hesitation, and contented himself with simply denying that the fact was as we had stated. He gave us no proof at all. Mr. Rhodes gave us actual proof to the contrary. Sir Vithaldas Thackersey, from whom I expected with all his vast experience of Bombay the clearest proof that we were wrong, began by saying that he intended to avoid any argument whether the duty falls on the mill-owner or on the poor.

Sir Vithaldas D. Thackersey : Because I have explained the whole position in my Budget speech.

The Honourable Sir Malcolm Hailey : I think that the figures given to the House by Mr. Innes on that point are very convincing. As a matter of fact, India produces only about 40 per cent. of the cloth it consumes, and it is consequently out of place to speak here of the competition amongst Indian mill-owners as being likely to bring internal prices down. I think it stands to reason that the internal competition cannot be sufficient to regulate prices, that they must depend upon some other factor. What is that factor? I agree that a large quantity of imported cloth does not compete with the Indian mill-made cloth, but there is a meeting point. There are about 40 million yards which do so compete, and very naturally it is the price of that competition margin which determines the price either to the mill-owner or, as Mr. Rhodes pointed out, to the middleman, for even if the mill-owner with personal self-sacrifice—I do not say that he is incapable of such self-sacrifice (Hear, hear)—or acting against the interests of his shareholders—

[Sir Malcolm Hailey.]

and I doubt whether he is capable of that (Laughter),—if the mill-owner does reduce his price, you may be pretty sure that the middleman will not do so. And so, somehow or other—whether it is the mill-owner who will get the advantage—I would rather he got it,—or whether it is the middleman who gets it, though I do not want him to get it,—it is anyhow clear that the consumer will not get it. The Council will perhaps be interested to hear the voice of a recent authority on this matter :

‘The extent of imports of a competitive nature into India bears only a small percentage to the total consumption, but this small percentage has a very important bearing on the Indian piece-goods trade. It may in fact be held to be the governing factor in prices. The rise, therefore, in the cost of Lancashire goods reacted on India in the sense of not only causing a very heavy fall in the quantity of imported goods, but of enabling a very large increase in price to be charged by the Indian mills for goods which they produce.’

Well, we are discussing economics this after-noon. Surely, it is a principle of economics that the price is decided mainly by the portion of the total product which comes into competition. Will any one here really deny the proposition that we have laid before the House, that if we raised our general import duty from 11 to 15 per cent. and we left the cotton excise at 3½, then there would be an additional 4 per cent. to go to the benefit either of the Indian manufacturer or the Indian middleman. We might as well have it, for the general benefit. Sir Vithaldas said that nowhere in the world except in India could that proposition be made. Well, Sir, I do not care whether in other countries they have not the commonsense to take for the benefit of the State profits which the manufacturer does not require and the taking of which will not hurt the consumer. The Bombay mill-owners say they do not want it, the four per cent. They repudiate Mr. Shahani's suggestion that the general import duty should be raised. For protection purposes they have told the public so a dozen times. Their friends have told us so to-day. It is a windfall from the Gods, and they do not want it. Then who is to have it, since the consumer will in any case not get it? The voice of commonsense naturally replies, that the State should have it and not the middleman.

Mr. S. C. Shahani : They can have it only for a short time.

The Honourable Sir Malcolm Hailey : The Fiscal Commission is sitting, and will no doubt before long give us some thing much better in the way of a consumption tax than we have got. I will admit all the theoretical arguments against cotton duty. I admit that it has an unhappy history. I admit that in itself it is not a good tax, because it is a tax on production and not on profits. But I say, let us have this tax if it is only for six months until the Fiscal Commission can give us a scientific re-adjustment which will give us money without reproducing the undesirable incidence as the present tax. (*A Voice : ‘Have it then’.*) We want it now. I have been asked to-day, how, in view of what has happened in the past, can you expect Indians to vote for this tax? Well, Sir, I have sufficient confidence in the commonsense of Indians to believe that they are capable of voting by the light of reason, and not at the dictates of unthinking people with whom they may come in contact (Laughter); I believe them capable of voting a sound proposition which would bring Government the money it requires when this can be done without injuring the consumer, instead of allowing it to pass into the pockets of manufacturers who have told us that they do not want it, or of middlemen who do not deserve it. I appeal therefore to this House to put aside from its mind the contentious history of the past and to take to-day a sound and business-like view of this question.

Mr. Manmohandas Ramji (Indian Merchants' Chamber and Bureau : Indian Commerce) : Sir, before I begin, I quite appreciate the suggestion made by my Honourable friend, Mr. Rhodes, on the ground that the cost of cloth will rise if the duty is increased on imported as well as the locally manufactured cloth. So far I am in agreement with Mr. Rhodes. But I strongly object to the condition that he has made, the condition that he was bold enough to put forward, namely, that we are willing to agree not to increase the excise duty of 4 per cent. if the proposed 4 per cent. increase on the imported cloth is taken out. I cannot understand, Sir, why this condition ought to be there. Both the things are on quite different lines. Several arguments have been put forward why this 4 per cent. is made common to both. I cannot follow those arguments at all. It is very easy and very simple to say that because we increase the duty on imported piece-goods by 4 per cent., we are justified in increasing by a similar amount the duty on locally made cloth. But I think the proposers of this arrangement are alive to the exact working of that proposal. I think they have gone into the figures, and they have found out that this proposal of 4 per cent. is very good from their point of view. Let us take the actual effect. The actual effect is that while the import duties on foreign cloth are proposed to be increased from 11 to 15 per cent., that is, 36 per cent., the excise duty is proposed to be increased from $3\frac{1}{2}$ to $7\frac{1}{2}$ per cent. or by 114 per cent. Is that sound? Does that correspond to the increase in the case of the imported cloth? Nothing of the kind.

Then, again, Sir, it has been pointed out that even taking this 4 per cent. as put forward by them, it may go to the pockets of the millowners. I do not know whether the proposers of that argument really know that in Bombay at least, of which I know, there is hardly a mill or two which is owned by individuals. All the others are owned by shareholders, and the so-called millowner is simply working as Secretary or Agent who gets his commission. He does not get more if there are very big and heavy profits. Not much. But there are other reasons why this proposal is inequitable. If we go into the figures, the present year's proposals to increase taxes will affect the mills. In the first place, the mills, in order to produce their cloth, will have to buy imported stores. I have got in my hands the figures for a mill in Bombay. It paid Rs. 88,000 per annum as duty on store purchases for producing the cloth, and now, under the new proposal, it will have to pay Rs. 1,20,000. That is with reference to one mill. In income-tax, the mill which had to pay on its profits of the last year Rs. 7,29,000 will have to pay under the proposal for increased taxation in the Income-tax Department Rs. 7,99,000. There also it will have to pay more. Then, again, in excise duty that particular mill will have to pay against Rs. 4,96,000, Rs. 10,63,000. The whole point is that this 4 per cent. is quite misleading. There is a feeling that we should increase correspondingly the duty on the Indian production, but then we are putting a heavier duty on the Indian production than we are proposing to put on the imported goods. There is no analogy between the two. Each case must stand on its own merits. On the one hand, the whole country is crying for protection. The millowners do not say that they want more protection because the industry can stand on its own legs. Even if the mill industry has an advantage by protection, how will that work? It will work to increase more its working capacity. All the profits that they make will go towards the increasing of the output, and within a short time the whole thing will be helping to produce more. Is this wrong principle, Sir? Take another

[Mr. Manmohandas Ramji.]

point. How is it that this particular 4 per cent. is proposed to be placed on the production of cloth only? If more revenue is wanted, and I do admit that the revenue is wanted, why not equalise it and distribute it on all the productions of the different industries? I cannot understand why this particular industry is selected for it. There are jute mills, there are oil mills, there are flour mills, and there are so many industries. There is the woollen industry, the paper mill industry and other industries. There are 101 industries in India which are making profits. If you want to raise a tax from industries, let the tax be equally distributed on all industries and not on a particular industry. It has been pointed out that Rs. 16 crores was the profit of the mills in Bombay. Quite right. May I ask, Sir, what was the profit of the Lancashire mills during that period? It was simply a windfall to India, because no goods from Lancashire came for five years owing to the war. Therefore there was greater demand. But on that account you want to penalise this industry because they have earned more. They have earned more. Very well. But you have taken more taxes in the shape of other taxation. If you want still more, if you want to raise a tax from your industries, equalise it and do not penalise one industry, because it has any chance of competing with Lancashire of which there is no existence. Indian mills do not compete with Lancashire. There is no competition at all. We have reason to believe that Government are perhaps afraid of any competition with Lancashire. In order to silence everybody, perhaps this four per cent. has been equally distributed. On these grounds, Sir, I say that this proposal is not equitable, is not just. Sir Montagu Webb asked us to wait for a few months till the Fiscal Commission issues its report. He also said that that report will be perhaps unanimous and asked us to do nothing, to neither increase the import duty nor the excise duty. I cannot understand why we should do this. If there is a deficit, if money is wanted, it must be provided for, and this is the time for making such provision. Then, why are we asked to wait for a long time? Is it wise for us to come in the middle of the year or at the fag end of the year and say: 'The Fiscal Commission's report is published. Now we have decided our policy and therefore we are going to tax this way and that way.' I think that is not a sound proposition.

Again, Sir Malcolm Hailey said that the four per cent., will go to the millowner and will not reach the consumer, and therefore it had better go to the Government in these stringent times of deficit. (*The Honourable Sir Malcolm Hailey*: 'I said millowner or middleman.') Of course, I take his word that he meant that it would go to the middleman. Whatever it may be, I say that, if increases are found by the consumer, the reductions ultimately go to his benefit. It is no use saying that this is a small percentage and therefore it may not reach the consumer. That argument cannot stand. On principle the maintenance of these excise duties is vexatious, and that should be done away with as soon as possible. We were given a promise that as soon as the opportunity comes, the duty will be removed. What do we find now? It is proposed to be increased!

Dr. H. S. Gour: I move, Sir, that the question be now put.

Mr. President: The question is:

'That clause 4 do stand part of the Bill.'

The Assembly then divided as follows :

AYES—38.

Abdul Rahim Khan, Mr.
 Aiyar, Mr. A. V. V.
 Akram Hussain, Prince A. M. M.
 Bijlikhan, Sardar G.
 Bradley-Birt, Mr. F. B.
 Bray, Mr. Denys.
 Bryant, Mr. J. F.
 Chatterjee, Mr. A. C.
 Clarke, Mr. G. R.
 Cotelingham, 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.

Ikramullah Khan, Raja M. M.
 Innes, the Honourable Mr. C. A.
 Kabraji, Mr. J. K. N.
 Keith, Mr. W. J.
 Lindsay, Mr. Darcy.
 Mitter, Mr. K. N.
 Muhammad Hussain, Mr. T.
 Percival, Mr. P. E.
 Rao, Mr. C. Krishnaswami.
 Renouf, Mr. W. C.
 Sapru, the Honourable Dr. T. B.
 Sarfaraz Hussain Khan, Mr.
 Sharp, Mr. H.
 Spence, Mr. R. A.
 Tulshan, Mr. Sheopershad.
 Vincent, the Honourable Sir William.
 Waghorn, Colonel W. D.
 Way, Mr. T. A. H.
 Webb, Sir M. dePomeroy.

NOES—55.

Abdul Majid, Shaikh.
 Abdul Quadir, Maulvi.
 Abdulla, Mr. Saiyed Muhammad.
 Agarwala, Lala G. L.
 Agnihotri, Mr. K. B. L.
 Ahmed Baksh Khan, Mr.
 Aiyer, Sir P. S. Sivaswamy.
 Asjad-ul-lah, Maulvi Miyan.
 Ayyangar, Mr. M. G. M.
 Ayyar, Mr. T. V. Seshagiri.
 Bajpai, Mr. S. P.
 Barodawala, Mr. S. K.
 Bhargava, Pandit J. L.
 Bishambhar Nath, Mr.
 Chaudhuri, Mr. J.
 Das, Babu B. S.
 Ginwala, Mr. P. P.
 Girdhardas, Mr. N.
 Gour, Dr. H. S.
 Hussanally, Mr. W. M.
 Iswar Saran, Munshi.
 Jamnadas Dwarkadas, Mr.
 Jatkari, Mr. B. H. R.
 Kamat, Mr. B. S.
 Lakshmi Narayan Lal, Mr.
 Latthe, Mr. A. B.
 Mahadeo Prasad, Munshi.
 Manmohandas Ramji, Mr.

Man Singh, Bhai.
 Misra, Mr. B. N.
 Misra, Mr. P. L.
 Mudaliar, Mr. S.
 Mukherjee, Mr. J. N.
 Mukherjee, Mr. T. P.
 Nabi Hadi, Mr. S. M.
 Nag, Mr. G. C.
 Nand Lal, Dr.
 Neogy, Mr. K. C.
 Ramayya Pantulu, Mr. J.
 Rangachariar, Mr. T.
 Reddi, Mr. M. K.
 Rhodes, Mr. C. W.
 Samarth, Mr. N. M.
 Sarvadhikary, Sir Deva Prasad.
 Schamnad, Mr. Mahmood.
 Shahani, Mr. S. C.
 Singh, Babu B. P.
 Sinha, Babu Ambika Prasad.
 Sinha, Beohar Raghubir.
 Sohan Lal, Bakshi.
 Srinivasa Rao, Mr. P. V.
 Subrahmanayam, Mr. C. S.
 Subzposh, Mr. S. M. Z. A.
 Thackersey, Sir Vithaldas D.
 Vishindas, Mr. H.

The motion was negatived.

Clause 5 was added to the Bill.

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

‘That in sub-clause (b) of the explanation to clause 6, after the word ‘used’ the words ‘in liquid form’ be inserted.’

The object of this amendment, Sir, is merely to clear up a doubt. It has been suggested to us that, if we pass this clause in its present form, candles could be assessed as motor spirit or kerosene. We do not think that there is

[Mr. C. A. Innes.]

very much reality in the doubt, but we have been advised that it is desirable to clear up the matter beyond all doubt and that is the reason why I have proposed this small amendment.

Dr. H. S. Gour: I oppose both the section as well as the proposed amendment, and I do it not on any general grounds but on the short ground that the duty on kerosene will hit hard the poorest in the land. As the Honourable Members are aware, kerosene has now come to play a very important part in the domestic life of the villagers in this country. It has replaced vegetable oils for lighting purposes and the principle which underlies the Resolution passed by this House negating the salt tax applies equally to kerosene. We have been told by the Honourable Members on the other side that these taxes are supportable on the grounds of both principle and policy and we have no doubt that the tax on kerosene will be sought to be supported on similar grounds. Now, Sir, I do not wish to generalise on the general principles governing taxation. We are dealing here with the Finance Bill which is limited to 12 months and I shall therefore ask the Honourable Members of this House to consider this question from that narrow standpoint. My friend, the Honourable Mr. Rangachariar, has stated in connection with another Resolution disposed of by this House that we wish to use pressure upon the Government, by refusing these supplies, to curtail and retrench military expenditure. My Honourable friend, Sir Malcolm Hailey, has told us that the proposal for the curtailment of military expenditure is unthinkable this year. The Honourable Sir Sivaswamy Aiyer pointed out the various ways in which, without detriment to the strength and efficiency of the army, the military expenditure might be curtailed, and if I correctly heard him, he also used the word champagne in that connection. The Honourable the Finance Member is perfectly willing to refer the question of civil and military expenditure to the proposed Retrenchment Committee. If the Committee is properly formed and its terms of reference made as liberal as disclosed by the Honourable the Finance Member, I have not the slightest doubt that that Committee would be in a position to effect substantial retrenchments in our national expenditure.

So far as this small question of kerosene is concerned, I do not think I need detain the House for long. It is a very small figure bringing in a revenue of less than a crore of rupees per annum; and, while we have enunciated a clear principle for making the poor man's salt tax-free so far as we were able to do so, we cannot but follow out that principle by making his illuminant equally free. The Honourable Mr. Innes, who defended the salt-tax in his speech of great eloquence and force, pointed out by the display of his statistics that it would fall very lightly upon the poor families of this country. I do not know whether the Honourable Member for Commerce and Industries has studied that chapter in the English history which is known as the chapter for the establishment of free trade in England. Honourable Members will remember the Anti-corn Law League which did away with all taxes upon the import of corn, not because the English people were not able to buy their loaves with the duty put upon them, but because they said it was a vicious principle to make the poor man pay such heavy taxes. So far as kerosene is concerned, it is even a greater necessity than salt, because unless you have kerosene, the poor man will not be able to see and eat his salt. He will not be able even to light his lamp. I

therefore venture to submit that if any case has to be made out in favour of kerosene, it stands on even stronger and firmer ground than the two previous Resolutions which you have passed by such a strong majority. I ask, Sir, that my Resolution should receive even stronger support.

The Honourable Mr. C. A. Innes: Sir, it seems to me that there is a sort of unconscious unreality about our debates this afternoon. I have a sort of feeling that when we come to this Assembly to discuss these proposals, we are not here really to discuss the proposals but merely to register decrees which have been arrived at in the lobbies of the House. I do hope that this House will reconsider that attitude. If this Assembly is to do its duty by the people of India, it is up to this Assembly to consider proposals upon their merits, and to listen carefully to what can be said in favour of these proposals. Dr. Gour, Sir, has told you that the imposition of this small excise duty upon kerosene produced in India, coupled as it will be with a corresponding increase in the import duty, is going to add to the cost of living for the poor man. Well, Sir, I have worked out figures here I do not know if they will interest the House, but such as they are, I will give them. We know exactly what increased cost this extra anna is going to cause. I have figures here furnished to me by the Burma Oil Company. The increase of cost arising from the duty is to be 8 annas per case of two four-gallon tins, that is to say, it is to be one anna per gallon. Now, Sir, our statistics show that the consumption of kerosene oil in India is half a gallon per head an anna. The actual effect of this tax therefore is going to be this; it will add to the cost of living to the extent of 6 pies per head per annum; that is to say, it is going to add to the cost of living for a family of four 2 annas per year. I ask the House, is 2 annas a year for a family of 4 going to hurt anybody at all; and I also ask the House to recall what the effect of their decisions to-day has been. We began with a deficit of 2.72. The House has cut off the salt duty. That is 4 crores 30. It has cut off cotton excise, that is, 2 crores. Our deficit therefore is 9 crores 2 lakhs. Deduct from that 95 lakhs, the savings effected by retrenchment, it leaves us with 8 crores and 7 lakhs. To that we have got to add refunds which we have got to make on account of the salt duty and the cotton excise which came into force on the 1st March. Our deficit, therefore, stands now at 8 crores 57 lakhs; and if you reject this proposal, you are going to add another 90 lakhs to-day. I have pointed out to the House that the effect of this proposal is that it is going to add two annas per year to the cost of a family of 4. That is one matter of fact,—and here is one other point which I think the House will take most carefully into consideration. In spite of the fact that we are adding slightly to the cost of kerosene by this excise duty and by this import duty, yet the price of kerosene has already come down by 9 annas a pair of four-gallon tins. The announcement is being made on March 22nd. I hope the House will consider that very carefully. Here I have got a letter from the Burma Oil Company. They have written to me saying that 'if it had not been for your excise duty and your import duty, we should be able to reduce our price of petrol by one rupee, one anna per two tins of 4 gallons each. Because you put on this extra duty, we are only able to reduce it by 9 annas.' Now the House, I hope, will take that fact into consideration. In spite of this excise duty and this increased import duty, the price of kerosene has gone down 6 annas per two four-gallon tins.

Dr. H. S. Gour : How long will that price last ?

The Honourable Mr. C. A. Innes : The reduction in the price is due to the fact that there has been a great reduction in the price of foreign oil. So I claim that owing to the reduction in price which is coming into force day after to-morrow, our imposition of an excise duty and our increase of import duty is not going to hurt the poor man at all. He is still going to get his reduction in price.

(At this stage Mr. T. V. Seshagiri Ayyar took the Chair.)

I put it to the House, are they going merely to stick to what has been decided outside, or are they going to take these plain facts into consideration and to give us the 90 lakhs which we will get out of this proposal ?

Rao Bahadur T. Rangachariar : Sir, I beg to move :

‘That the consideration of this question be adjourned till to-morrow.’

So that we may consider the matter in the light of the remarks made by the Honourable Mr. Innes.

Mr. T. V. Seshagiri Ayyar : The question is :

‘That the further consideration of clause 6 be adjourned till to-morrow.’

Mr. N. M. Samarth : Sir, I may be permitted to ask a few questions upon this matter in order to form a considered judgment upon the proposal. Let not the Honourable Mr. Innes think that Members have come here simply to vote one way or the other.

I take it that neither the Democratic Party nor the National Party is oblivious of any considerations which may be brought forward by
5 P.M. Government in support of their proposals. At the same time let me make it clear that I am a poor man's man; I am a village boy; and I feel that it is due to me and to every Member here who is of the same mind to see that nothing is done which will increase the burden of the poor man in India. Again, so far as this subject is concerned, I keep an open mind

Mr. T. V. Seshagiri Ayyar : The motion before the House is that consideration of this question be adjourned till to-morrow.

Mr. N. M. Samarth : I am in favour of that, but before I come to a decision I want to know whether the figures which I have here have been taken into consideration by the Honourable Mr. Innes when speaking just now. Here are the figures of ‘prices of staple articles of import in 1873 and from 1896 to 1921. At page 32 of this publication, No. 1512 (A Voice: ‘What is that publication?’) ‘The Prices and Wages in India,’ page 32. There is kerosene oil, Chester (A Voice: ‘The poor man does not use Chester’) the price of that has gone up by a few rupees let me take the price in one of the years, 1915, 1914 or 1913. In 1912-13, it was Rs. 4-12 per case of two tins

Mr. T. V. Seshagiri Ayyar : The Honourable Member from Bombay would do well to speak to the proposition before the House, namely, that the consideration of this matter be adjourned till to-morrow.

Mr. N. M. Samarth : May I make this clear? I want this information, so that, if the question is adjourned till to-morrow, I may be able to come to

a considered decision upon it. If we do not get this information, then we may come to a decision in the dark.

Dr. H. S. Gour: I support Mr. Samarth for the purpose of asking Mr. Innes to furnish this information, upon which we shall have time to deliberate.

Mr. N. M. Samarth: Then, Sir, the prices have gone up from Rs. 5 to Rs. 6-15, to Rs. 7-14, to Rs. 9-9, until in January, 1921, they were Rs. 10-12. It is no use calculating, by the addition of this duty, on the high prices of last year, what the increase per head comes to. As a matter of fact, the people do feel the pinch of the high prices of kerosene even now. They have been feeling it for several years, and it is no use telling us that the proposed tax only slightly increases the existing burden. As a matter of fact, the kerosene oil which the people require for daily use is so dear that they cannot afford to buy it without great hardship. Consequently, is it fair that you should increase the tax on it and make it dearer still? So far as retail prices are concerned, if the Honourable Mr. Innes can convince us that by his proposal he is going to reduce the prices to those which prevailed in 1914-15, Rs. 5 or Rs. 4-12, we will certainly and heartily support his proposal.

Sir Deva Prasad Sarvadhikary: Sir, I do not wish to object to the proposal for adjourning this matter till to-morrow, if that will be any help in bringing about a better understanding. But there is a matter which has been mentioned by the Honourable Mr. Innes, with regard to which, I think, the position of some of us here ought to be made clear. I distinctly join issue with him when he takes it for granted as he has done twice to-day that Members come here determined to vote as the result of lobbying, canvassing or what is called 'Party' arrangements. He has himself brought it out, and Sir Malcolm Hailey had referred to the brute force of voting. I am in a way glad they did so. All of us do not however belong to what has been called 'Parties' or groups. Some of us think that though Parties will and must come in time, rigid Party organisations are now impossible and undesirable. It is I maintain that as far as possible Members should vote according to their own judgment and if Mr. Innes analysed the results of the voting during the last few days he must have noticed and been satisfied that there have been Members who have voted as freely on the Government side as on the other as occasion has justified. There are those who are determined and declare their determination to support the Government when possible and oppose it when necessary. That is the unalterable creed of the National Liberal Party and I have no doubt of the Party here called the National Party, I suppose for the sake of effect and abbreviation. Sir, what has been happening for the last few days and particularly what has happened to-day will probably soon oblige Members, who are at present standing out not in isolation but detachment to join one or other of the Parties or to create another group. It has been the boast of all the Legislative Councils in the country, here in the Central Government and in the provinces, that Members so far that they have, to the best of their ability and in the best of their light, always discharged their duties and voted with a free conscience. I have no reason to believe that, even when they join in groups and take counsel together—for I maintain that what it called and understood to be Parties is here now impossible—they will act otherwise than they have in the past, namely, with a free conscience and enforced judgment. What does the Government itself do, and the members

[Sir Deva Prasad Sarvadhikary.]

of the Government? Unless by a declaration of the Leader of the House set free, are not they bound to vote as the Government desires? Who has ever raised any objection to that? Who can? Why then a strong Government should object to what is confessedly this strength of the weak organisation. Now we are coming to a state of affairs when combination in the interest of the country becomes inevitable. The Government by its action and inaction is forcing the face and forcing the hands of those who would still maintain the independence that they value so much. There is no question of brute force in increasing national, and normal Parliamentary rights.

Sir, on the merits of the case itself I do not know why my friends want time in order to make up their minds. What has Mr. Innes said that makes the position so very difficult or alters it? He has urged the common place.

For myself I would not have the slightest hesitation in opposing the proposal for reduction of kerosene tax, for some taxation is necessary and inevitable. Government cannot be blindly opposed all along the line. We are undoubtedly here to see that as much reduction as possible is made in the demands as well in taxation. At the same time we realize that Government must be supported also as far as possible. It has been made clear by Sir Vithaldas Thackersey, by Sir Sivaswamy Aiyer and, to a certain extent, I believe by myself, that if Government will co-operate with us, it ought not to be difficult to make up this deficit of 10 or 12 crores. All our proposals have not been fully considered, some like the proposal for spreading over the exchange deficit in the matter of accounting has not even been attempted to be answered. The only course open to Members of the House under the circumstances, therefore, has been taken. Will the Government consider for a moment how it is that the different sections of the House differing from one another in many respects including those not attached to any Party, have almost to a man taken up a stand in certain matters not agreeable to Government? In the same way that while Government here—and not dictated from England—has been thinking of the cotton excise duties as a revenue measure and Manchester has been independently well-coming them, Members of this House in the different parts may well have been thinking of things in common and coming to an unanimous conclusion independently and to the best of their ability and without suggestion, dictation or approval from other sides. I do protest against the assumption that Members without thought or conviction act as Mr. Innes seems to have unthinkingly suggested.

Dr. H. S. Gour : I rise to a point of order. The other day the Honourable Sir Malcolm Hailey referred in his Budget speech to the fact that we who had the majority in this House should not decide questions against him by using the brute force of our votes. The Honourable Mr. Innes to-day harks back to that sentiment, though he did not use the same expression, but the underlying current of his thought was that it is improper for any section of this House to form into Party organisations and come here with a certain unity of mind and purpose

Mr. T. V. Seshagiri Ayyar : Will you put the point of order?

Dr. H. S. Gour: I wish, therefore, to ask you, Sir, is it un-Parliamentary procedure for any section of this House, for the Members to join together into a Party organisation and to take concerted action? (*Mr. N. M. Samarth:* 'Equally with Government'.) My friend, Mr. Samarth

Mr. T. V. Seshagiri Ayyar: Will you kindly state the point of order on which you want my ruling.

Dr. H. S. Gour: I am just prefacing my remarks. The point of order that I wish to put, Sir, is this. We have been castigated by two Honourable Members of the Executive Council for having formed a Party organisation. I wish to ask

The Honourable Sir Malcolm Hailey: May I rise to a point of order, Sir? I think one of those Members to whom Dr. Gour is referring must be myself, and I put it that he is not entitled to quote me unless he quotes me correctly. I therefore desire, Sir, that he will quote the words which I have used in 'castigating' him or anybody else for voting together.

Dr. H. S. Gour: Sir, what I have said the Honourable the Finance Member has not denied.

Mr. T. V. Seshagiri Ayyar: I want the exact question on which you want my ruling. I want the question to be put.

The Honourable Sir Malcolm Hailey: And I want the quotation on which Dr. Gour bases his charge against me.

Sir Deva Prasad Sarvadhikary: Is Dr. Gour raising a point of order or is he replying?

Dr. H. S. Gour: I will put the points categorically for the decision of the Chair. Is it legal or illegal, proper or improper, for Members of this House to form themselves into a political Party or Parties, and secondly to join together in voting upon matters upon which, after previous consultation and due deliberation, they come to a certain conclusion; and thirdly, is this in accordance with Parliamentary practice, or is it not? These are the questions.

Rao Bahadur T. Rangachariar: My Honourable friend has asked you, Sir, whether it is legal or illegal, proper or improper? Supposing the ruling is illegal, will my Honourable friend advise us to dissolve?

Mr. T. V. Seshagiri Ayyar: With regard to the three questions put by the Honourable Member from the Central Provinces, I feel no doubt in giving my opinion. I do not think anybody has questioned the right of Members of this House to form a Party, and I do not believe the Government Benches have ever said that they should not form a Party. (*Hear, hear.*) There is absolutely nothing illegal in forming a Party. That is the first answer.

As to the second question, I see no illegality in Members of the Party meeting together and exchanging views and coming here to vote upon questions. I do not think the Government Benches have ever said that it is illegal.

As regards the third point, so far as my knowledge goes, I do not think it is inconsistent with Parliamentary practice; on the other hand, my belief

[Mr. T. V. Seshagiri Ayyar.]

is that in Parliament such a procedure is regarded as perfectly legal and legitimate.

Dr. Nand Lal: I thank the Chair for this enlightenment.

(At this stage Mr. President resumed his seat.)

Mr. S. C. Shahani: Sir, I beg to oppose the adjournment.

Mr. W. M. Hussanally: Sir, I want to speak on the adjournment.

Dr. Nand Lal: I think, Sir, that I was ordered by the Chair to speak. (Loud laughter.) The Chair had changed since. I was the first to get up. (A Voice: 'Dr. Nand Lal was called upon to speak by the Chair'.) I am in possession of the House. But to observe discipline and not to make confusion, I am prepared to speak later.

Mr. President: I called the first Member whom I saw rise and that was the Honourable Member from Sind. If Dr. Nand Lal was asked by the Chairman to speak, I am quite ready to ask my Honourable friend on the left to wait.

Dr. Nand Lal: I am in favour of the motion for adjournment. I think the matter is of vital importance and it is quite probable that our deliberations may bring us to a right conclusion. I think no Party will be put to any kind of harm if the adjournment is allowed and the reasons which have been assigned against it seem to be nothing. Therefore, with these few remarks, I submit I am in support of the motion for adjournment so far as this question is concerned.

Mr. W. M. Hussanally: Sir, I rise to oppose the motion for adjournment brought by my friend, Mr. Rangachariar. But before I do so, I join my friend, Sir Deva Prasad Sarvadhikary, in all the remarks that he has made with regard to the attitude adopted by the Honourable Mr. Innes in castigating the Members of this House in joining together and I certainly resent the remarks that fell from him.

In regard to the motion for adjournment, Sir, I say that the proposition before us with regard to the duty on kerosene is a very simple matter and hardly requires any further consideration. The point at issue is whether kerosene has fallen or is going to fall in price to anything like pre-war prices or even remain reasonably higher than the pre-war rates. Of that I see no chance whatever. Kerosene and Crude oil is not only used for lighting purposes by the poor but also used largely for agricultural machinery. The price ruling at present is exorbitant and above the reach of agriculturists. Poor people use it for agricultural purposes, and therefore it ought to be opposed in all conscience. I therefore oppose the motion for adjournment.

Mr. B. S. Kamat (Bombay Central Division: Non-Muhammadan Rural): I am sorry I have to oppose the motion for adjournment which Mr. Rangachariar has brought forward. He wants time simply because his Party has not considered certain new facts which the Honourable Mr. Innes brought forward just now. I believe if an adjournment is given merely because a particular Party has not concluded their deliberations it will set up a bad precedent. I believe we are discussing here public business and it is no argument to say that a particular Party (I am speaking entirely as

an Independent and a non-Party man) wants time to consider particular information

Dr. H. S. Gour : I rise to a point of order. I do not think Mr. Rangachariar spoke for the Party when he moved for adjournment. (*A Voice : 'He meant it'.*)

Mr. B. S. Kamat : The trend of Mr. Rangachariar's argument was that he wanted time simply to consider new facts brought in the discussion. Sir, it would set a bad precedent to allow such adjournments.

Mr. Darcy Lindsay (Bengal : European) : Sir, if there is to be any adjournment to enable the Democratic Party to consider the position, it is very necessary that a little more information should be given to them for that purpose. Are we permitted therefore to deal with the general question?

Mr. President : Discussion on the motion for adjournment for consideration of this Clause must be restricted to giving reasons for and against the course proposed.

Mr. Darcy Lindsay : My reasons, Sir, are that we have not got sufficient facts before us to enable us to arrive at a correct understanding as to whether we should oppose this tax or not.

The Honourable Sir Malcolm Hailey : If the debate is adjourned and I say nothing whatever about it—we shall of course be perfectly prepared to give any facts at our disposal to Honourable Members outside the House.

Mr. President : The question is :

'That the further consideration of Clause 6 be adjourned till to-morrow'.

The Assembly then divided as follows :

AYES—57.

Abdul Majid, Shaikh.
Agarwala, Lala G. L.
Agnihotri, Mr. K. B. L.
Aiyar, Mr. A. V. V.
Aiyer, Sir P. S. Sivaswamy.
Asjad-ul-lah, Maulvi Miyan.
Ayyangar, Mr. M. G. M.
Barodawala, Mr. S. K.
Bhargava, Pandit J. L.
Bishambhar Nath, Mr.
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.
Dentith, Mr. A. W.
Faridoonji, Mr. R.
Ginwala, Mr. P. P.
Girdhardas, Mr. N.
Hailey, the Honourable Sir Malcolm.
Hullah, Mr. J.
Innes, the Honourable Mr. C. A.
Jannadas Dwarkadas, Mr.
Kabiraji, Mr. J. K. N.
Keith, Mr. W. J.
Lakshmi Narayan Lal, Mr.
Latthe, Mr. A. B.

Manmohandas Ramji, Mr.
Misra, Mr. P. L.
Mitter, Mr. K. N.
Muhammad Hussain, Mr. T.
Mukherjee, Mr. J. N.
Nag, Mr. G. C.
Nand Lal, Dr.
Neogy, Mr. K. C.
Percival, Mr. P. E.
Ramayya Pantulu, Mr. J.
Rangachariar, Mr. T.
Rao, Mr. C. Krishnaswami.
Reddi, Mr. M. K.
Renouf, Mr. W. C.
Rhodes, Mr. C. W.
Samarth, Mr. N. M.
Sapru, the Honourable Dr. T. B.
Sarfaraz Hussain Khan, Mr.
Sharp, Mr. H.
Singh, Babu B. P.
Sinha, Babu Ambika Prasad.
Sohan Lal, Bakshi.
Spence, Mr. R. A.
Subrahmanayam, Mr. C. S.
Thackersey, Sir Vithaldas D.
Vincent, the Honourable Sir William.
Waghorn, Colonel W. D.
Webb, Sir M. dePomeroy.

NOES—18.

Abdul Quadir, Maulvi.
 Akram Hussain, Prince A. M. M.
 Bajpai, Mr. S. P.
 Crookshank, Sir Sydney.
 Gour, Dr. H. S.
 Hussanally, Mr. W. M.
 Joshi, Mr. N. M.
 Kamat, Mr. B. S.
 Lindsay, Mr. Darcy.

Misra, Mr. B. N.
 Mukherjee, Mr. T. P.
 Nabi Hadi, Mr. S. M.
 Shahani, Mr. S. C.
 Sinha, Beohar Raghurir.
 Tulshan, Mr. Sheopershad.
 Vishindas, Mr. H.
 Way, Mr. T. A. H.
 Zahiruddin Ahmed, Mr.

The motion was adopted.

Clause 7 was added to the Bill.

Mr. President: The question is :

"That clause 8 do stand as part of the Bill.

Rao Bahadur T. Rangachariar: Sir, I beg to oppose this clause. The amendment of which I have given notice, namely, to omit the clause, not being exactly in order, I shall oppose the retention of the clause . . .

Sir Montagu Webb: Sir, on a point of order, does not my motion to insert a new clause 7 come first?

Mr. President: New clauses, not being part of the Bill as presented, come up only after the clauses of the Bill as presented.

Rao Bahadur T. Rangachariar: Honourable Members will notice from the Statement of Objects and Reasons, clause 8, that this is consequential—perhaps not exactly consequential but arises out of the determination of the executive Government to raise the Railway rates, both as regards goods and as regards passenger fares. I say it is in consequence, I do not say it is a direct consequence, of that Resolution, nor is it a legal consequence of that Resolution, but still it is the result of their determination to do so; a decision which unfortunately does not come before this Assembly for a vote, namely, whether the rates of fares of the third and inter class passengers should be raised at all. Sir, there is a very strong feeling in the country that the rates now prevailing are very high indeed, and in fact the bulk of the revenue comes from these third class passengers. I believe it was admitted the other day that more than 5-6ths of the revenues which the railway companies earn comes out of these unfortunate third and inter class passengers who do not admittedly get the ordinary amenities which they are entitled to when travelling. That is admitted. They are overcrowded, they are shunted about like anything; their carriages are detached in the middle of the night at junction stations in order to make room for first and second class passengers. We have seen that even whole third class carriages are detached to make room for one first class passenger.

Sir P. S. Sivaswamy Aiyer: I rise to a point of order, Sir. This motion deals with freights and not with passengers.

Rao Bahadur T. Rangachariar: Therefore, as I have stated already, I oppose the introduction of this clause here on the ground that the executive Government should not interfere with the existing rates of fares of third and inter class passengers. On this ground I oppose this clause.

Mr. President: I understand that this deals solely with freights and not with passenger fares.

Rao Bahadur T. Rangachariar: My ground for opposition is that this is a result of their action in increasing the goods rates and also the passenger rates. I do not say it is a direct, legal result, but it depends upon that. They have adopted this course, and, therefore, the retention of this Act is necessary because they are getting their revenue in other ways. That is to say, the additional revenue which they would be getting if this Act were in force, they want to deprive themselves of it on the ground that they are raising the revenue in other ways, namely, by raising the passenger fares for third and inter classes. That being the reason which has induced this Government to introduce this clause in this Bill, I say if we let this Bill be passed, and if any additional burden is to be thrown on the people, it would make it untearable.

The Honourable Mr. C. A. Innes: May I point out, Sir, that we introduced this clause because we have raised the freight on goods, and the introduction of this clause here has no relation whatsoever to passenger fares.

Sir Vithaldas D. Thackersey: Sir, I am not inclined to oppose this proposal on the ground mentioned by my Honourable friend, Mr. Rangachariar. But I think some explanation is necessary before we can decide upon this question whether the effect of this would not be that a part of the increase in the revenue would go to some one else and not to the Government of India. It is under this Act that we levy a surtax of $2\frac{1}{2}$ annas in the rupee—I stand subject to correction—on goods, and the whole of that revenue which was expected to be $6\frac{1}{2}$ crores came to the central treasury. Now it is proposed to repeal that Act and increase the general tariff on goods. The effect would be that a part of the income from the tax or the increased rates which is mainly intended for replenishing the treasury of the Government of India would go in the case of private companies to the owners of those companies and in the Company managed lines to the shareholders of those Companies, to the extent of 10 or 15 per cent. or whatever the ratio they hold in those concerns. Therefore, if the object of increasing the railway fare is to get revenue for the central treasury, I do not think that the method adopted is the right one.

Then, Sir, during the war these railways were starved, and renewals were deferred and that is the main reason why we want more money for capital and programme revenue expenditure. In those years when we starved the Railways, the profits were higher, they were ranged from 5 to 14 crores. At that time we did not set aside sufficient funds for replacements and renewals. Therefore, according to ordinary practice of commercial concerns the profit was not a real one, it was a profit distributed without any provision being made for depreciation. The country lost in two ways. When we did not provide for renewals, larger amounts were distributed to the company-owned railways, and now when we want to get more revenue for the central treasury, we allow a share of that profit also to go to the company. Is that fair? I therefore oppose it on that ground alone and I hold that the whole of the revenue should go to the central treasury.

Mr. R. A. Spence: Sir, I happened to be the Mover of the Resolution a year ago which obtained the surtax of $2\frac{1}{2}$ annas in the rupee

[Mr. R. A. Spence.]

instead of the Government proposals of so much per maund, and the Members who were here last year will remember that we passed that surtax of 2½ annas on the distinct understanding that Government would remove that surtax as soon as the railway companies had revised their rates. With regard to what Sir Vithaldas has said, the railways do not consider it fair—I am not speaking on behalf of the Railway Board—but I believe it to be so and it seems to be common sense in the case of a surtax, that the whole of the revenue goes to the Government and it is not used for the benefit specifically of the particular railway on which the goods were sent. Government can use that money for any railway they like. Why should not the railways—as Sir Vithaldas pointed out, the railways have been starved in the past—why should not the railways get the freight that they earn? This Assembly was promised when we passed the surtax last year that we should have a revision of Railway rates, and I consider it would have been a breach of faith if we had not had the rates revised. If Members will remember what happened last year, we did want to have a revision in rates and we criticised the Railway Board very severely because they had not got out for us a revision of the rates which would have enabled us to do away with this surtax. I welcome, Sir, this clause in the Bill.

Mr. N. M. Joshi : Sir, I support the motion of my Honourable friend, Mr. Rangachariar, on similar grounds. Sir, I do not wish to help Government by giving them my vote on this clause unless they make a declaration here that they will not raise the third class fares. And with your indulgence, Sir, I will only make two remarks. In the first place, it is the third class passenger only who pays his way. It has been stated in the annual Government report for Railways that on the first class passengers, the Railways make a loss, on the second class passengers they make a very small profit, but that the largest amount of profit is made on the third class passengers. If that is so, I do not know why Government should raise the third class fares in order to make good the loss which takes place in other spheres. In the second place, there are statements in the annual report of the Railway Board that out of 100 first class seats carried, they get fares only for 13, out of 100 second class seats carried, they get fares only for 20 or between 20 and 25, but out of 100 third class seats carried they get fares for 50. It means that in every train there are a larger number of first class seats vacant. It means that in every train there are a larger number of second class seats vacant, and therefore Government has no case for raising the third class fares. Sir, the number of vacant seats that are carried in the first and second classes is in my humble opinion due to a practice which has no justification, namely

Mr. President : I let the Honourable Member go on as I thought he had terms to offer to the Government. I cannot let him go any further.

The Honourable Mr. C. A. Innes : Sir, I must confess that I am not quite clear as to what exact point the House wishes to make. Mr. Rangachariar and Mr. Joshi apparently wish to excise this clause from this Bill as a protest against the proposed increase in third-class passenger fares. I think I am right in saying that you ruled them out of order in making that suggestion. Then, again, Sir Vithaldas Thackersey has suggested that we should restore Act XIII of 1917, because he considers it unfair that the Companies should

get the full benefit of the increase of goods rates. I think I have got Sir Vithaldas Thackersey's point quite clear. Let me deal with that point quite shortly. Last year, as Mr. Spence has said, we repealed this Act XIII of 1917 and we put on a larger surtax. We did that because the Railway Board had not been able to prepare their revised schedule rates. We said most clearly at the time that it was purely a temporary expedient. We pointed out all the objections to surcharges and freight taxes as a substitute for the proper scientific method of adjusting the goods rates to what the traffic can bear, and practically we were under a pledge to have ready by the beginning of this year a revised schedule of goods rates. I think I have stated the position quite correctly and I think that every one on reflection will agree that the Railway Company being a commercial company, must study most carefully the effect of whatever enhanced rates it may put on. Those rates must, as I have said before, be adjusted to what the traffic can bear. Surtax may be a temporary expedient as in the case of war or a temporary expedient while a new schedule is being prepared. But it is always a bad expedient because it does not enable a Company to adjust its rates to what the traffic can bear.

Now, Sir, let me take the next point. Sir Vithaldas Thackersey says that we are increasing our rates on goods because we have allowed the Railways to run down during the war. Heavy expenditure is, therefore, necessary and it is unfair that the Company should get their share of the enhancement of goods rates. He would prefer to take this enhancement, as I understand it, in the form of a freight tax in order that the whole of it may go to Government. Well, Sir, I am sure that even Sir Vithaldas Thackersey on reflection will resile from that position. After all, what is our position *vis-a-vis* the Companies? In these Company-managed State Railways we stand in relation to the companies in two different positions. In the first place, we are the Government, and in the second place, we are co-partners with the shareholders. We own in the case of some Railways 5-6ths of the share capital and in the case of the others 19-20ths. Now, Sir, is it fair for us, because we happen also to be the Government, to exercise our powers as a Government to take the profits we want out of these Railways, not in the form of enhancement of rates, because if we take it in that form, the smaller shareholders are going to get their share? Is that honest? I am perfectly sure that Sir Vithaldas Thackersey will see on reflection that it would not be honest for us to take up that line. These men own a small share in the Company, and if on account of a rise in working expenses and other causes we find it necessary to increase the goods rates, surely those people who own their small share in the Company should get a small share of the profits also. I think that is perfectly clear. I think also that the House will agree with me that it would be a mistake for us to restore this Act, now we have just raised our rates. They have been adjusted by the Companies according, as I have said, to what the traffic can bear. If by restoring this Act we also restore the Schedule to the Act, it would mean that we will have to add on to our adjusted rates one pie per maund with regard to coal,—firewood and fodder, and two pies per maund for every other article of merchandise and this will be a very heavy burden upon that mercantile community to which Sir Vithaldas Thackersey belongs. And it would be unfair, I think, to the Companies, for in revising their rates, they have considered most carefully the varying circumstances on each particular line of traffic. It was a method which was legitimate during the war when we were urgently in need of money. It was a method which was legitimate last year because we had not our schedules ready then. But

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now that we have revised our goods rates, I think it would be a great mistake to restore this Act and to add on to our revised rates 1 pie or 2 pies as the case may be. As a matter of fact, Sir, I understand that it would not matter whether we delete this clause or whether we do not. It would restore the Act, I am advised, but it would not restore the Schedule. So it would not make any difference.

Sir Vithaldas Thackersey: What about the distribution of the amount which really was part of the depreciation that we did not spend on renewals and which we divided in giving larger profits to companies during the last four years?

Sir Deva Prasad Sarvadhikary: It would help some of us who want to vote intelligently and honestly, about which some are laudably anxious if either the Mover of the amendment or the Government would explain a little more fully what the financial results would be. We are admittedly faced with a serious difficulty. Here is some sure finance proposed to be sacrificed. I do not know what the exact terms of the pledge given last year was and whether the carrying out of the pledge may not stand over. At all events, we are entitled to know what the exact financial results of giving this up would be and what the result of the new schedules would be and whether that schedule would have to be revised if the surcharge is not proposed but is continued.

Dr. H. S. Gour: After the speech of the Honourable Mr. Innes I am left in greater obscurity than I was in before he spoke on the subject. I should like also to appeal to him to throw some light on the subject of how we stand; that is to say, if the freight is revised, will it go entirely to the Railway Companies or will it be divided between the Government and the Railway Companies? How much does the Government make from the surtax which it is likely to lose by the revision of freight? I should like very much that we get some net results as to what the Government will gain or lose by the proposed insertion of clause 8 which is the subject matter of the discussion.

The Honourable Sir Malcolm Hailey: May I explain it in my own way, Sir? I do not know whether I shall succeed in satisfying the House because the matter is just a little involved. In 1917 we put a small surtax, the one pie surtax as it is usually called. That brought us in about a crore of rupees. Last year we put on the heavy surtax, which was estimated to bring us in about 540 lakhs. The law imposing the heavy surtax was to be in force for a year, ending 31st March, 1922, and during that period the law of 1917 imposing the small surtax is in abeyance; it will revive on 31st March unless it is repealed. We now propose to do this. I hope that so much is clear. There is some additional legal complication about the schedule, but I am taking the substance. The heavier surtax, as I have said, was calculated to bring us in about 540 lakhs, and although it did not fully meet our expectations, yet that sum may be taken approximately as to what its value to us should have been. As that heavy surtax law is about to lapse, we have imposed increased freight charges which we calculate to bring in about the equivalent of the heavy surtax; we have in fact in our Budget for next year entered a sum of six crores on that account. (*Mr. Rangachariar:* 'Does it include passenger rates?') No, purely goods freights, and that is why I was a little astonished that Mr. Rangachariar in bringing forward his proposal mentioned passenger rates. We are replacing the lapsed heavy surtax by

increased goods freights calculated, as my Honourable friend explained, on the discriminating basis which is adopted by railways in drawing up their schedules. We do not therefore desire that the enhanced goods freights should be in operation at the same time as the small surtax, and we set ourselves here in clause (8) to repeal the small surtax. If we do not repeal this, then we should be taking both the enhanced goods freight of six crores and the one crore of rupees under the small surtax.

Rao Bahadur Rangachariar : If you had that crore, you need not increase the passenger rates.

The Honourable Sir Malcolm Hailey : *Pro tanto* we could reduce the passenger rates, but I would like to warn the House of the exact effect of keeping on the small surtax *plus* the enhanced freights. The small surtax is not, in itself, a very scientific proceeding, and moreover there would be the additional difficulty that railways would have to calculate for each class of goods both the enhanced rates and the small surtax. I think the effect would be that the railway companies will have to set to work again and readjust their enhanced freights in view of the fact that the small surtax would still be in operation. In view of the fact that Railways have now recalculated the whole of their enhanced rates on a more systematic basis, it would be unfortunate if the House were to decide to keep on the small surtax at the same time.

Rao Bahadur T. Rangachariar : Provided you give us an assurance about the third class passenger rates, we won't press this.

The Honourable Sir Malcolm Hailey : I am afraid that assurance is not possible. I have told the House the facts about the passenger rates. The passenger rates are to bring us in about five crores in the coming year, and five-sixths of that is to be brought in under the third class passenger fares. It will not be possible, I am afraid, to give the guarantee which my Honourable friend wants that we will not raise the rates of the third class passengers. If we did so, we should not get our money.

Sir Deva Prasad Sarvadhikary : What about the pledge about which we have heard ?

The Honourable Sir Malcolm Hailey : Last year, when we put on the heavy surtax, we gave a pledge that we would substitute enhanced goods freights as soon as possible. If I remember rightly, it was the universally expressed opinion of the commercial Members that the surtax was a most unscientific procedure, and that we ought to set to work at once and enhance our rates to bring us in the amount required. They told us that any really businesslike body would have done it immediately, and they criticised us severely because we said that it would take several months to effect. We gave an undertaking that as soon as we could, we would replace the heavy surtax by a properly calculated system of enhanced freights.

Mr. K. C. Neogy (Dacca Division : Non-Muhammadan Rural) : As I have given notice of a similar amendment, I think I ought to make my position clear. The Honourable the Finance Member will remember that when I wanted to discuss the question of the enhancement of the passenger rates in connection with the Demand for Grants, when we were considering the

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working expenses of the railways, the Honourable the Finance Member interjected saying that the Finance Bill would be the proper occasion for discussing that question.

The Honourable Sir Macolm Hailey: If the Honourable Member will allow me, I would freely admit that I made a mistake—I hope a rare one.

Mr. K. C. Neogy: I gave notice of this amendment only for the purpose of bringing up that question in this connection. I do not know if I will be in order if I discuss the question of passenger rates on this motion, and I want a ruling from the Chair on this point before I proceed further.

Mr. President: Discussion of the passenger rates can not be entered upon under this motion that clause 8 stand part of the Bill. It has been brought in in several speeches, but in each case I have ruled it out of order.

Mr. J. Chaudhuri: May I ask the Honourable Mr. Innes and the President of the Railway Board for some information on the question of revised goods tariff which supersedes the surtax? I am informed that preferential through rates for goods have been put down in the schedule from the seaports and the same rate for goods is not allowed for other industrial centres. This prejudices the industrial centres which are located inland in this way that if preferential rates are given to seaport towns, that helps the export trade and also helps the import of foreign articles. That is practically indirectly giving preference to foreign manufacturers and prejudicing the industries of the country. The attention of the Industrial Commission was pointedly drawn to this fact and it was urged by the Indian manufacturers that this should be remedied. Has this been done? When we are not allowed directly to discuss the Railway rates adopted in the Schedule which is not before us, now that the whole of the surtax which was imposed by virtue of the Railway Act is going to be removed. I think I am entitled to raise the question and ask the Honourable the Member for Commerce whether that is so, and whether, if so, he proposes to do away with this distinction and allow the benefit of preferential rates to all local and indigenous industries as well?

Colonel W. D. Waghorn (President Railway Board): There are two points which I should like to answer. One was raised by my Honourable friend, Mr. Harchandrai Vishindas. He asked what proportion of the extra rates or the increase would go to the companies and what proportion would go to the Government. Approximately one-thirteenth or one-fourteenth is the companies' share and twelve-thirteenths or thirteen-fourteenths will be the Government's share—I can not give the exact figure. My friend, Mr. Chaudhuri, asked in connection with the new scale in the schedule of rates that have been brought in whether there was any preferential treatment in regard to traffic to the seaports. So far as we are concerned, a new schedule has been brought in and new scales within that schedule. The Railway Board and the Government of India are not concerned with the actual application of the local rates within the schedule and I am quite sure that there is nothing being done on any such lines as my Honourable friend suggests. There is no preferential treatment being given to any traffic whatever. I am speaking from my general knowledge of the behaviour of these lines in regard to their traffic. There will be no alteration.

6 P.M.

Mr. J. Chaudhuri : There was a preferential through rate from the seaports to which the attention of the Industrial Commission was drawn.

Colonel W. D. Waghorn : If any such rates exist, the new rates will be passed on the same principles that have been applied. There will be no alteration in the policy. That is all I want to make clear.

Mr. Manmohandas Ramji : There was a complaint, and a loud complaint too that the port rates favoured imports from foreign countries and handicapped the local industries and through rates from ports were favourable rates. The theory of giving preferential rates to this class of business from the Railway point of view indirectly favours the idea of giving protection to foreign imports. Mr. Chaudhuri's point was whether that is taken into consideration and remedied in the proposed rates.

Colonel W. D. Waghorn : I tried to explain that the schedule that the Government of India deal with is not the application in detail of these rates between any specific points. The Honourable Member asked if special treatment was given as between ports and industrial centres or large centres both on the inward and the outward traffic. I can assure the Honourable Member that there is nothing of that kind so far as I know. The only basis on which these rates are, if anything made, is to encourage export in bulk. Then there is competition for such traffic between these points to the ports for which naturally the railways have to compete. There is no intention of giving any preferential treatment to any particular class of traffic and there is no alteration in regard to the policy that is being introduced by the new scale in the schedule of rates that are now being introduced.

Mr. K. C. Neogy : I think I will be in order now.

Mr. President : I will allow the Honourable Member to go on, though when he sat down he had exhausted his right.

Mr. K. C. Neogy : As I understand it the effect of carrying this amendment would be to give Government a crore more than they expect from the railways. If we seek to revise rates and also let this surtax remain, then the revenue will be increased by one crore. I suggest that to the extent of this one crore we should relieve the burden proposed to be laid on the travelling public, by not enhancing the third class rates. I may remind the House that so far as the military section of the North Western Railway is concerned, it is an item purely of military expenditure costing us over one crore annually. Mr. Cook had to admit before the Acworth Committee that the only objection to showing that amount under military expenditure was that it would increase the amount of military expenditure, so that it is admitted on all hands that this is an item of military expenditure pure and simple. Let this surtax be continued for the purpose of financing that item of military expenditure, which the railway passengers are unjustly expected to finance. That is my suggestion.

Mr. T. V. Seshagiri Ayyar : I do not want that our friends should be under any misapprehension on this question. If we oppose the introduction of this section the result of it will be that the freight will remain, the passenger rate will remain and the Government will have an additional crore of rupees in consequence of our opposing this motion. Under these circumstances I hope our friends will not take the impolitic step of opposing this section and

[Mr. T. V. Seshagiri Ayyar.]
urging that this section should be deleted altogether. That will have the effect of giving the Government a crore of rupees more and thereby making taxation more onerous.

Mr. President: The question is :

‘ That clause 8 do stand part of the Bill. ’

The motion was adopted.

Clause 8 was added to the Bill.

Mr. President: I think it will be more convenient if we take the amendment in the name of the Honourable Member from Madras City and the other amendments standing in another Honourable Member's name together after we have taken the Schedule.

Mr. Braja Sundar Das (Orissa Division : Non-Muhammadan) : I withdraw my amendment.

Sir Vithaldas D. Thackersey: I beg to move that in item 6 add the words ‘ copras or cocoanut kernels ’. I may explain to the House the effect of my amendment. At present copras are put in the general schedule of 15 per cent. In fact there is no substantial import of copras from any country into India, and therefore Government do not receive any substantial revenue ; but recently very large oil mills have been started in India and it is sometimes found necessary to import copras from Ceylon. In that case the duty of 15 per cent. is levied. Here you will be helping the oil industry by allowing the copras to come in as raw material in the same way as cotton and wool. As the Government revenue does not suffer, I hope the Government will accept this.

The Honourable Mr. C. A. Innes: I am afraid, Sir, that in the form in which he has moved it Sir Vithaldas Thackersey's amendment does not carry him very far. Item 6 of Schedule II states that oil seeds imported into British India by sea from the territories of any Prince or Chief in India are free. Sir Vithaldas Thackersey proposes to add copra. Well, Sir, copra is an oil seed already. When it is imported into British India from the territories of any Prince or Chief in India it is free already. Sir Vithaldas' amendment does not do what he wants to be done.

Sir Vithaldas D. Thackersey: I want my words put in the second line. I do not wish them to come after the words ‘ oil seeds ’.

The Honourable Mr. C. A. Innes: I realised that that was his intention. From our point of view the revenue involved is not very serious. It would amount to about 2 lakhs of rupees upon the figures of last year. In 1919, however, 109 lakhs worth were imported into India and the loss of duty would have been more serious. Now I am quite prepared to admit that copra is a raw material. It is the dried kernel of the cocoanut, and it is used for crushing into oil. There is, as the House knows, a large oil mill at Ernakulam in Cochin State, that is to say, in an Indian State. This particular oil mill company happens to be in very great difficulties for copra ; it is not getting the amount of copra it requires at a reasonable price and therefore it has started importing copra into Cochin from Ceylon, and it has come up to us to have the duty

upon that copra removed on the ground that it is a raw material. Now, Sir, we have had this matter under our consideration, and naturally we took the only proper course. We told this Company :

'Our revenue is a revenue tariff at present, we do not manipulate our tariff in order to suit particular industries, but there is the Fiscal Commission sitting at this present minute, go and lay your case before the Commission and it will go into it and will make a recommendation to us.'

Now I think that that was the right course, and I think that the House ought to endorse the action we took, and that it ought not to allow itself to be rushed into making this change in the tariff—I will give you one reason why. There is a difference between Cochin oil and Ceylon oil, Cochin copra and Ceylon copra. Cochin copra, Malabar copra, is sun-dried, i.e., dried on the beach, Ceylon copra is dried in kilns. Malabar copra is notoriously the best copra in the world, it commands a premium over any other. Similarly, Cochin oil is the finest oil in the world. It is almost white and colourless, and it also commands a premium in the world's markets. Now, what I fear is that if we encourage in any way imports of large quantities of Ceylon copra into Cochin, we may, by so doing, injure the reputation of Cochin oil. That is the doubt I have in mind. I have made a reference on that point to the Madras Government, and, as I have already said, I have referred this Company to the Fiscal Commission. I suggest that Sir Vithaldas Thackersey ought to withdraw this amendment of his and let the matter be examined by the Fiscal Commission. I understand that the Fiscal Commission has already received representations upon the subject, and, as it is under consideration, let us wait till we get their report.

Sir Vithaldas D. Thackersey : Sir, I beg to withdraw my amendment. The amendment was, by leave of the Assembly, withdrawn.

Sir Vithaldas D. Thackersey : Sir, I beg to move :

'That to item 8 of the Schedule the word 'wooltops' be added.'

This, again, Sir, is a raw material. In item 8, 'wool, raw', is provided for, but 'wooltops' is not provided for. It is practically a kind of wool which we hope India will import from Australia for the better quality of woollen goods, and on that principle I hope Government will accept this amendment.

The Honourable Mr. C. A. Innes : I should like Sir Vithaldas Thackersey, Sir, to tell the House whether he knows that wooltops are not treated as raw wool in coming to India.

Sir Vithaldas D. Thackersey : I was told by a woollen company which is being started in Bombay that they were under such an impression.

Well, if I can be assured that it is treated as raw wool, I have not the slightest objection to withdrawing my amendment.

The Honourable Mr. C. A. Innes : My difficulty is this. Wooltops, I understand, are raw wool in a form suitable for spinning, that is carded and prepared for spinning. I should say that tops ought to be treated as raw wool, but I have no reason to suppose that they are not so treated. I wired down yesterday to the Collector of Customs, Bombay, to know exactly how they are treated, but, if Sir Vithaldas Thackersey or Mr. Jamnadas Dwarkadas can assure me that they are not treated as raw wool, I am quite prepared now to accept the amendment.

Sir Vithaldas D. Thackersey : I suggest that it be postponed till to-morrow so that we should be in a better position to judge when we get the further information.

The Honourable Mr. C. A. Innes : I do not think it is worth while. I am quite prepared to include wooltops as raw wool.

Mr. Jamnadas Dwarkadas : I may inform the Honourable the Commerce Member that my information is also this, that Australian wooltops are at present not treated as raw wool. This is only a small change, and hope there is no objection.

The Honourable Mr. C. A. Innes : Sir, I accept that amendment.

Mr. President : Amendment moved :

'That to item 8 of the schedule the word 'wooltops' be added'.

The question is that that amendment be made.

The motion was adopted.

Sir Vithaldas D. Thackersey : I beg to move :

'That after item 8 of the schedule the following new item be inserted :

'8-A. Sulphur (brimstone) imported by the owner of a Factory manufacturing Sulphuric Acid and proved to the satisfaction of the Collector of Customs to be intended for use in such factory'.

Sir, the sulphuric acid industry is a key industry on which many other industries depend, and it must be the aim of the country to try to get every facility so that sulphuric acid may be manufactured in India as far as possible. Some time ago, Sir Thomas Holland in a speech said that, unless India is able to manufacture sulphuric acid at a cost of 2 pounds or 2½ pounds, India will never be able to start many other factories, depending upon sulphuric acid.

My amendment is a very moderate one. I do not wish to exclude sulphur from duty which is used for other purposes. I only want to exclude from taxation sulphur which is used as raw material only in a sulphuric acid factory and on the same lines as many other articles are allowed duty-free on a certificate being granted by the factory-owner that it is required for manufacturing purposes, and also if he satisfies the Collector that such articles are used for manufacturing a particular article, they should be admitted free, and on that basis I hope the Member for Government will accept my amendment.

The Honourable Mr. C. A. Innes : Sir, here again I suggest, both for the consideration of Sir Vithaldas Thackersey and Mr. Jamnadas Dwarkadas, who has given notice of a similar amendment, that this might be left over for the Fiscal Commission. It is a little difficult to say at once whether, as Sir Vithaldas Thackersey says, by admitting sulphur free, we should enable a sulphuric acid industry to be started in the country. If we could get sulphuric acid made on a large scale in this country from bye-products in such a way that we could get sulphuric acid really cheap, then we should do the best thing for Indian industries that could possibly be done. Sulphuric acid is a key industry which leads to a family of other large-scale chemical industries. There is not the slightest doubt about that. But we shall never get that result merely by remitting the duty on imported sulphur. The cost of the sulphur itself is much too great. We can only attain that end by encouraging

the working up in India of sulphide ores. That was what Sir Thomas Holland was referring to in his speech. Now, Sir, I do not deny for a moment that there are one or two small sulphuric acid factories in the country but they are small. They make sulphuric acid but the sulphuric acid so made is used only for comparatively minor industries.

It is not an industry of any great importance at the present time, and it would be exceedingly inconvenient for the Customs authorities to have to distinguish between sulphur imported by the owner of a sulphuric acid factory and sulphur imported, say, for ginger manufacture down in the Madras Presidency. And what, Sir, are we doing to-day? We are revising our tariffs solely for revenue purposes, and I do think we ought to be very careful about altering the tariff here with the Fiscal Commission sitting for other purposes, for purposes of protection. Here again I suggest to Sir Vithaldas Thackersey that he should let us wait till we have the Fiscal Commission's report before we make this little change.

Sir Vithaldas D. Thackersey: Sir, I would point out that it is not a small factory. There is expected to be started a factory to manufacture something like 5,000 tons of sulphuric acid per annum, to be used for the purpose of galvanising sheets, and unless help is given to the industry you cannot manufacture galvanised sheets in India. This factory is proposed to be started within a year. 5,000 tons is not a small quantity, and if Government will not allow sulphur duty free the work may be impeded.

The Honourable Mr. C. A. Innes: I am afraid I cannot give any undertaking of that kind. I can merely lay the principle before the House that at the present moment we are altering the tariff for revenue purposes, and with the Fiscal Commission sitting it is wrong for this House to make the change suggested.

Sir Vithaldas D. Thackersey: Sir, I withdraw my amendment.

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

Mr. R. A. Spence (Bombay: European): Sir, I move:

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

Rao Bahadur T. Rangachariar: Sir, may I point out that this is a very contentious motion which has been put before the House by Mr. Spence and we would like to discuss it to-morrow.

The Honourable Sir Malcolm Hailey: I am in the hands of the House, on occasions such as this. I feel sure, however, that the Honourable President will rule that we should wait till we have decided items 80 and 82, which are the substantive points.

Mr. President: I agree with the Finance Member that it would be better to take that issue first.

Mr. R. A. Spence: I would point out, Sir, that, if it is left in the free list and not removed, there is no use passing a duty on it.

The Honourable Sir Malcolm Hailey: That is consequential.

Rao Bahadur T. Rangachariar: All of us are in favour of an adjournment.

Mr. President: I have no objection to meeting the wishes of the House in adjourning now, except that there is a very long Schedule to be covered to-morrow, as well as clause 1 and two new clauses.

Rao Bahadur T. Rangachariar: I think we will be able to finish.

Mr. President: I hope the Honourable Member will not disappoint the rest of the House.

The Honourable Sir Malcolm Hailey: I understand they are prepared to pass all the rest of the taxation.

The Assembly then adjourned till Eleven of the Clock on Tuesday, the 21st March, 1922.