

Friday, 9th March, 1928

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COUNCIL OF STATE.

Friday, 9th March, 1928.

The Council met in the Council Chamber of the Council House at Eleven of the Clock, the Honourable the President in the Chair.

GENERAL DISCUSSION OF THE BUDGET—PART II.

THE HONOURABLE THE PRESIDENT : The Council will proceed to the general discussion of the Budget (Part II).

THE HONOURABLE SRIJUT LOKENATH MUKHERJEE (West Bengal : Non-Muhammadan) : Sir, the Honourable the Finance Member has been congratulated so much and so many times in the other place that it is not necessary for me to add to the volume of the praise bestowed on him. On an occasion like this it used to be the fashion to review the general administration of the country in all its aspects. But time being so short it is hardly worth while attempting such a huge task, and I therefore, Sir, propose to offer a few remarks on what impressions or depressions have been created in my mind with reference to the Budget of this year.

Sir, great hopes were raised in the country that the trident of Lord Inchcape would mutilate the demon of military expenditure and prune out the fungus growth of civil expenditure, thereby bringing the financial position of India to a healthy level. It must, however, be plainly stated that the hopes have received a rude shock and the rock of military expenditure has proved too adamant and too hard to have been sufficiently impressed even by the sharp axe of Lord Inchcape and the firm grasp of a renowned financial expert in the person of our Finance Member, and also by the pious wish of His Excellency the Commander-in-Chief.

Sir, what do we find in reading the Report of the Inchcape Committee ? That since the year 1913-14 the expenses of manning the various establishments have gone up over 100 per cent., in almost every department of the State. If we look, Sir, at the military expenditure we find that there the expenses have gone up by more than 100 per cent. In the General Administration it is also about 100 per cent., so also in the Civil Administrative departments. Even as regards the Ecclesiastical Department the expenditure has gone up by 75 per cent. From all these one would naturally conclude that the Budget maintains the principle with which everyone is familiar, the principle of the British character of the administration. Sir, it is a beautiful British Budget. Whatever aspect of it you may turn to, you will see writ large "British Efficiency, British Character, England's Good and England's Prosperity." Sir, I do not say that the Honourable the Finance Member has ignored India's prosperity. What I say is that India's prosperity must always come through the English channel. Then, Sir, coming to the character of the Budget, I can only say that it is a Budget of a country which is under military occupation, and of which His Excellency the Commander-in-Chief is the Military Governor, who is ready with a document levying taxation on the country which he occupies. Sir, when I say all this I mean no disrespect to His Excellency the

[Srijut Lokenath Mukherjee.]

Army Member, for whom personally I have the highest regard. Sir, we have learnt from our great leader, Mahatma Gandhi, to distinguish between a man who may be himself an angelic character and a system which he supports which may be Satanic ; so here also, Sir, we have two angelic characters in the persons of the Honourable the Finance Member and His Excellency the Commander-in-Chief, both standing up for a Satanic system in which the military expenditure is ostensibly 55 crores. Sir, this 55 crores is again not the correct representation of the total military burden on India, inasmuch as the amount paid by way of interest on unproductive debt, mostly incurred for wasteful military expenditure, as well as the amount representing the loss on the so-called strategic railways ought also to be really shown under the military budget, before the latter can be said to give a true picture of the real burden of defence on India. Sir, if we add all these, the actual military expenditure, both open and concealed, we find is not 55 crores of rupees but at least 62 crores of rupees, and that out of a revenue of 132 crores. Sir, His Excellency the Army Member, as also the Honourable the Finance Member, have said that this system is to go on. Sir, I was surprised when I found in his budget speech the Honourable the Finance Member unblushingly stating that :

“ The Government have given very special consideration to the matter (*of military expenses*), during the current year and we have come to the conclusion that the figure proposed for next year cannot be reduced if India is to make a reasonable provision for her defence in modern conditions.”

Sir, His Excellency the Commander-in-Chief will say,—“ This system is to go on.” Sir, I will add, it will go on in spite of the pronouncements of 10,000 Brussels Conferences and all other conferences and committees in the world declaring that the military expenditure of a country should not exceed 20 per cent. of the revenue. To my mind, Sir, this is a challenge and an ultimate warning to the people of this country, to the one-fifth of the human race as a whole, that you should forget about the recommendations of the Retrenchment Committee, not to speak of the Brussels Conference, for bringing down the military expenditure to 50 crores. Again, if this is Sir Basil's last word on this most vexatious topic, the Indian tax-payer will have little to thank him for. Sir, the reductions made in the military expenditure in 1921-22 can scarcely be called “ big ” in any real sense of the term. The Finance Member cannot but be aware of this fact. He is also surely aware that the overheavy standard prescribed by the Inchcape Committee has yet to be reached, and that the value of the rupee has been artificially enhanced by his own creations, and that, therefore, the 55 crores of rupees to-day are equivalent to over 62 crores in the year when the said Committee reported. Sir, all these are possible in a country which, as I have said, is under military occupation. And, Sir, this military government of this country injures the country in three distinct ways. “ It subjects the tax-payer to enormous bleeding ; secondly, it emasculates us and makes us unfit and then provides a plausible justification for the plea of the bureaucracy for delaying the advent of Swaraj.”

Sir, it has been said that for the purpose of maintaining a defence which is necessary for our country 55 crores of rupees are essential. I submit, Sir, that it is still possible to reduce the expenditure under this head. Sir, if a portion, and a substantial portion, of the British troops is done away with and if you do so you will at once reduce the military expenditure by 6 or 7 crores. I ask why do you want the British troops at all ? Why not do away with the British troops, and if you do not want to reduce the total number of troops, you can make up the reduction by increasing the number of the Indian troops?

Sir, if this is even done it will effect a great saving and yet maintain the necessary strength of the combatant forces.

Sir, Indianisation of the Army is urgently called for on two grounds. Firstly, for the purpose of national defence, and secondly, for the purpose of national economy. On the financial side Indianisation of the Army will reduce the expenditure on the military octopus by one-third, for Indian officers and Indian soldiers would consider themselves passing rich on half the pay required by British officers and British soldiers. Indianisation would further reduce the vast army of unemployed both in the middle and working classes. But, Sir, all these are crying in the wilderness. We know, Sir, that this is not to be because we also know that the Army in India is kept not for defending India alone but for defending the whole of the British Empire. And, Sir, this policy is fully manifested when we find that India has been used as a pawn by Great Britain in her Imperial designs upon China, Afghanistan, Persia, Mesopotamia and Egypt—making Indians hated by Asiatics and Africans, and robbing Indians of self-respect by incriminating them and their country, by using the Indian Army in these attacks upon the liberty and independence of other countries. Then, Sir, that the Army in India is an Imperial Army has been admitted by many a great authority and it will not be out of place if I quote a few of them and very briefly. Sir George White, once the Commander-in-Chief in India, said :

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

The next great authority is Sir Edmond Ellis, Member in charge of the Army Department during the Viceroyalty of Lord Curzon, who said :

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

Lastly, Sir, I shall quote no less an authority than the *ex-Prime Minister* of England, at present the Leader of His Majesty's Opposition in the House of Commons—Mr. Ramsay MacDonald. And this is what he says :

“ A large part of the Army in India, certainly one-half, is an Imperial Army, which we require for other than purely Indian purposes, and its cost therefore should be met from Imperial and not Indian funds.”

The same authority says elsewhere that :

“ Nine-tenths of the charge of the Army in India is an Imperial charge. Canada, South Africa and Australia should bear it as much as India. It is a piece of the most bitter cynicism to find the Imperial doors of the British colonies shut in the faces of these poor Indian people who bear such an inordinate share of the cost of Imperial maintenance and at whose expense these dominions are protected from the fear of war.”

Sir, if you will permit me, I will give another quotation and will give you the name of the author. The name of the author is no less than the Government of India themselves. The Government of India in the year 1896-97 spoke with great frankness in the quotation that I am going to read :

“ Millions of money have been spent on increasing the Army in India, on armaments and fortifications to provide for the security of India, not against domestic enemies or to prevent incursions of warlike people of adjoining countries, but to maintain the supremacy of British power in the East. The scope of these great and costly measures reaches far beyond Indian limits and the policy which dictates them is an Imperial policy. We claim, therefore, that in the maintenance of the British forces in this country just and even liberal views should be taken of the charges which should legitimately be made against Indian revenue.”

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Sir, this is what the Government of India once thought, and it was a very different cry from the one that we have heard yesterday in the other place from His Excellency the Army Member. Sir, not a single word has been said about that policy, that Imperial policy, which governs the maintenance of the British Army in India. That is the main cause, that is the real reason. Why don't you be honest with yourselves and honest with this country and say frankly and definitely that you are maintaining the British soldiery in India, not because you want to safeguard the interests of India, but because you want to safeguard the interests of the British Empire in the East? That, Sir, being the sole reason, it is no good coming here and trying to rake up reasons which are no reasons at all, and give us excuses which are but prevaricating, and say that India is not a nation and such other things and that therefore the Indian Army shall not be nationalised. Therefore, Sir, it is really idle to say that it is impossible to curtail the military expenditure. Why don't you be frank and boldly admit that you will pursue, as long as you can, the present military policy, if not for any other reason, at least out of your craven fear lest India fought her war of independence and turned the British, bag and baggage, out of India? Sir, India is now united in her demand for a national army and self-government, and the question I have to put to British Imperialists is: "Are you not the greatest moral cowards in the world in obstructing the Indianisation of the military and civil services and of the Government of India?"

One word more, Sir, and I have done with this part of the Budget. Sir, in all independent countries or in countries having even dominion status most of the amount spent in military expenditure remains within the country. Everything required for the Army is manufactured in those countries and very few are imported from outside, and therefore whatever amount those Governments spend on their military mostly goes to increase the national dividend of those countries. But what is the case with poor India? Here everything required for the Army is imported from England and very few are manufactured here, and therefore the exorbitant sum which is being yearly spent for India's military defence goes to increase the national dividend not of India but of England—the country of our self-appointed trustees. It has been truly said "Justice does not seem to enter into the question, so low has England sunk in Imperial obsession."

Now, Sir, I shall come to consider the question of another heading of expenditure, viz., the General Administration. Sir, it is a topheavy administration. I think there is no other country in the world where the disparity between the highest pay of a civil servant and the minimum pay of an adult is so much as is found in India. This, Sir, is only possible under India's present constitution, a constitution which was pitchforked on to India without the sanction of India's leaders, as a colossal hoax. The Indian Legislature, which is made to resemble the Parliament of England, does not possess an iota of the power of the Mother of Parliaments. Sir, it has been truly said that:

"The Tsar of all the Russias behaved more honestly and honourably in yielding more power to the first Duma than the British Government did in creating a make-believe Parliament in Delhi."

Next I come to the question of the Indianisation of the Imperial Services which the Indian Legislature, as well as the public in the Press and on the platform, have been so insistently demanding. But what do we find? We find that no progress at all has been made in this direction. Nothing further we

have got ; instead we find that Indianisation of the Government and the administration seems further off. Sir, it has been said that under the recent recommendations of the Lee Commission, in future the proportion of Indian recruitment to the Indian Civil Service and the Indian Engineering Service will be 60 per cent., to the Indian Police Service 50 per cent. and to the Indian Forest Service 75 per cent. But these apologists delightfully forget to state that, with rare exceptions, the superior posts, the best-paid appointments, are still reserved for Britons, and that Indians are excluded from administering their own country, for no other reason than that they do not belong to the ruling race. Then, Sir, for this gross inequality of treatment, and for this grave injustice the bureaucracy trumps up the excuse of "efficiency", under the grand pretence that Englishmen are more efficient than Indians. Sir, I shall in reply only quote a small passage from Dr. Rutherford's "Modern India." Sir, this is what he says :

"After the neglect of the education of the masses ; after the neglect of sanitation and medical services of the villages ; after the neglect to keep law and order between Hindus and Muslims ; after the neglect of housing of the poor ; after the neglect to protect the peasants from the money-lenders by providing agricultural banks ; after the comparative neglect to improve and develop agriculture ; after the neglect to foster Indian industries ; after the Back Bay scandal of Bombay "with its wicked waste of money" ; after the New Delhi scandal ; after the exploitation of the great cities of Bombay, Calcutta, Madras, etc., by British profiteers, who have captured the tramways, electric lighting, and other public services ; after the manipulation of Indian currency in the interests of London, the less said about British efficiency the better.

The efficiency in exploitation in which Britons pre-eminently excel, is one of the chief causes of Indian poverty and the sooner India is rid of British efficiency the sooner she will recover financially and morally."

Last year, Sir, I asked the Government how many Indians had been recruited in the Government of India and I again ask the Government this year also, how many Indians have been recruited in each of the different departments of the Government of India as Secretaries, Joint-Secretaries, Under-Secretaries and so on ? Sir, if one goes through the pages of the Government of India Directory, he will find that not more than half a dozen, rather even less, Indians have up till now been recruited in these posts. Sir, I repeat what I said last year, that it is a direct slur on the Indian members of the Civil Service. Sir, it is a distrust of the Government of India of those officers. Are we to believe, Sir, that there are no Indians who would be equal in merit and intellect to any of our friends now occupying the Treasury Benches ? But, Sir, we do not believe it ; on the other hand, we hold just the reverse view. Sir, it will not be out of place to quote Dr. Rutherford here again. In his book "Modern India", speaking of British officials and fitness to rule, he says as follows :

"Speaking of British officials and fitness to rule, common justice demands that I should place on record my observations on this head after attending debates in the Legislative Assembly and some of the Provincial Legislatures in India. With a natural bias in favour of my countrymen, truth compels me to state that I found a definite inferiority in talent among Britons as compared with Indians and this inferiority was most marked in the Assembly."

He goes on and says :

"Indians far surpass their English rivals in brilliancy, wit, logic, knowledge, breadth of vision and ideals of statesmanship."

Lastly, he says :

"Reduced to its fundamental basis, India is governed by first-class clerks from England with a few lordlings thrown in as governors, and the 1919 constitution has only concealed their despotic powers by dressing them in constitutional clothes."

[Srijut Lokenath Mukherjee.]

Sir, before I leave this subject I would only ask my friends opposite never to forget that Indians, in the fitness of things, are fitter to govern and administer their country than they are, and in doing so I shall only repeat the noble truth of Sir Henry Campbell-Bannerman that "Good government is no substitute for self-government."

Then, Sir, I come to the question of the release of political detenus. Sir, it was stated by His Excellency the Governor of Bengal in addressing the Bengal Legislative Council in August last as follows :

"Provided no untoward event occurs and the conditions at present prevailing in Bengal continue and the conduct of those released justifies the action taken in their cases, I hope that a large number of those now detained will have been transferred or released before the end of the year (meaning 1927)."

May I now ask the Government as to how many of such detenus have been released since the said utterance was made and how many are still rotting in jails ? Then, Sir, Government could find their way to release Mr. Subhas Chandra Bose and Mr. Satyendra Chandra Mitra, the leaders of the gang, as they were called. What justification have Government to keep in jails the smaller flies ? Has any untoward event occurred, has the present condition of the country any way changed from that then prevailing, or has the conduct of every one of those released unjustified the action taken in their cases that the pious hope of the gallant Knight, His Excellency the Governor of Bengal, did not attain fulfilment ?

Then, Sir, coming to the question of the separation of the judicial and the executive functions, we find that India's insistent demand in this respect is being ignored and the public opinion as expressed on this subject in the Press and the platform is being flouted. Sir, the combination of the two functions in one person has resulted in the grossest possible miscarriage of justice being of frequent occurrence. Sir, I may be permitted to refer here to what His Excellency the Viceroy is alleged to have said on the subject in his opening speech in the Chamber of Princes last month. Sir, His Excellency in outlining some of the essential principles of good government is reported to have said "that the first essential reform was to make the higher judiciary absolutely independent of executive control or executive manipulation." Sir, it is what we exactly want here in British India. Sir, we do not want any High Court to be described as a superior Magistrate's Court. Sir, we do not want to hear that the visit of the Executive Head of the Province to the High Court, during the pendency in the file of the Court of an important case in which that Executive Head is to a certain extent personally interested, can cause the closing of all the Benches then sitting. Sir, we do not also want to hear that either as a cause or effect, or simply after such visits the case in which the Executive Government is highly interested, the case which in ordinary course was originally in the file of a mixed Court of one Indian and one European Judge was transferred to the file of the European Chief Justice sitting with a Judge of his own race and finally decreeing in favour of the Executive Government. Lastly, Sir, what we do not want to hear is this—that had not the Provincial Executive Head paid his kind visit to the High Court the case would not have been transferred from the file of the proper Bench and also the judgment would not have been favourable to Government. What we want, Sir, is that the High Courts of Judicature to be really Courts of judicature high above executive control or manipulation as His Excellency the Viceroy has very rightly said.

Sir, before I finish, I would only say that the conclusion on a close reading of the Budget is irresistible that the obvious responsibility of the administration to the people has been deliberately shirked and the existing iniquities have been sought to be perpetuated. Sir Basil's last performance is certainly a failure from the peoples' point of view whatever encomiums might be bestowed on him from elsewhere. And did not the self same Finance Member claim only a few weeks ago that he was a better Swarajist than the Swarajists themselves?

THE HONOURABLE MR. ALMA LATIFI (Punjab : Nominated Official) : I rise, Sir, to congratulate the Finance Department of the Government of India on this Budget and to express the Punjab's sense of gratitude for the final and complete remission of the provincial contributions. Sir Basil Blackett has in his modesty described it as a commonplace budget, and denied that there is anything remarkable about it ; but we in the Punjab will ever regard it as a giant milestone in the constitutional and general progress of the country.

A chronicler of old Spain tells us that a jealous grandee of the Court, wanting to belittle the achievement of Columbus, once said to the King that after all there was nothing remarkable about the voyage that discovered America. Columbus had only to sail on and on due west. It is only in this sense that you can say that there is nothing remarkable about this Budget. In order to produce it, Sir Basil Blackett has had to sail on and on—in the right direction, without turning to the right or to the left, through good report and evil report, during the five eventful years that are now behind him. But if it is the mark of a great budget that it should reflect a stable and well ordered system of finance, if a budget is to be judged not by its pyrotechnics, but by the number of human beings among whom it will help to spread the serene light of health and happiness, and if that budget is great which will ultimately enable the district workers to carry the lamp of knowledge into the darkest places in our townships and the remotest nooks of our countryside, then I assert in the language of the imperishable marble of our Moghal predecessors :—*Haminast-O-haminast-O-haminast*.

An Honourable Member from Bengal has just recounted the shortcomings of the administration of his own province. I have no doubt the Bengal official representative will suitably reply to him ; but if he wants to know what this Budget means for us in the Punjab, let him come with me into villages of my own Ambala Division. There only five years ago tens of thousands of men and women and children when stretched on their beds of pain and sickness had often no one to help them within a 30 miles' walk. Myself, I have seen a distracted father trudge from dawn till the setting of the sun merely to procure some simple remedy for his fever-stricken child. To-day this father needs to walk only 10 miles to his nearest rural dispensary, and very soon he will need to walk only four miles or five miles.

What has rendered this possible ? It is the generous financial policy of the Government of India.

But the expansion—the great and notable expansion of our Provincial departments of curative and preventive medicine is only one of the many fields that the remission of the provincial contributions has opened to the Punjab Government and to the man of genius who leads it. In the spread of co-operation, in the development and improvement of agriculture, in the extension of the communications that enable the produce of the villages to be carried more quickly and cheaply to market, and, last but not least, in the expansion of education, the Punjab has enormous progress to record. For all these we have in no small measure to thank Sir Basil Blackett, whom we in the districts have learned to admire from afar as a master-mind of the Empire,

[Mr. Alma Latifi.]

as a man who deserved well of the Empire in the past, and who, if the omens are true, is destined to shine with a still brighter light in still larger orbits in the future.

THE HONOURABLE SIR PHIROZE SETHNA (Bombay : Non-Muhamadan) : Sir, this is the Honourable Sir Basil Blackett's last Budget, for the Government of India will within a few weeks from now lose his valuable services as Finance Member. It is true the Indian commercial community on the whole have had occasional differences with him, and some severe ones at that, notably in the case of the Ratio and the Reserve Bank Bills, but Indians and Europeans alike have never questioned his high attainment or the single-minded devotion to duty with which he has endeavoured to perform the difficult and responsible task of administering the finances of this country. He has done so with conspicuous ability, and may I add with a large measure of success. The Indian Merchants' Chamber of Bombay has perhaps been his severest critic throughout Sir Basil's career in India, and speaking as one of its ex-presidents, I will say that such differences of opinion as prevailed were due, I take it, to honest convictions on either side, he believing that whatever he advocated was in the best interests of the country, we holding with equal confidence that our contentions and not his were correct. India's experience in the next few years will prove which side was right and which wrong. But whatever that may be, history will certainly bracket Sir Basil Blackett with the ablest Finance Members that this country has had. (Applause.)

Rumour had gone abroad and one saw it in the Press as well that because of the large surplus, the Finance Member proposed to give relief in some shape or form to those who paid income-tax and super-tax. Unfortunately this has not come true. What relief could have been afforded in that direction would have enabled capitalists to put in this money in the furtherance of the existing businesses and the industries in which they are engaged and also to launch out into new ones, and by not enabling them to do so, Government have deprived themselves of further revenue from both these taxes and are at the same time arresting the progress of the country at large. Sir, the heavy rates of income-tax and super-tax in this country are indeed a great burden and they are a greater burden to the Indian tax-payer than to the tax-payer in the United Kingdom, although the taxes there are very much higher and this is so for the simple reason that India is comparatively a very poor country. The rates of Income-tax and Super-tax are the highest in the United Kingdom of any country in the world, but in some cases we pay even more than in England. I have in mind the Life Insurance business. Up to a few years ago in England they charged income-tax to life insurance companies even on amounts they paid as profits to their policy holders. The British Government however recognised that this was not fair, and some years ago the Finance Act of Great Britain was so altered that they no longer assess these profits for income-tax. I drew the attention of the Finance Department to this point. The reply I received was in the negative and the reason given was that they could not afford to lose this extra revenue. This is a matter which the Government of India should look into, for Life Insurance is a business which it is the bounden duty of Government to further and promote by every means in their power for the benefit of the masses and the middle classes.

It is because income-tax and super-tax are very high in this country that we hear occasional attempts being made by the assesses to devise ways and means by which they may escape the payment of this tax. Government are equally alert and they bring in from time to time Bills to amend the existing Indian Act,—one such amending Bill we passed only two days ago and which

enable Government to extract their pound of flesh. But if people here try to circumvent the law I find they are in good company, for the same is the case even in the United Kingdom. A well-informed critic states that the current Statistical Abstract was submitted to Parliament in April of last year. There are figures in it for all departments, and there are likewise figures of the Income-tax and Super-tax Departments, right back from 1910. This critic has taken the figures of the last year that are published in that report and finds that in the United Kingdom, leaving aside the Irish Free State, 89,415 people pay super-tax on a total income between them of 518 millions sterling. As the House is aware, super-tax in England, as here, is on a graduated scale. Here super-tax is levied only after one's income exceeds Rs. 50,000, thereafter it exceeds £2,000 and the lowest scale is on incomes of between £2,000 and £2,500. The number of people who pay super-tax on this lowest scale is 21,341 out of the total of 89,415. I will not weary the House with the details of each particular class, but it will interest the House to know that in the class whose incomes are between £10,000 and £15,000 a year the number of assesses is 4,403. Of course the number of assesses dwindles down as the classes go up until we come to the highest class where there are only 138 assesses who pay super-tax on incomes exceeding £100,000. Now, Sir, the same critic is startled at the figure of only 4,403 assesses with incomes of between £10,000 and £15,000. He says that any moderately observant person going round the city of London or having a drive through the West End or visiting the rich cities of Birmingham and Bristol, Manchester and Liverpool, Leeds and Newcastle, Edinburgh and Glasgow, will consider it ludicrous that there should be in England only 4,403 people liable for super-tax on incomes of £10,000 to £15,000 a year. From this he deduces two conclusions, first, that there are people in England who contrive to escape the payment of super-tax altogether or, secondly, there are others who do not pay super-tax on the full amount which is due from them, and that is why I say the Indian tax-payers are in good company if they also contrive to circumvent the law as they do try to do. I am sorry therefore that there has been no relief in this direction in the last Budget. But I hope Sir Basil's successor will be able to devote more attention to these taxes and give us some relief.

The most important feature of the present Budget is of course the wiping off—and the final wiping off—of the Provincial contributions. I am sure the Provinces will breathe a sigh of relief at this action of the Government of India. Sir Basil Blackett was aiming at this from his very first Budget and it must be gratifying to him that he has succeeded in this purpose before handing over charge to his successor. These contributions have proved a very heavy drag on the Provinces and there is no question about it. Some of them have not been able to balance their own budgets, much less to devote money to advance what may be regarded as nation-building departments. In Bombay, the province I come from, the Ministers, I know, are most anxious to meet the growing and insistent demands for additional expenditure on education, public health, etc., but they cannot do it for want of the necessary funds, and then Government cannot sanction those schemes for the simple reason that they have not got the money which would fall to their share to pay for such schemes. Bombay, Sir, is mainly an industrial province, and it is a sore grievance with Bombay that the Meston Settlement has done it very gross injustice in the matter of apportionment of taxation. It is very easy to urge that for the growing needs of a province there ought to be increased provincial taxation; but the problems of taxation are by no means easy, and until Government come forward with their decisions on the Taxation Committee's Report, it is very difficult and premature to say how the incidence of taxation should be readjusted, and also if there is any scope for further taxation either by the

[Sir Phiroze Sethna.]

Central Government or the Provincial Governments in so poor a country like ours. I do trust that the request of the Governments of Bombay, and Bengal in particular and of other Provinces as well, to revise the Meston Settlement will be taken in hand at an early date, and that settlement will be on a basis which will enable the Provinces to spend more money, particularly for developing as quickly as possible the nation-building departments.

No comment on the Budget will be complete without a reference, however brief, to its military expenditure. The next year's Budget gives this at Rs. 55·10 crores. His Excellency the Commander-in-Chief, speaking in the other place yesterday, dwelt upon those figures. I am afraid I shall not have the time to deal with some of the items of the military expenditure which I should have liked to have done, because I choose to deal with another portion of His Excellency's speech yesterday, and that is, in regard to the decision of Government on what is known as the Skeen Committee or the Sandhurst Committee's Report. To say the least, Government's decision in this matter is most disappointing, and I speak as a member of that Committee myself. Government have absolutely turned down the considered and unanimous recommendations of this Committee. I will remind the House that the Committee was appointed mainly for the purpose of considering the recommendation made in more than one Resolution in the Central Legislature for the establishment of an Indian Sandhurst. The Committee unanimously voted in favour of it and suggested that it should commence its work from 1933, the idea being that the progress as indicated by the Committee would enable us to have by 1953 half the total cadre of officers in the Indian Army consist of Indians. I say Government have turned this down absolutely and they have not given us any good reasons therefor. Their reason, however, is no other than that Government know full well that if once an Indian Sandhurst is established, they will not be able to stay the progress but will be compelled to accelerate the progress of the appointment of Indians as officers in the Indian Army. It is for this and this reason alone that Government have turned down this proposal in spite of whatever they may say to the contrary.

This Committee consisted largely of Indians and there were two Britishers, one no other than our distinguished Chairman, that efficient soldier, Lieutenant General Sir Andrew Skeen, and the other was a civilian who at that time was not a Member of this House, but is now one of our honoured colleagues, I mean, Mr. Burdon, than whom there is no other civilian to-day in the country whose knowledge of conditions and requirements of military service in India is better, and this is so by reason of the fact that Mr. Burdon had served as Army Secretary to the Government of India for, I believe, at least 3 years if not longer and served in that capacity with great distinction. These two Britishers, men with full and complete knowledge of the subject they handled, would on no account have agreed with the rest of us if they were not satisfied in their own minds that the rate of progress which the Committee recommended was by no means excessive. I am revealing no secret when I say that the report of the Committee would have been a different one because there were dissentients amongst us who were by no means satisfied with what was eventually recommended regarding such recommendations as very conservative, but we were able to get round these dissentients and these dissentients did eventually agree with the views of the two Britishers and the others in the fervent hope that, if our report was unanimous, Government would never turn it down as they have done.

We now know what the result is. Government have offered something which in brief is as follows. Instead of 10 cadets as at present there will be in future 20 Indian cadets sent to Sandhurst and 5 more are to be selected from among those who hold the Viceroy's Commission, 6 more Indians are to go to Woolwich and Cranwell, and 6 to the Flying Force, giving a total number of 37 per annum. I will admit at once we have reason to be satisfied with the substantial increase from 10 to 37—I do not question that for a moment—but we are certainly not satisfied with restricting that number of 37 to an indefinite period as has been done. That is the crux of the question. Government say they regard our recommendations as an “automatic increase” which they cannot subscribe to. Government cynically call our recommendations a “time-table programme”. Sir, is this the first time, if Government had accepted our recommendations, that they would have endorsed a time-table programme? Have they not accepted time-table programmes all along in accordance with the Montagu-Chelmsford scheme and in regard to the Lee Commission's Report in the matter of progress of appointment of Indians in the different civil services of this country? Why, then, call this a time-table programme, and how is this different? It is only different in this sense that Government, while they have been compelled and are now prepared to advance Indianisation of the Civil services, are deliberately opposed for their own ends to advance the appointment of Indians as officers in the Army at the same rate. Whilst our recommendations would have enabled Indians to fill half the total cadre of officers with Indians in 25 years, according to what Government have now said, there is no knowing when we shall reach half that cadre. It may take a century or at the rate we are progressing it may take two centuries, or it may take even longer, for it will be easy for Government to say that those Indians who have come forward to serve in the Army have, in their opinion, not proved efficient enough. Where else, in what other service has an efficiency bar been imposed? Nowhere else except in this. And why? Have not Indians who have been appointed to posts which they had not filled before and which they have been newly filling—have they not in every case filled these new positions with credit and with distinction? Do you find fault with them, and if not, why are you so chary in regard to appointing them as officers at the rate recommended by the Committee? Even those Indian officers who had training at Indore during the War, and such training was not as long and perhaps not as efficient as they would have received in normal times at Sandhurst, did they not during the war prove as good officers as well as the men from Sandhurst or Woolwich? I do not think the Military Department of the Government of India or the Government at Home have a word to say against any one of those who were sent out from Indore or against those, although they were not Indians, who also during the war were trained and sent out from Wellington.

But the worst part of the declaration lies in the perpetuation of the Indian 8-unit system. I say that is the worst part and my reason is this. His Excellency the Commander-in-Chief observed yesterday in the other place, if I heard him aright, that the Committee made its recommendation in regard to this 8-unit scheme because of what the young officers mentioned to them. I want respectfully to correct that statement, because for this recommendation we relied not so much on the evidence of these young men, but on the evidence of Commanding Officer after Commanding Officer who condemned this system altogether. Now, Sir, I will say why Government insist upon this system. The one and only reason is that they do not want British officers to serve under Indian officers. Government cannot deny this. We discovered—when I say we, I, as a member of the Sub-Committee along with my colleagues when in England, discovered—that there was a certain lecturer who speaking to the cadets at Sandhurst, told these young men in so many plain words, that they

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had no reason to be alarmed, for they would hardly ever be called upon to serve under Indian military officers. We asked the India Office if this was correct. The India Office denied it, but we were able to prove to the hilt that the charge we laid was true, and what is more that the military officer who delivered this lecture was actually in the service of the India Office itself at the time, and if I remember aright, his name is Colonel Wilson Johnson who was responsible for saying what I have just stated. This is at the back of the minds of the Government at Home and possibly in India, and it is this reason and this reason alone which prompts them to perpetuate this system which is regarded in the Army itself as a *pariah* system. So long as this system is to be continued, let me assure His Excellency the Commander-in-Chief that he will not get the better class of Indian parents to send their sons for careers as officers in the Army. This is the biggest mistake the Government have made in this declaration. Sir, when speaking on my Resolution in August last in Simla for expediting the decision on our Report, I referred to the Foreword which Government had added to the Report and I described that Foreword as an ominous one. Alas, it has turned out to be far more ominous than I thought it would and the House will judge of this from the description I have just now given to you of what the Government's decisions amount to. They only serve to widen the ill-feeling which has been existing and they will go to convince the public in general that the present Government in England have no intention whatever to live up to the professions made in the famous declaration of August 1917.

Sir, the Sub-Committee's Report of the Indian Sandhurst Committee has been withheld from the public. His Excellency the Commander-in-Chief neither yesterday nor on any previous occasion has told us why it has been withheld. Is it because we were able to disclose some ugly facts in the Report? I am very glad I am speaking before His Excellency the Commander-in-Chief to-day, and I trust that His Excellency will be pleased, when replying to the other points I have enumerated, to refer to the reason why Government have kept back this Report.

Turning to the Budget again, I would draw the attention of the House to what the Finance Member says in paragraph 3 :

"I always regard railway earnings as an important barometer of trade and the House has already been made aware of the remarkable improvement in the railway figures for 1927-28 which, by enabling important reductions to be made in railway charges, will itself give a new stimulus towards business and agricultural prosperity. In addition, I think I see other clear indications that during the last year Indian commerce has made a steady advance and that the effects of the post-war trade depression are at long last being dissipated."

I am afraid that the criterion which the Honourable the Finance Member has adopted is not perhaps altogether correct. Railway earnings depend as much on passenger traffic as on goods traffic, and it may be that in a particular year some goods have been carried on the railways in greater bulk and perhaps owing to the extension of the railway mileage during the year goods which were previously carried in carts by road are now carried by rail. Or it may be that because the railway freights on coal were reduced, there has been more coal carried on the railways than by sea. To this extent, therefore, the increase in railway earnings may be due to the encroachment upon road traffic or upon sea traffic. The Honourable the Finance Member has not referred to the other factors which have enabled him to arrive at the conclusion he has. He has, however, referred to the drop of 130 lakhs in income-tax revenue. I wish the Honourable Member had told us how much of that drop of 130 lakhs is due to the cotton mill industry which is in its present parlous state owing to the unsympathetic attitude towards it of the Government of India....

THE HONOURABLE SIR BASIL BLACKETT (Finance Member): I think I can tell the Honourable Member at once that it is practically nothing.

THE HONOURABLE SIR PHIROZE SETHNA: So far as I understand, there has been a considerable drop due to the condition of the cotton mill industry.

THE HONOURABLE SIR BASIL BLACKETT: As regards this 130 lakhs, I may inform the Honourable Member that nothing practically is due to any change in the estimate regarding the Bombay cotton industry.

THE HONOURABLE SIR PHIROZE SETHNA: In 1927-28 the mills may have done as badly as in 1926-27, but will Sir Basil give comparisons with three years back?

The Finance Member has said that post-war trade depression has now been dissipated. I fear we shall have to wait for long before there is a return to normal conditions. How to return to them is the question, and one of the methods is the careful revision and the reduction in the general level of taxes. In addition there are anomalies which exist in our customs administration which Government should look into. For example, at the present moment we import aluminium either in ingots, in sheets or as finished goods, and yet, so far as I can discover, the rate of duty is uniform. Such a tariff cannot be called scientific, and while it is not free trade benefiting the consumer it is not even fair trade and this requires to be gone into by the department. There are at the present moment nearly 50 factories in the country making these aluminium goods which are the pride and pleasure of our poor people, and these factories are seriously penalised by the duty being the same. I am sure the Finance Member would have devoted some time to the consideration of such items if he were not engaged in more important matters during his career.

THE HONOURABLE THE PRESIDENT: I would suggest to the Honourable Member that he has taken far more than his fair share of the time of the Council.

THE HONOURABLE SIR PHIROZE SETHNA: I have various other matters to refer to which I fear I must drop and I will refer to only one other matter which formed the subject of a debate in this House about a month ago. One Honourable Member proposed that a heavy rate of duty be imposed upon vegetable ghee. Government accepted the Resolution in another form. They did not agree to raise the duty, but they said that they would impose a condition regarding colouring of vegetable ghee whereby the buyer would know that he is buying vegetable ghee and not ghee proper. I want to draw the attention of the Finance Department to the very important fact that, owing to the phenomenal increase in the imports of vegetable ghee from Holland and elsewhere during the last three or four years, those who are locally engaged in the trade of making cooking oil from different kinds of seeds in the country are suffering heavily and if only a duty higher than the present duty is imposed can the trade revive again. May I ask the Finance Member to take a leaf out of the book of some of the Indian States who will not allow such cooking oil extracted by machinery in the neighbouring British India territory to enter their own territory, so that it may not compete with the oil extracted by their own subjects otherwise than by machinery? This is a point to which I want to draw the attention of the Finance Member particularly. I am sorry I have no time to make some more suggestions, but I shall with the permission of the Finance Member furnish his Department with what notes I have in regard to the other subjects I intended to bring up.

THE HONOURABLE COLONEL NAWAB SIR UMAR HAYAT KHAN (Punjab : Nominated Non-Official) : I join the chorus of others in praising the Finance Member on another prosperity Budget. In reality all his career has been bound up with prosperity Budgets and, as this is the last of his Budgets, we will be losing one of the ablest Finance Members that we have ever had, a great friend of India and a true friend of his friends, among whom I have the honour to count myself. We wish him long life and a career of great usefulness wherever he goes. His services to the Empire to which we belong are yet to be performed on a still higher level and we will all get the benefit of it. If the Bank Bill had not been thrown out he would have done another great service to India, but unfortunately our own countrymen have done disservice to their country. Now, as to the Budget, about spending the surplus, nobody could have done anything better than what Sir Basil has done, and no right thinking man can criticise him. Sir, I have always put the safety of the country first, because if the country is not safe, no progress could be made. And I am sorry

that when we ask for Dominion status we are not at the same time prepared to share the burden of the Empire's defence as the Dominions are doing. As the House knows, the Navy Bill was thrown out and it is the Navy which has to guard three sides of India, one side being guarded already by the Himalayas to a great extent. I only wanted to say a few words on the Army, but unfortunately the side attack made upon it by two Members compels me to say something more. I meant to speak about the Prince of Wales' Military Schools at Sarai Alamgir and Jullundur, and the Dehra Dun College and also about the Territorial Force, but as that may be of very little interest to those here not connected with the Army, I need only write a memorandum about those points and present it to His Excellency, and that will serve the purpose.

Now, Sir, we have heard a poisonous speech here from one who comes from a province where there has never been any war or fighting apart from bombing and other cowardly attacks on various police officers, etc. If those people were in greater proximity to the fighting zones, if their lands were liable to be overrun by marauders, their children killed and their relatives kidnapped, they would not be so ready to say that the Army was not needed. A reference has been made to the fact that various attempts have been made at Genoa and elsewhere to limit armies, but do they know whether our independent tribes on the Frontier have sent representatives to Genoa and given assurances that they will not attack us ? Do they know whether there has ever been a representative at those conferences from Kabul who has ever given assurances of tranquillity ? In that part of the world, Sir, every man and every boy can use a rifle, and not only that, there are women who can fight and shoot equally well. I can say, Sir, that if ten or twenty of those women, armed with rifles, went through one of the cities from which my friends come from end to end, there would be nobody to stop them. So, when we have to deal with these people who are not civilized and are always ready and thinking of coming down to conquer India—that India which is said to be so poor but which is a rich price to them—would we be justified in reducing the Army ? In fact, Sir, I am thankful that this year at least sufficient money has been provided to enable the Army to be brought up-to-date, because lots of changes are necessary in equipment, and if those changes were not made, the Army would not be efficient. Another thing, Sir, is that if our Army was a sort of militia as has been suggested, which in the event of war had not gone out to help the Empire, and in which—God forbid—Britain was defeated, would my Honourable friends be able to continue sitting here as they do to-day and speak as they have done to-day ? Would India then be in the position in which she now is ? Thanks to the Army which has gone and fought, that we have won the War and with

it the Reforms which we enjoy. It has become the practice however of people who have never made any sacrifice, who never sent a relative to the front, who come from parts which did not contribute any recruits worthy of mention to the war, who have never done a single service to their King or their country, to claim that they have done everything.

Then, Sir, as to the Skeen Committee's Report, I think it was in this very House I said before that I was sorry for the one who was responsible for the appointment of that Committee, on which there were soldiers who apparently could not understand what the professional politicians were aiming at or else were got round. (*An Honourable Member* : "Question?") There is no question. I know the facts. If there had been a man there who knew the sentiments of the martial classes this report would not have been written like this. (*An Honourable Member* : "What about General Skeen?") He is a great friend of mine, but I do think he has made a blunder in this respect. (*An Honourable Member* : "What about Mr. Burdon?") He is a civilian. The other Indian officers who were on the Committee belong to Gujerat from where soldiers do not come. And then of course the ablest politicians were on the Committee, who with their theories, etc., were able to write this theoretical report. But I submit that no man who has not seen fighting and has not actually gone through active service is able to understand the requirements of the War. It has been said, "What is the use of the English soldiers in India?" I have known occasions myself and seen them myself when certain regiments in a square gave way and if that day we had not had an English regiment there, the whole force would have been cut off. That was at Jidbali in Somaliland and there have been other cases at Dahra Bend and elsewhere when English regiments saved a critical situation. So I submit that before making these attacks on the Army one should take advantage of the knowledge of those who have got actual experience of the army in the field and been engaged in actual war. I think my gallant friend from the Frontier will bear me out when I say that the achievements performed by English officers and Indian soldiers will not be surpassed easily. A deputation as you may know, Sir, consisting mostly of the Punjab military classes out of which the greater part of the army is composed went to His Excellency the Commander-in-Chief; and they submitted that they were filled with horror at the idea that they should supply the fighting material while they were to be officered by clerks from other provinces. That would be impossible. I once spoke to a soldier about this, and he said, "We have weapons in our hands with which we shoot at the enemy in front, but we can also shoot behind, and if we are officered by those whom we dislike we shall wipe them out first before fighting the enemy." These are some of the facts which I would relate in answer to some of my inexperienced friends. They may be ever so able in their own line of work, and when they speak on those subjects I listen to them with respect, but they also should respect the opinions of those who speak with experience and authority in relation to other subjects such as the Army.

Now, Sir, I have always considered it my duty on these occasions to say a word on behalf of the poor zemindars. I have heard a great capitalist putting forward the case of those who pay super-tax and income-tax. The people who pay super-tax are already rich and deserve little sympathy, while income-tax also is only paid on incomes above Rs. 2,000 per annum. But nobody gets up to say a word for the poor zemindar, who after generations of division of property has got a smaller and smaller part of the land, and his position is even worse than that of the labourer, because the latter can leave his home and earn good wages, and he pays nothing to the Government. A poor zemindar is tied

[Colonel Sir Umar Hayat Khan.]

down to his piece of land and is half starved and at the same time he has to pay the Government dues. This is my old story no doubt. But as I do represent these poor people, for which purpose I have been nominated here, I will go on knocking at the door till it opens.

There is one more vital subject, Sir, in connection with which I have been sometimes blamed. It has been said that I am against education. Well, Sir, I have never been against education but against the present system of education. I said something about it the other day when we were speaking on unemployment. The schools are increasing by leaps and bounds, and there are places where there is compulsory education. All these boys sit daily in a nice building on the hottest part of the day. But this country of ours is such that unless a man can plough in the hottest climate and walk for long distances in the worst heat of the worst month of the season, he is not fit or acclimatised for his country; and that is why, Sir, every man who has been through a school is never able to do his father's job properly, and thus hundreds and thousands of those boys are being taken away from manhood and are being made useless physically and they are thus not able to do any service to the country at all. Of course you should train a man in a manly way and then he should have knowledge on the top of it, but if such men have knowledge at the cost of their manhood, I think they will be of no use to their country nor to themselves; and I am further afraid that agriculture would also have a set-back because these men will not be able to engage in that profession and in turn that will be dangerous for the Army also, because the Army must be drawn from the best material and such material is composed of men who are used to hard work, and your present system of education is likely to make them so unfit that they will not be able to defend their country. As this is a vital thing, Sir, I thought I would draw pointed attention to this.

With these few remarks I resume my seat.

THE HONOURABLE MR. G. A. NATESAN (Madras : Nominated Non-Official) : Sir, in 1924, the year in which I had the privilege of speaking on the Budget, it was my lot to criticize somewhat adversely the Finance Member's Budget of that year as he did not make any attempt to relieve the provinces from the burden of provincial contributions. I am glad that to-day I am in a position to offer felicitations to him and the provinces upon their being relieved from a burden which prevented them from pursuing the path of developing many of the nation-building Departments. I do not pretend to be a student of Indian finance but, having had the privilege of serving with the Honourable Sir Basil Blackett for several days together on the External Capital Committee, I must confess I owe it to myself and to him to state that I found, in the discussions and also in arriving at the conclusions of the Committee, Sir Basil Blackett was certainly not an enemy of Indian progress, but, on the other hand, its friend. I deplore, and I am sure he will himself much regret that he has not been able to give effect to the recommendations of that Committee. There are many other things which he might have done, but having regard to the great limitations under which the Indian Finance Minister and other Members of the present Government of India have to carry on their duties, subject to the control, sometimes of a most irritating character, of authorities at Whitehall and others, having regard also to the fact that in some points, while the Finance Member sought to display a fresh mind and to bring about the freedom of Indian finance from the control of the India Office, some of our own countrymen have not been able to see eye to eye with him, I cannot but regret that in some important matters he has not been able to achieve any

success. There are many things which a Finance Minister, particularly one who lays down his office, does, but Sir Basil Blackett himself has been very frank and has made an admission in the closing portion of his speech, which I may say made a great impression on me as I trust it has done on others. He said :

" From 1929-30 onwards, it will be the privilege of this House and of my friend and successor, Sir George Schuster, to find no outside claimant to the recurring surpluses which I hope it will be their good fortune to enjoy in the coming years, and they will be free to turn their minds on the one hand to new directions in which money can be usefully laid out for India's advancement, and on the other hand to the re-adjustment of the burden of taxation and to those reductions of taxation, so welcome to tax-gatherer and tax-payer alike, which, apart from some minor cases and with the one big exception of the Cotton Excise Duty, have been beyond our reach in my term of office."

In wishing Sir Basil farewell I only hope that when he returns to England he will use all his endeavours with the Secretary of State and the India Office to enable at least his successor to achieve one of the greatest financial reforms for India which is absolutely necessary, namely, the establishment of a Reserve Bank.

Sir, interested as I am in education and as a humble product of the Indian Universities, and having been connected for over 20 years with the Senate of my University and for over 12 years with its executive side, I have been feeling that though education is a transferred subject, it is absolutely necessary that the Central Government should keep a strict and close watch upon educational progress as well ; and in this view of the case I am supported by an observation which was made by His Excellency Lord Reading in addressing the Convocation of the Delhi University in 1924, that the Central Government should be in very close touch with educational movements all over India. From this point of view I very much regret that some attempt has not been made as yet towards the establishment of a Central Technological Institute. I wish to state at once that my Honourable friend, Sir Muhammad Habibullah, who presides over the Department concerned, has tried his best to advance education, research and medical progress in many ways, and I know that sitting as he does near the Finance Minister he often feels money is a great obstacle ; and therefore I speak at least in the hope that in the future this question of the establishment of a Central Technological Institute will receive more attention at his hands and that of the next Finance Member so that India may boast that it has a well equipped Institution of that description. In the matter of malaria and medical progress I was very glad that in answer to a question put at the Simla Session, the Leader of the House, instead of taking shelter behind the fact that it was a provincial subject, gave an answer which was full of hope of progress, and I am aware that with regard to research he has been instrumental in appointing a Committee also. I hope that in the matter of education, the promotion of research and of removing this bleeding curse of malaria, which is eating into the lives of millions of our countrymen, the Central Government will do something substantial for the amelioration of the people.

Sir, while speaking upon the problem of unemployment the other day, I said I was one of those who in common with others who took an interest in university education were trying their best to see that the present literary education is given a turn for the better. We are often found fault with, that our educational system is wrong and that young Indians, however brilliant in many other matters, are not practical. Only the other day a reference was made to the fact that opportunities were not given to Indians to equip themselves in all departments of education and to take an active part in all those practical avocations that are open to young boys elsewhere, such as the military.

[Mr. G. A. Natesan.]

In my own province one of the great difficulties which has always been staring us in the face in regard to the University Training Corps is the absence of funds. With the limited resources of a Provincial Government and with the limited resources of a University it was not possible to do anything in the direction of military education unless the Central Government came to its rescue. You will find that at the last conference of the representatives of the various Universities—I refer to the last meeting of the Inter-University Board—there was a recommendation that all the Universities should make military education a compulsory subject. I was entertaining the fond hope that something would be done in this direction as soon as the recommendations of the Sandhurst Committee were given effect to. I join with my Honourable friend, Sir Phiroze Sethna, in the expression of a terrible disappointment at the speech which His Excellency the Commander-in-Chief made elsewhere with regard to this subject. I would like to point out, Sir, that only the other day Lord Birkenhead and others—and here I am including the quondam Labour Premier, the Right Honourable Ramsay MacDonald—in persuading India to accept the Statutory Commission said that one of the chief advantages of that body would be that it will present a unanimous report. They evidently had a short memory and conveniently forgot the advantage of unanimity in regard to the Skeen Report.

The report of that Committee is a unanimous one ; it was presided over by a distinguished General of the Indian Army. It has had the advantage of a distinguished Civilian who for three years had given his time to Army questions. With it had been associated some of the best and most talented of Indian politicians. All these people worked together in a spirit of harmony and in a spirit of compromise. They brought out a unanimous report and made a suggestion with regard to the Indian Sandhurst, with regard to the establishment of a military college in India, and yet it is not to be given effect to. And to-day we are told that it will be a difficult job and that we should wait again to see what happens. And yet these people forget that it was a quarter of a century ago that the late Lord Kitchener pleaded eloquently for providing a college for training military officers.

This takes me to the question of military expenditure. In the year 1885 it was a great and distinguished Indian who at the first session of the Indian National Congress at Bombay pointed out how India was suffering—I use his own expression—from “ this gruesome military expenditure ”. It is some satisfaction to us that that distinguished Indian is adorning this House to-day—I refer to the Honourable Sir Dinshaw Wacha. Sir, whatever criticisms I and others may pass upon the military policy in this country or upon the military expenditure, I need hardly say that we have nothing personal against the distinguished gentleman who adorns the office of Commander-in-Chief to-day. Our complaint for years has been that he has inherited a vicious system, that even if he is willing—and some of us know that he is anxious to do something—the system under which he has to work prevents him from doing his duty to the people of this country. Our case is that the Army in India has always been in excess of the real requirements of India, and to the extent that it is in excess, the people of India, the poor tax-payer in this country, is being asked to pay more than he should. I would point out that the Government of India themselves of their own accord on several occasions, in their own despatches and through the mouth of their own Secretaries of State for India who represented her from time to time, have pointed out that in most of these military arrangements Indian interests have not been safeguarded, that in some other matters they have been positively injured. The military expenditure budgeted this

year is 55 crores and ten lakhs. The Retrenchment Committee only a few years ago said that it should as far as possible be brought down to 50 crores. And yet what happens? It is forgotten and no attempt is made; and even if attempts are made, I must say that so long as the present system continues, no Commander-in-Chief, no Finance Member, will be able to effect a real saving. It is the system that is at fault, the system that has been pursued for over a century in this country. In addressing this Council in 1924 the distinguished gentleman to whom I made a reference very rightly pointed out that a great deal of expenditure, military expenditure so-called, which India is asked to bear, is due to the entirely wrong policy of the Army Amalgamation Scheme. On this subject Fawcett, a very distinguished and notable Englishman who always pleaded the cause of India said in the House of Commons years ago:

"It was forced on the Government of India in 1859 by the Home Government against almost the unanimous opinion of the most tried and experienced British officers."

Then again he pointed out:

"A partnership has been established between India and England, and as one of the partners is extremely rich and the other extremely poor much the same incongruities and many of the same inconveniences arose as if two individuals were to join in housekeeping, one of whom had £20,000 a year and the other only £1,000 a year."

And a very distinguished officer of this country, Sir Ashley Eden, presiding over the Simla Army Commission said:

"We think that the position of the army employed in this country should be organised and administered with regard to the interests of the people of India and not for the purpose of supplying the defects in the system of home defence, and above all that it should not be made the means of obtaining at the cost of India advantages for the army at home which do not entirely affect the interests of the country."

Sir, the contention of my countrymen for over half a century has been that Great Britain gains considerably by its military policy in India, that India has been losing, is losing and will continue to lose, unless this vicious policy is abandoned. Lord Roberts acknowledged years ago without any hesitation that British supremacy in India must be maintained and cut that it entitled them, as it were, to take a great deal of Indian revenue for perpetuating that supremacy. A protest against this policy has constantly been made and it was made by the Assembly in 1921, when in considering the Esher Committee Report they "repudiated the assumption underlying the whole Report of the Esher Committee that the administration of the Army in India cannot be considered otherwise than as part of the total armed forces of the Empire." And our distinguished Commander-in-Chief, His Excellency Sir William Birdwood, in speaking at the Simla Session last year said:

"The Army in India is one link in the Imperial chain of the defence of the Empire."

It is because this view of the case has been taken that Indians have been subjected to the greatest handicaps and the country deprived of the money that should legitimately have been given to the relief of the tax-payer and for the nation-building departments. We are told that the British Government have taken steps to put us on the road to responsible government. No nation can ever reach the goal of responsible government, it is not even possible for them to go on treading on the road, if you make no attempt to give them military education, and facilities for defending themselves and making themselves really fit for national defence. In no country in the world has this policy been pursued. And what happens, what is the situation now? We have no share in the work of national defence. Out of nearly 7,000 British officers you have only 84 Indians. Every British soldier costs 4 times more than an

[Mr. G. A. Natesan.]

Indian. Having turned down all the important proposals of the Indian Sandhurst Committee under circumstances which have been narrated by my Honourable friend Sir Phiroze Sethna, we are consoled with the statement that we have the 8-unit scheme.

I feel I owe it to myself and to the gentlemen who are responsible for giving me the privilege of addressing this Council that I should state that British military policy in India in the past as well as in the present is based upon a policy of distrust.....

THE HONOURABLE NAWAB SIR MUHAMMAD MUZAMMIL-ULLAH KHAN (United Provinces West: Muhammadan): It is based on the policy of strength.

THE HONOURABLE MR. G. A. NATESAN: I recollect as a student of Indian politics the fact which has left an indelible impression on my mind that from time to time, whenever attempts were made to give Indians a proper share in the administration of this country, this feeling of distrust was given expression to. It was the same note of warning that was uttered when an attempt was made to put Indians in the Executive Council of the Provinces and of the Central Government. I do not know if there is any one here who has had the good fortune of serving with many a distinguished Indian not only in the provinces but also in the Central Government who has anything to say against the capacity or the character or the ability of the great and distinguished Indians with whom he might have come in contact. Sir, I may make some allowance for the praise offered to Indian officials in the after-dinner speeches, but I may put my faith in the public declarations of Viceroy and Governors who have published communiqués after the retirement of these distinguished Indian gentlemen eulogizing their merit and worth. When it is admitted on all hands that they have served with ability, with loyalty in the civil departments, may I ask why this policy should not be pursued in the military department as well. Distinguished Indians have held the highest posts both in the Local Governments and in the Central Government and under them have served the distinguished officers of the Civil Service, of the Engineering Department, of the Indian Medical Service and of the Indian Educational Service, and I am yet to find people who have grumbled that in any way they have been treated badly or the cause of good government has suffered. Sir, the policy of trust which has been pursued there has been productive of a great deal of good. Why not adopt the same policy of trust in the military department also, which is certainly a safer, a wiser and a more statesman like policy? I do not know what is really in store for this policy, but I would point out that Government should enable us to feel that, although they are largely foreign in personnel, they are national in spirit and sentiment, and this can only be done by undertaking all those responsibilities which national Governments in other countries have undertaken.

It looks, Sir, as though in the present state of affairs the voice of the living has no effect on any one. May I, therefore, close with the voice of the dead and with the voice and patriotic utterance of a distinguished Indian, I mean the late Mr Gopal Krishna Gokhale, who spoke in 1907 these pregnant words:

"The public mind is in a state of great tension; the situation is an anxious—almost critical—one, and unless the highest statesmanship inspires the counsels of the Government difficulties threaten to arise, of which no man can foresee the end."

It is difficult to lift the veil that hides the future. But I can only hope, Sir, that in the administration of this country Government will show more

prudence and statesmanship than they have in regard to this question which vitally affects our future.

THE HONOURABLE MR. P. C. DESIKA CHARI (Burma : General) : Sir, this is the last Budget that the retiring Finance Member has presented to the Legislature and whatever may be the differences of views as regards the methods adopted and the policy pursued, judged by the results so far achieved we have every reason to pay a fitting and well-deserved tribute to one of the greatest Finance Members which India has ever had. Sir, the final extinction of the provincial contributions is the last but not the least of his many achievements. The abolition of the cotton excise duty, the assistance to the cotton industry, the sound and prosperous financial condition of the country at present as a result of the policy pursued and our present debt position which makes us hope, as he has put it, that by the end of 1928-29 we would be able to wipe out the debts due to the revenue deficits during 1918-19 to 1922-23 without having recourse to any fresh taxation, all these achievements go to the credit of Sir Basil Blackett. Sir, these and many other achievements are apt to be forgotten by the Legislature constituted as it is under a half-hearted reformed constitution. The present constitution gives little or no power to the Members of the Legislature beyond the powers of mere criticism, and under the circumstances it is no wonder that the Members of a Legislature not possessed of the opportunity of sharing the responsibility should ignore these achievements in criticising the actions of the irremovable and autocratic executive. The above remarks of mine, however, do not imply that we have no reason to grumble. In the matter of debt redemption, it is a matter for regret that the Honourable the Finance Member has not thought it fit to follow the wise and statesmanlike policy pursued in England and other countries. In his undue haste and over-anxiety to discharge the debts of India, Sir Basil Blackett has mercilessly sacrificed the interests of the present generation to the doubtful and supposed benefits of a future generation. Sir, in dealing with the post-war problems he has been pursuing a very short-sighted policy. If only he had followed the policy pursued in England and other countries in reducing taxation, there would have been an era of trade prosperity and industrial expansion. This would have led to a progressively increasing yield under the various heads of revenue which would have enabled the Government in due course to deal with nation-building departments and the question of debt redemption more effectively. Sir, by adopting the policy which he did, he has done an incalculable injury not only to the present generation but also to the future generation in hampering an expansion by keeping up over-taxation which can only be justified under very abnormal conditions. I have one word more to say about the financial policy and it is this. It is a matter for regret that the Honourable the Finance Member has not thought fit to follow consistently the wise policy of avoiding borrowing abroad. After making these remarks, I now turn to the military side of the Budget.

The topheavy military expenditure is out of all proportion to the resources of the State and the needs of the country and has been eating into the vitals of the nation. Sir, I cannot help expressing the view that our military commitments are the outcome of the policy of subordinating the Indian national interests to the Imperial policy of the British Empire. Judged by the use of the Indian Army, it has been made to play the role of the watch-dog of the British Empire. In this sense it is an army of occupation and an expeditionary force readily available in the interests of Great Britain, and it cannot in any sense be said to be a national army or a national militia. Assuming for the sake of argument that we require an army of the present size and strength, I do not see why the old policy of distrust which has been followed since the days of

[Mr. P. C. Desika Chari.]

the Indian Mutiny should be continued and persisted in after the lapse of decades especially in view of the fact that the Indian Army has given better accounts of itself since then and has also given considerable evidence to command the confidence of the Government. I can claim for the Indian soldier without fear of contradiction, judged by past experience, the same standard of fighting capacity and the same standard of efficiency as is generally claimed for European soldiers. It has been generally admitted, and I think it has been proved beyond the possibility of doubt by the facts and figures which have been given in the other place as well as here, that the Indian soldier costs considerably less than the European soldier. If the British Government is genuinely anxious to help India's cause, they could do nothing better than revert to the pre-mutiny proportion of the Indian element in the Army.

I would even go further and say that there is absolutely no reason for going to England for the rank and file. If we can do that, we can have the necessary strength, and at the same time have the same standard of efficiency by manning the Army with Indians and Indians alone. I do not see any reason why the British statesmen, who, if they are really anxious to forward India's cause, and to help the poor Indian tax-payer, should not Indianise the Army at least as regards the rank and file. Unless this is effectively done you cannot relieve the crushing burden of taxation on the poor Indian peasant, you cannot relieve the economic depression, and you cannot have peace and contentment of the masses which is so very vital to the safety of the Empire. If the Army is an insurance against risk, I say curtail the expenditure by Indianising at least the rank and file, which is the greatest insurance in the interest of the safety of the Empire.

Then turning to the question of the policy adopted in the matter of officer-ing the Army, I cannot adequately express the keen disappointment which I felt in my place in the Council gallery in the other place when I heard the announcement that British statesmen, aided and abetted by the Indian Government, have thought fit to turn down the main proposals of the Skeen Committee. I say that Government has deliberately chosen not to adopt the recommendations in the spirit in which they have been recommended, and I believe after all modest recommendations were made by a Committee which was largely Indian—they had to make very modest proposals in the hope that they at least would find ready acceptance. The matter has been dealt more fully by more competent people, and I say that at a future date not far distant the Britisher will have reason to regret the decision which he has taken, which is bound to weaken the bonds of the Empire. Sir, unless this decision is reversed very soon, there is absolutely no chance of our grandchildren or great-grandchildren realising the ambition of having an Indian Army, wholly or almost wholly, officered by Indians.

I do not want to pursue the matter further, and will deal with one or two other departments for which the Budget figures have been given. Sir, I shall now deal with the Department presided over by the Honourable Sir Bhupendra Nath Mitra, and which is represented here by the Honourable Mr. McWatters, namely, the Post and Telegraphs. I believe that next to the military this is a department which has given the greatest dissatisfaction. The timid and unprogressive policy which has been pursued by this department does not appeal to the public or to the Members of the Legislature. I find that the Retrenchment Committee laid down that the expenditure of this department ought to be kept down as low as 8½ crores, but the expenses of this department have been bounding up with no visible progress as a department of national

utility. I find in the Honourable the Finance Member's speech that a reference was made by the Standing Finance Committee to the oft-repeated slogan of the Legislature that it is high time that this department should follow the policy of reducing the postal and telegraph rates. I believe that a reduction of the telegraph charges to six or even eight annas will result in an increase of the telegrams sent, and would not result in the losses which we now have by keeping the telegraph charges so high, because it is at present unpopular and prevents many people from sending telegrams who would otherwise be inclined to take advantage of it. Then again, Sir, if the Government would only boldly initiate a reduction in the postcard rate, their move would be justified by the results in the long run and you would be satisfying a persistent and crying national demand.

I now turn to another department—a department presided over by the Honourable Mr. S. R. Das, whom I do not find here. I do not know who in his absence represents that department, but I want to say this: that his department deserves the censure of this House for not carrying into effect the recommendations made by this Council on more than one occasion that the leader of the League of Nations delegation should be an Indian, and that the Indian delegation to the League of Nations should be predominantly Indian. There is one other matter. This department deserves condemnation also for their failure to give effect to the Bar Councils Act though it was passed long ago, on account of the delay in the issue of the notification to give effect to the operative provisions of the Act.

Sir, I now turn to the department presided over by the Leader of the House. My only complaint is that this department does not give free scope for the activity of the Legislatures either here or there; by taking prompt action themselves they do not give free scope for criticism of their action. But I would avail myself of this opportunity to suggest that for dealing with Indians overseas a separate Secretariat may be constituted to deal with the numerous problems that crop up every now and then.

Before I conclude, Sir, I would appeal to the Government of India to Burmanise the Imperial services in Burma. Sir, when I go into the Secretariat, I feel that I have come to a Secretariat in which there is no representative of Burma. The Burmans do not find a place there, and I read somewhere that some officer from Burma had been recently recruited. But I hope, Sir, that they will make an earnest effort to bring in more Burman officers, and I can assure them they will not have to regret the step in that direction if they recruit a larger number of officers from Burma here.

In the General Budget there is nothing for Burma to enthuse over. There has been a reduction of provincial contributions; but Honourable Members of this House are aware that Burma gets little benefit out of it, because it has been Burma's lot to pay a large slice of revenue, much larger than her due share, in the shape of central taxation in various ways; and it is a matter for regret that in spite of the fight boldly put up by the Local Government, as well as by the Burma Legislature, the Central Government has not thought fit to yield in giving a fair proportion of the benefits of that taxation for the Provincial Government. But I suppose I will be told presently that those benefits are for other people and we must represent these matters before the Simon Commission, and it is a poor consolation to have to wait for a long time for a province which is sadly in need of funds for necessary developments. With these words, Sir, I conclude my remarks.

HIS EXCELLENCY THE COMMANDER-IN-CHIEF: Sir, as I think probably all Members in this Chamber are aware, I made a lengthy statement

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yesterday in the other place regarding the Sandhurst Committee, and I need therefore only detain the House for a very short time now. My Honourable friend Sir Phiroze Sethna and the Honourable Mr. Natesan both made rather sweeping statements just now that Government have entirely turned down the recommendations of the Sandhurst Committee's Report. I maintain that that is not the case. Government have not turned down the recommendations of the Sandhurst Committee. They have accepted by far the larger number of them. In fact, there are only two recommendations regarding which Government have not seen eye to eye with the Committee. We have agreed to the increase in the present number of direct vacancies at Sandhurst by open competition. We have agreed to grant King's Commissions to those Viceroy's commissioned officers who satisfy certain conditions. We have agreed that, in future, Indian cadets should be eligible for competition to the Royal Military Academy, Woolwich, and the Royal Air Force College, Cranwell. We have also agreed to grants in aid to all cadets who go in future to England, to make good the extra expenditure which might be involved owing to there being no college here. As I say, the two points which we have not agreed to are the immediate establishment of an Indian Sandhurst and the 8 Unit Scheme. As regards the immediate establishment of an Indian Sandhurst, I might point out that the Committee recommended that such a Sandhurst should be established in this country in the year 1933. They fixed this year, because, according to their time table, the number of candidates in India would by that time be large enough to justify the establishment of an Indian Sandhurst which could be expected to accommodate that number. The Government of India cannot, however, predict what the number of cadets will be by any particular year, and they therefore cannot fix a definite date for the inauguration of an Indian Military College. That, Sir, cannot be said to entirely turn down the recommendations of the Indian Sandhurst Committee. Further, I should like to state this, that, while we have 10 vacancies annually available at Sandhurst, those vacancies have not by any means produced 10 commissioned officers. We have frequently sent the ten, but they have not been able to qualify at Sandhurst. It must therefore be quite impossible for us to foresee a time when our numbers will justify the establishment of a military college in this country. We hope, as the Committee hoped, that by increasing the basis from 10 to 25, we shall be able to increase the output, but until such time does come, it must be almost impossible for us to contemplate the immediate establishment of a military college in this country. If and when the requisite number of eligible young men do come forward, then undoubtedly the time will have come when the establishment of a military college in India will have become actually urgent. We could of course, I presume—I will not assert it—probably get the numbers provided we neglect the one and really great factor, and that is, the factor of efficiency, regarding which I think I am right in stating, the Committee said this: "There can be only one standard, the highest." While listening to what my Honourable friend Sir Phiroze Sethna said regarding that, I am afraid I could hardly help coming to the conclusion that the Committee did really look upon their words as a pious hope. He maintained that if for services of Government, the Civil Service or any other service, you contemplate taking a proportion of fifty—fifty, there is no reason why we should not do it in the Army. That is an argument, Sir, with which I cannot agree for one moment. It may be that by taking 50—50 in the Civil Service, efficiency does not suffer so much, but if that is the case, it can and must be readily rectified. But in the Army you cannot take such risks because you cannot rectify them. I think we may regard the Army

as very much like what I once heard an American talking of a revolver say "You may want to use a revolver only once but that time you want to use it darned badly", and that is the case with the Army. The Army after all is like a weapon literally forged in the furnace, and if the metal of which that weapon is made is soft and useless, it breaks to pieces at once that very day. The whole liberty of your country, the freedom of India, the whole expansion of India, and everything else would absolutely disappear in one day if we did not maintain our Army at the highest state of efficiency. That is the vital point and we cannot foresee with any certainty that we shall have forthcoming sufficient number of young men up to the standard of efficiency to justify us in agreeing to the immediate starting of a Sandhurst now.

The other point to which my Honourable friend referred was the 8 unit scheme. That 8 unit scheme was adopted by the Government of India on the advice of my very distinguished predecessor, the late Lord Rawlinson. He was constantly pressed to give a date when further Indianisation on a big scale can be contemplated. My Honourable friend Sir Phiroze Sethna said it might be under the present proposals generations,—100 years, 200 years,—before we can have it. That is exactly the argument Lord Rawlinson used when he recommended the 8 unit scheme. He maintained that if young Indians were scattered all over the Army it would be quite impossible, for generations to come, to really judge of their efficiency, while if they were brought into definite units first of all as squadron and company officers, later on as Commanders and Commanding Officers, there would be a definite time when you can see whether the unit so commanded was of equal efficiency in every possible way with those commanded by British officers of the same standing. That, I think, does give us a very definite reason for refusing to abandon a scheme which was deliberately adopted until it has had an absolutely fair and full trial.

I have now met the two main points about which my two Honourable friends wanted information. I do maintain most strongly that we have not turned down the recommendations of the Sandhurst Committee. My Honourable friend Sir Phiroze Sethna asked me to give him some information regarding the non-publication of the Sub-Committee's Report. I will not go into all the details, but amongst others was the fact that the War Office was kind and courteous enough to allow their officers to appear before that Sub-Committee to give evidence, and the War Office consider that they are of a confidential character and are not prepared to have it published. Also there are certainly some personalities used in that report which I personally certainly dislike very much and I know were very much resented in England, and therefore we have felt that publication of a document containing personalities of that description would only cause ill-feeling and would do no good.

I also understand that Sir Phiroze Sethna was under the impression that the War Office denied that one of their officers had given the lecture which he mentioned at the Military College, Sandhurst. I understand that it is really not the case. I understand they said they did not know and they had not got full information. That is the best information that I have got. I was not there personally myself, but the information I have is that the War Office said they had not full information about it. (*An Honourable Member*: "India Office".) Yes, the India Office.

THE HONOURABLE SIR PHIROZE SETHNA: Does it not amount to a denial? If he is one of their own officers they could have certainly inquired.

HIS EXCELLENCY THE COMMANDER-IN-CHIEF: No, I do not think so at all. They would not know in the least. Their officers go down from

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time to time to lecture at Staff Colleges and other military colleges, and they certainly would not be in possession of complete information of what these officers go and say.

THE HONOURABLE SIR PHIROZE SETHNA : They could have inquired. We said a lecturer and they could have very easily inquired and told us who was the lecturer.

HIS EXCELLENCY THE COMMANDER-IN-CHIEF : At the time, as far as I know, they simply said they had not the information. My Honourable friend Mr. Burdon, I think, will bear me out.

I do not wish to keep the House any longer. I can assure the House that Government have given the very greatest and sympathetic consideration to this matter, and the fact that we have been able to accept a very large number of the recommendations made proves that. But we are quite determined—and I am sure I will have the House with me in this—that it is absolutely essential to maintain the efficiency of the Army.

THE HONOURABLE SIR ARTHUR FROMM (Bombay Chamber of Commerce) : After listening to the very full explanation which His Excellency the Commander-in-Chief has so kindly given to this House, I

1 P. M. do not propose to introduce in the few remarks that I have to make in connection with the Budget any further discussion on the merits or the demerits of the Skeen Committee's Report or on the merits or the demerits of the action which the Government of India propose to take on it.

The Budget has not produced any surprise ; in fact, I think it is a budget which we all expected, and I think that this Council might readily accept it as a clear and concise statement of a balance sheet which has a balance on its right side.

I will just refer very briefly to the revenue and expenditure side of the Budget and to the remarks which fell from my Honourable friend, Sir Phiroze Sethna, on the question of income-tax. I should like to associate myself with the remarks he made as to the deterrence on trade which a heavy income-tax brings. At the same time I quite realise that the Central Government cannot produce money which they have not got, and I will content myself with asking the Honourable the Finance Member to place on record that this question of reduction or relief in the very excessive amount of super-tax and income-tax which this country bears,—and I do not think it should necessarily be compared to income-tax in any other country—to place on record that this might be explored by his successor. One other item in the revenue and expenditure side of the Budget which caught my eye and which might possibly have been expected to catch my eye is the very great increase in the income received from the excise duty on motor spirit. The amount received from the excise duty on motor spirit in the year 1924-25 was in the neighbourhood of Rs. 79 lakhs, while in the year ending the 31st of this month the amount estimated to be received is Rs. 124 lakhs. I merely refer to this because I have at heart, and the Committee on which I have the honour to serve has at heart, the development of roads in this country, and I think that with this enormous increase in customs duty derived from motor spirit, which practically is solely used for motor cars, which in their turn use the roads, Government might consider the possibility of sparing some of that revenue from this excise duty to go towards the improvement of roads. I should like to ask the Honourable the Finance Member to leave the possibility of exploring that further also on record.

Complaints have been made that the Central Budget has been balanced at the expense of the Provinces. Well, that may or may not be, but I think we must be fair in this matter and recognise that the Meston Award was not a creation of the Honourable Sir Basil Blackett. If he had had the undertaking of the financial relations between the Provinces and the Central Government, I have no doubt that he would have brought about a much better state of things. When this charge is levelled that the Central Government have balanced their Budget at the expense of the Provinces, we must remember what Sir Basil Blackett has done with the surplus in his Budgets. He has done away altogether with the provincial contributions. If Honourable Members will bring their memories to bear on the total amount of these provincial contributions, they will realise what a very large sum it has been for the Government to wipe out altogether. Then again last year Sir Basil Blackett wiped out the cotton excise. That again represents something in the neighbourhood of 2 crores of rupees, and that is not a small thing to achieve out of revenue. With these two, what I may call, obnoxious subscriptions from the Provinces to the Central Government being removed, Sir Basil Blackett leaves a very good inheritance for his successor to tackle next year possibly income-tax, possibly some other form of taxation which Members of this Council have brought before the Finance Member from time to time as being oppressive.

I now turn very briefly to the part of the Budget which always has a peculiar attraction for me and that is the study of the Ways and Means and Debt. I think that there is no greater demonstration of the able manner in which Sir Basil Blackett has conducted the affairs of this country during the five years of his office than what is shown by a study of the ways and means and public debt statement which appears in the budget statement this year. It is no mean achievement for the price of Government securities to have increased in the last five years by something like 25 per cent. Many Honourable Members of this Council might wish that they had bought those securities 5 years ago, and then perhaps they would be loud in their praises of the financial management of the country, louder even than they are now. Then again look at the public debt. The public debt has increased from 878 crores to 991 crores in the five years, but the unproductive debt has been reduced from 254 to 178 and that is the whole crux of the situation. Productive debt does not matter. The unproductive debt is a thing which hangs like a mill stone round the finances of any country, and the fact that the Honourable the Finance Member has been able to reduce the unproductive debt in this country during the last five years of his office is, I think, a standing testimony to his financial ability. In discussing the results achieved by Sir Basil Blackett I have heard Members say that he has been favoured by a series of good monsoons. That, Sir, is very true. A series of good monsoons would not, however, have balanced the Budget by themselves. It takes a man of great financial ability to seize his opportunities and apply them to the advantage of India. Then again the Honourable Sir Phiroze Sethna has mentioned that Sir Basil Blackett has frequently been criticised by various bodies in this country and possibly in this Council from time to time. Well, I feel quite sure that Sir Basil Blackett does not resent helpful criticism. I feel quite sure that he has never resented any criticism levelled at him in this Council. It is only when criticism becomes carping and not helpful in the slightest degree, and when it is based on incorrect statements, that, if I were the Finance Member, I should feel inclined to say "away with them." Constructive criticism can be very helpful to anybody conducting a business or finances of any kind.

Whatever feelings the Honourable Sir Basil Blackett may have in saying good-bye to this Council, in saying good-bye to this country and in quitting

[Sir Arthur Froom.]

the high office he has held with such distinction during the past five years, I think he may go with the knowledge that he has gained the esteem of all the Members of this Honourable Council, an esteem born of the fact that we know that whatever he has done, whether we have criticised it or not, whatever he has undertaken to do, has been done with the one ideal of doing something for the benefit of the country for which he has worked so hard during his five years of office. And in his departure I can assure him that he carries with him the sincere wish of this Council for continued success wherever he may be in the future. I cannot help thinking that whether he leaves this country with regret or whether he leaves it with some sense of relief, he will be satisfied in the knowledge that he leaves the country's finances in a very much improved state now compared with the state in which he found them when he first took up his office. (Applause.).

THE HONOURABLE SIR ANNAMALAI CHETTIYAR (Madras : Non-Muhammadan) : Sir, I do not propose to speak much in detail but shall confine myself to one or two observations of a general nature. Sir, the retiring Finance Member has honestly tried to serve India with devotion and ability and has achieved a large measure of success. He has put an end to the era of deficit budgets and has been presenting us with a series of surplus ones. The most outstanding feature to my mind is the total abolition of the provincial contributions. Sir, we know the debates we have had here and in the other House regarding these contributions—province fighting with province and all fighting with the Central Government. Sir Basil went on along the path he had marked out for himself steadily, and we see the wisdom of his policy to-day in the complete remission of what has been termed the iniquitous provincial contributions. The provinces now know where they are, and they can now set about maturing schemes of public utility. I am sure that the two halves of the provinces will do all in their power to advance the general well-being of the people, with the released amount at their disposal. The other equally good feature of Sir Basil Blackett's Budget is his public debt policy. Borrowings outside India have been largely reduced. Unproductive debt has also been reduced. It is gratifying to note that Sir Basil expects the unproductive debt to be completely wiped out in about twelve years. His policy, Sir, has much to commend itself and has been, I am sure, prompted by a genuine desire to do good to India. One of his greatest achievements would have been the establishment of a Reserve Bank in India. He had set his heart on it, and it is sad to think that his Bill on the subject, which deserved a more generous consideration, did not meet with a better fate. However, Sir, he has the satisfaction of having done his best in the matter ; and if it is not an accomplished fact to-day, the fault certainly is not his.

Sir, there are other important points in his Budget, though minor in character. We feel that all this has been made possible by the imposition of additional taxation during these years, and we also feel that this should be reduced to a more normal level. This additional taxation has had the effect of hampering the trade and the industrial growth and expansion of the country, and therefore an appreciable reduction is called for ; and I am sure this will be done at an early date, consistently of course with general financial considerations. Some of these taxes have been levied as temporary expedients to get over the difficulties created by the War. It is now ten years since the War ended, but the taxes are still continuing. Sir, let us hope with Sir Basil that his successor will be able to achieve what he himself would have achieved had he continued a few years more in this country, that is to have the taxes reduced. Sir, we believe that the present financial position of this country is

sound and strong and India's credit here and abroad stands at a high level. If that is so, I believe, Sir, the House will agree with me when I say that this is mainly due to the farsightedness of the Honourable the Finance Member. Sir Basil has earned the sincere thanks of India, and her good wishes will always follow him wherever he goes and whatever be the sphere in which he may find himself.

(The Honourable Mr. Kumar Sankar Roy Chawdhury then rose in his seat.)

THE HONOURABLE THE PRESIDENT : The Council will now adjourn till Twenty Minutes Past Two.

The Council then adjourned for Lunch till Twenty Minutes Past Two of the Clock.

The Council re-assembled after Lunch at Twenty Minutes Past Two of the Clock, the Honourable the President in the Chair.

THE HONOURABLE MR. W. A. GRAY (Burma Chamber of Commerce) : Sir, I almost feel that some apology is necessary for taking up the time of the House by referring to a subject which is by way of becoming a hardy annual. But it is because representations are made year after year without any result that I think some mention of the matter is just ified. I refer to the export duty on hides and skins in which Burma is keenly interested.

Last year, Government made proposals for giving relief to the industry of hides and skins but unfortunately their intentions were frustrated. Since then we have had reason to hope that some proposals might be put forward for substituting a cess for the export duty, but so far nothing has come of that. The cess, in the first place, will be used for assisting the industry and I understand that another advantage of the cess as compared to the export duty from the point of view of the Burma exporter is that a province cannot be exempted from the operation of an export duty but it may be exempted from the operation of a cess, in which case, no doubt, Burma would have an opportunity in deciding whether it wished to contribute to the cess or not.

Another point to which I wish to draw the attention is the method of the presentation of the accounts. We are presented with an enormous mass of literature, but my experience is that if I want to find out any particular thing, I am generally unable to do so. The point which I have in mind at present is the financial relations between Burma and India. When the constitution of India was under discussion on the last occasion, the case of Burma was regarded separately from that of the rest of India, and it seems likely that the same will happen now that the Statutory Commission is investigating matters. I have no doubt that the question of the separation of Burma from India will be taken into consideration. Our point of view in Burma is that whatever other reasons there may be for the separation of Burma, we are unable to come to any conclusion on the matter until we know what separation is going to cost us. Perhaps I may take the liberty of trespassing on the time of the House by giving them a short history of what has happened in this connection. In August 1924 there was a motion in the Burma Legislative Council for the appointment of a small Committee to collect facts and figures relating to the revenue and expenditure of Burma in the event of its being separated from India, showing particularly the advantages and disadvantages of separation.

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The Burma Government were unable to agree to that Committee, but they endeavoured to put forward some figures showing the financial relations between Burma and India. Those figures were submitted to the Government of India for confirmation, and the Government of India replied that they were unable to agree to them but they did not produce any figures which gave the information which was required in Burma. The reason given was that it was extremely difficult to find out from the published accounts how the expenditure should be apportioned to the different provinces. In a speech delivered from the chair at the annual meeting of the Burma Chamber of Commerce about twelve months ago, it was said that, though the task might be difficult, that was no reason for not attempting it. It was further pointed out that, though the figures might not be available from the published accounts, it seemed almost incredible that there were no other accounts from which the figures might be obtained. That is the position, Sir, in which we are now, and I should like to ask the Finance Department to consider this matter again and see if they cannot give us, the inhabitants of Burma, something on which we can rely in forming a decision as to whether or not we are to advocate separation.

Before I sit down, I should like to associate myself heartily with the remarks which have fallen from several Members in this House in praise of the achievement of Sir Basil Blackett during his five years in India. Many of us may have disagreed with him on matters of detail, but as regards his general policy, I feel that nothing but praise is due to him. I heartily congratulate him on his achievements and condole with him in that he has not been able to bring to completion some of the other schemes which he had devised for the benefit of India.

THE HONOURABLE SIR MANECKJI DADABHOY (Central Provinces : Nominated Non-Official) : Sir, this year's Budget is of peculiar interest as it not only closes a brilliant and outstanding financial career in this country, but it also closes with it one of the great sore points of the provinces, I mean the provincial contributions. Happily, Sir Basil Blackett during the last four years has been in a position to present to this country surplus budgets in succession. It is true that these surpluses which have accrued are to a certain measure inevitable owing to the policy of taxation that has been adopted since 1924. This year's Budget shows a fairly good surplus, but I am convinced that the final accounts will prove to be even more encouraging and considerable, unless any untoward event happens. The final position of the finances in 1928-29 will be much better than they are to-day, and I say so for the simple reason that the whole policy of our taxation has been a sort of progressive one. The system which has been introduced must yield progressive receipts in the years to follow. I fear that in judging the surplus the Finance Member, with his usual caution, has acted with great circumspection and with the desire to leave his successor in a position substantially stronger than himself. He has in my opinion taken a somewhat pessimistic view of the revenues of the country.

Sir, my remarks and observations should not be taken in any way to find fault with the system adopted by Sir Basil Blackett in the years that preceded 1923, the years of huge deficits. The policy which the Government of India followed was the only one policy which could possibly be adopted by a sane and sensible Government, and a Government which is in a position to realise its responsibilities and its position to the country. At the same time I am bound to state that the post-war taxation which was introduced has not been substantially reduced. I acknowledge with gratitude what Sir Basil Blackett

has done in the matter of the removal of that horrible excise duty. He had given us last year some relief to the cotton industry in dispensing with the duties leviable on machinery and stores. He has been endeavouring in other directions also consistently with the finances of the country to give such measure of relief as is possible. But I must point out, as it may perhaps appear that these observations of mine are inopportune to-day when Sir Basil Blackett is going to relinquish his office within the next few days, that these observations will be of some importance and use to his successor who will assume shortly a great and responsible charge. In fact to a certain extent the Honourable the Finance Member has felt himself the indefensible position of the general tariff duty. He himself had the frankness to admit that the 15 per cent. general tariff duty, revenue tariff, is unduly high. Of course our general tariff duty has the complexion of a protective character. But for revenue purposes, it will be acknowledged, that that duty is more than it ought to be, whether from the point of view of protection to the industries of India or to maintain our revenues. Where such protection is needed we have now the machinery of the Tariff Board. But where the question of the general tariff is concerned, my argument is that it must be decided on the general merits of the case and such duty should not be very high. As far as I am aware—I speak subject to correction by the much wider knowledge of Sir Basil Blackett—this general high duty of 15 per cent. is not to be found in any other country except in special cases where protection of certain industries or certain classes of trades is necessary. I hope in this as well as in the matter of post-war taxation, in time when our finances permit, some relief will be speedily given.

The Finance Minister must have observed that there has been a loss in income-tax. There has been a loss in other sources of revenue, and this is all due to the fact that the present high taxation is in a way killing the industries of the country. If the trade of India and if the industries of this country are to prosper, it is essentially necessary that so far as possible a sagacious and equitable policy in the matter of taxation should be devised, which will do good to the country; and I appeal to him to put it on record that at an early date a redistribution or revision of the taxation machinery is undertaken. Two years ago the Taxation Committee's Report was passed. I quite understand the difficulty of Sir Basil Blackett in not tackling the question at present, because if he assumed that responsibility he would not be in a position either to give effect to them or to carry out his suggestions; but I hope that his successor will at an early date see that some of the most important proposals of the Taxation Committee are carried out and that a more just and equitable system of taxation is introduced in the country, and that one class of people is not penalised and mulcted by having to pay a much higher and disproportionate share of the taxation of the country.

Sir, the key of Sir Basil Blackett's financial administration is to be found in his handling of the debt of the country. Since his assumption of office he has increased the productive debt and substantially decreased the unproductive debt. In normal circumstances he foreshadows total extinction of the unproductive debt in the next 12 years. I was very sorry to hear my friend, Mr. Chari, this morning making an observation that with undue haste he has surrendered the interests of this generation to the next generation. I am sure if my friend, Mr. Chari, had thought over the matter he would not have made this statement. I think the greatest event in the career of Sir Basil Blackett in this country is his action in placing the position of the public debt on a sound basis: and this is the greatest achievement of his financial administration. He has provided substantially for the reduction and avoidance of debt, and this policy in a few years will prove the great foresight of Sir Basil Blackett in this

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matter, and I say that it would have been disastrous for the interests of this country if this scheme had not been devised. It is an ordinary case of exercise of prudence and sound judgment. Take the case of a man who has got a debt ; he has a certain income and makes no provision for the debt out of his income. What will follow ? Bankruptcy. It is the same with the State. The State must provide for a sinking fund for the redemption of debt, and here my friend, Mr. Chari, airily says that he has with indecent haste adopted this policy.

THE HONOURABLE MR. P. C. DESIKA CHARI : What about England ?

THE HONOURABLE SIR MANECKJI DADABHOY : I am not discussing the English Budget at present. I appeal to Government that Sir Basil Blackett, before he leaves this country, will put on record the extreme desirability of doing something substantial in this matter. I think there is a great deal of temptation in this country ; and I see there are complaints made all round that they want that the sum which has been appropriated to the sinking fund for the avoidance of debt should be utilised for the purpose of giving relief in matters of general taxation. I say it would be an inequitable and improper thing to do so, and I hope the Government will at an early date put this matter on a statutory basis, so that by legislation they may declare that a certain percentage of our income shall be permanently appropriated towards the avoidance of debt and no temptation of any kind may be placed in the way of men like my friend, Mr. Chari, and others who are complaining about this matter. To my great surprise, I find that even the Bombay Merchants' Chamber has passed a resolution to the effect that this money should be appropriated towards giving relief in matters of taxation. My own opinion is that if Government adopts such a policy it will be very disastrous indeed. I would therefore ask Government to see that no remission of any taxation is ever given by a suspension of the sinking fund as suggested by the various bodies in the country and also by several Members in the other place. It should be borne in mind that the improved credit of India in the monetary market is due to the satisfactory basis on which the national debt has been placed.

Then, Sir, there are some other matters to which I would invite the attention of the Honourable the Finance Member. I think this year only 24 crores of rupees have been allocated to capital expenditure, in addition to the four crores for the purchase of the Burma Railways. In my opinion, this amount is too small. This is a departure from the policy definitely laid down some time ago that thirty crores of rupees shall be annually spent on capital expenditure on Railways. Recognising the important part which the Railways of India play in the general economic advance of this country, the Railway Board and the several other railway authorities are now considering the method and manner in which this money should be spent. I would invite their attention to the development of agricultural areas by means of branches in feeder lines with the definite object of stimulating agriculture and transport of agricultural produce. In my opinion the Finance Member was on unassailable grounds when he stated the importance to India of persisting in the policy of spending money freely on capital development for productive purposes.

As regards the educational grant, I am glad to see that expenditure under the five years' programme is to continue for the present. But I am rather disappointed this year, because a similar new programme has not been provided on account of financial limitations. I trust in these matters the policy propounded last year by Sir Basil Blackett will be followed, and that large sums of

money will be devoted to the expansion and improvement of vernacular education, and among the more important of these, to the imparting of compulsory education in the Imperial Capital of Delhi and the opening of several hundreds of primary schools in the North-West Frontier Province. I trust this policy will be steadily pursued, and there will be no temptation of any kind to depart from the scheme laid down last year with so much precision by my Honourable friend the Finance Member.

Sir, with regard to Special Revenue Reserve Account, I would like to make one observation. This fund was inaugurated a year ago as a temporary reserve for liquidating provincial contributions and also to meet possible liabilities in connection with the opening of the Reserve Bank. The Reserve Bank scheme has now been shelved, at least, I believe, for sometime and the provincial contributions have now been satisfactorily concluded. I do not like to see so many reserve funds. I should like to see in the Government of India greater simplicity and few reserves as far as possible. It will conduce to the proper working of the administration of the various departments, and as I feel that there is no necessity for keeping so many reserve funds, I trust Government will see their way to dispense with the Special Revenue Reserve Account at an early date.

I desire to make a few observations on the question of loan operations. We intended to obtain last year 27 crores by floating a loan in India out of which only 18·5 crores were taken up. We had to borrow £50,00,000 in July last in England and £7,500,000 in January. I understand the first loan, the July loan, has already been liquidated. There is always a great deal said about our external borrowings quite rightly, but in this case I am afraid the failure of the loan last year in India was due to the somewhat short-sighted policy on the part of the Government of India. In my speech last year from this very place I warned the Government of India that they would not succeed in floating this new loan unless they made their terms very attractive. Sir Basil Blackett now admits that our terms were not attractive enough. The fact of its being a short period loan also considerably militated against the raising of the full amount. I attribute the failure of last year's loan also to the unrest in the country, because of the agitators, the people who deflected public opinion in Bombay, men who misled the public opinion on the question of the ratio. It was that feeling against the exchange ratio in Bombay that contributed to the failure of the last loan.

THE HONOURABLE SIR PHIROZE SETHNA : Certainly not.

THE HONOURABLE SIR MANECKJI DADABHOY : That is so. You have not seen the figures. It was due to that ill-advised and ill-considered opposition to the exchange ratio that caused the failure of that loan, and I definitely say so with all emphasis without any fear of contradiction on this point. It is this sort of short-sighted policy adopted by our Indian politicians which is detrimental to the cause of India. They mix up politics with economic and financial questions and that is one of the reasons—that short-sighted policy which was followed in Bombay and other parts of the country. I hope on this occasion the terms will be of a more attractive nature. I fear India's monetary market has been rather tight during the last few months, and I fear that the financial tightness is going to continue for some time. The Finance Member will not be here at the time when our new loan is floated, but I have great confidence in his very able Secretary, Mr. Burdon, and I feel certain he will be in a position to advise his successor on the exact position in the country, and I hope that the mistake which was made this year will not happen again. Personally, I should like our external borrowings to come to an end as quickly as

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possible To a certain extent our external borrowings are sometimes very necessary and advisable as in the case of the payment of the purchase money of the Burma Railways. This debt was contracted in England : we shall have to pay the money in England, and if we can get this money raised here and remitted to England, it will mean a reduction to the extent of 4 crores of our external borrowings, and it would be one of the most valuable steps taken in this country by the Finance Department. I hope they will succeed in raising the full amount of the money in this country.

Sir Basil Blackett has placed the credit of India on a firm footing. No Finance Minister before him had succeeded in doing this. The credit of India stands foremost not only in the Indian market but in the markets of the world. In western countries her credit is only a word for praise, and all this is entirely due to Sir Basil Blackett's policy. I shall not detain the Council any longer. I associate myself fully with the great tribute that has been paid by my colleagues to him on account of his phenomenal financial powers and abilities. He has rendered great service in effecting the consolidation of India's financial position, rarely equalled in the past even during the periods of her highest prosperity. He has caused stability in finance. He has raised her credit abroad, and India is greatly indebted to him for 5 years of prudent and cautious management of the finances. He has been the genius of Indian finance, but unfortunately he has not been able to put the coping stone on his great work of reconstruction of finance by the improvident wrecking of the Reserve Bank Bill in the other House. If that Bill had been passed and financial autonomy obtained for this country, Sir Basil would have returned to his home much more satisfied and contented with his financial management of this country. All the same he has rendered great service to this country and his work here will remain a permanent monument to his great financial talents and sound financial judgment.

THE HONOURABLE SIR DINSHAW WACHA (Bombay : Nominated Non-Official) : I do not want to detain the House for more than a few minutes. In the discussion that has gone on before I find that there are three principal topics on which stress is greatly laid, and I propose to make a passing observation on each of these. First, there was the military expenditure, including the Skeen Committee's Report, the second was the income-tax, and the third, customs duties. I will take the last subject first, namely, customs duties. Customs duties are no doubt very good when they are moderate as they were before, say, to the extent of 5 per cent. or $7\frac{1}{2}$ per cent. When they exceed that percentage they are always a hindrance to trade and industry. Of course, Government's needs are great and Governments everywhere are tempted to put higher and higher duties as financial exigencies arise. My considered opinion from experience is that India is well off when she has free trade. Because with free trade it is free and equal to all. Exporters and importers are placed in the same position and nobody can complain. As far as customs duties are concerned, class interests clash with mass interests, and mass interests being weak and class interests being powerful and influential the latter carry the day. Thus mass interests go to the wall, and that is one of the greatest defects of the customs duties all over the world. I therefore say that India would be well off were she made again a free trade country when finances permit. The League of Nations the other day passed an academic resolution appealing to the great States, including the United States with her high protective tariffs, to reduce their protective tariff gradually and, if possible, bring it to the lowest possible point. That means that this should be a prelude, if it is adopted to-morrow, to a general international free trade so far as industry and commerce are concerned.

The second point is our income-tax. This income-tax is, like the desert of Sahara, very barren of progressive growth. The patches of oasis though fruitful are well known to be precarious. The last 42 years have seen how this income-tax has times out of number proved its many uncertainties. I do not know in those 42 years how many times we have tinkered with the Act, two dozen times or perhaps three dozen times I do not know. What do this constant tinkering with the Act and the amending and even consolidating Bills show? This only: that the Act is defective, ill-considered and ill-conceived. What is wanted for India is a tax which will satisfy the three old maxims of Adam Smith—that a tax should be simple, equal in its burden on all classes and at the same time so far made automatic as to be progressive. If an Act is prepared with these three considerations in mind, it would prove most satisfactory to all classes. What is the use of crying for the moon? The legislative reforms may or may not come. But we can prepare an Income-tax Bill ourselves, and demonstrate to Government its simplicity, equality and fully progressive character. Such would avoid that worry, vexation and appeal, if not litigation compared to the tangled and incoherent mass of provisions now prevailing. I consider in short that the present income-tax should be condemned and be thrown out to make way for the one above suggested.

I come now to the military expenditure. It is a very very old question. Without any charge of egotistic tendencies, I was the very first to offer criticism on the then growing military expenditure in the very first Congress held in December 1885 at Bombay. I quoted Fawcett and other expert authorities, even those dead and gone, who had strongly protested, in and out of Parliament, against the amalgamation scheme whereby the British Army was made one with the Indian Army. Such was the disadvantage of it that if the British Army expenditure increases, *pro tanto* the Indian military expenditure would increase. Thus poor India had to bear an equal share with the richest country! It is this expensive amalgamation which is the root of the increasing Indian military expenditure. I have spoken and written on it times out of number since 1885. I spoke last in 1924 when there was Lord Rawlinson in this Council. I have now given it up. There is no hope. The country must present a monster petition to Parliament to modify the Scheme so as to be less expensive. The amalgamation scheme should be repealed. Let the present Indian Army be self-sufficient and efficient, and yet not so intolerably expensive as it is to-day. As far as the Skeen Committee Report is concerned, I hope that after the lucid, frank, full, and absolutely candid speech made by His Excellency the Commander-in-Chief we are all satisfied. I hope, my friend, Sir Phiroze Sethna, is satisfied too.

THE HONOURABLE SIR PHIROZE SETHNA: I am not.

THE HONOURABLE SIR DINSHAW WACHA: Then opinions differ. It is no good being intolerant. The present tendency is to be intolerant. I am not one of those intolerant persons who refuse to be convinced against conviction.

Speaking generally on the Budget, I may say that State Finance is a science, not only a science but a practical science of the highest importance to the world. During the last 50 years it has made vast strides as experience has made inevitable. Experts have risen in the United States, England, Germany, France and Italy. All these have contributed their share towards the perfection of State finance. State finance is no doubt partly divorced from mercantile finance which is more restricted and self-contained in its scope. When we ask the Finance Member to do this and that, we must remember that India being international now the question depends upon many factors, and

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that economic factors, agricultural conditions, fiscal conditions and international factors have all to be considered. Therefore, you cannot suggest to the Government to do this and that. Each country must take into consideration its own special conditions along with world factors. India is still a comparatively poor country, poor in agriculture, poor in manufacture, poor in industries compared to the great countries of the West. How can you expect the State of India to have a large revenue from which a large number of objects of utility can be achieved? My friends here and in the other place are harping

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from year to year on "nation-building" expenditure. I admit that that expenditure is inadequate, but is the Government to be blamed for it, or is the inadequacy owing to the conditions of the people and the country? Hundreds of millions may be spent on nation-building works. If the Finance Member to-morrow had a surplus of a hundred millions my belief is that those hundred millions could be scattered on nation-building in no time, and then even they would cry aloud and like Oliver Twist demand such expenditure for another hundred millions. But are not such demands impracticable and impossible? No state of society in any part of the world can tolerate that sort of demand. Therefore it is practical wisdom to be moderate and reasonable and only urge Government to achieve what is possible and practical. All Governments make mistakes, because after all they are human; but what is forgotten is that we individuals who make such immoderate demands are also human and necessarily make mistakes, perhaps bigger mistakes. Because after all the Government is responsible for the welfare of the people as a whole, whereas individuals are apt to look at things from the point of view of their own interests and shut their eyes to the interests of others who are inarticulate and not in a position to insist on Government as the articulate and influential ones. The truth is that the latter see only the mote in the eyes of Government and others, but they refuse to see the beam in their own eyes. So far as finance is concerned, I must say that during the last ten years there has been a great increase in the number of so-called financiers who denounce the authorities at Budget time. Before 1921 I doubt whether there was any considerable number of leading Indian journals which contributed anything original towards the annual financial question. There were exceptions but they scarcely counted. Whatever the majority said was mostly a paraphrase of what appeared in the *Pioneer* or the *Statesman* or the *Times of India*. But the Reforms have brought forth a different state of things. I welcome it, I welcome it warmly; but while I welcome it I only wish that these new "financiers" would realize that public finance is not to be learnt in a day or a month or a year. It takes years of study and practice. Even then we unlearn and learn many things. Therefore I say that all these "financiers" who have risen up like so many mushrooms with the rapidity of the Prophets gourd, as Macaulay said, should consider every aspect of high finance and its very limited resources and not give their judgment hastily and make statements and allegations which cannot stand the light of enlightened and well-informed criticism. Some strictures are made from ignorance, some from semi-ignorance and some from what I call enlightened self-interest, which ignore actual facts. Well I would say that we, assembled in this Chamber in order to do good to society at large and not to serve the interests of a particular class, should carefully bear in mind what I have said. Our present-day financiers do not consider Indian finances from a broad and unselfish point of view. They are still financiers in swaddling clothes so to say. They have not reached the age of adolescence and worn the toga *virilis*. When they do, perhaps the Government of India will be agreeably surprised to witness a healthy

change, instead of the opposition which is now the rule. There will be hearty co-operation. Well, I am an old man, and if an old man's advice and experience is open to acceptance, then I should be very pleased. I may pass away to-morrow but I fervently appeal to you all to turn over a new leaf, learn to act with the Government, learn to promote at the same time the true and permanent interests of the people in a most reasonable and statesman like way. And if at the same time we can learn to be a little more guarded and fair in criticism, I think we shall deserve well of our country. Criticism may be good, bad and indifferent. There is malignant criticism of a vicious sort, and there is indifferent criticism as well as sound, healthy criticism. As Pope has said it is with our judgment as with our watches: "No two go alike but each believes his own." But it is for us to distinguish between really sound and healthy criticism on the one hand and malignant and ignorant criticism on the other. If you bear this in mind, I think all the warring and all the other bickerings and struggles that are going on (which unfortunately I now see at my age) will sooner or later disappear. I have deep and abiding faith that as practical men we will learn practical wisdom and learn to understand this, that in this world we cannot get everything in our own way. The moon will not come to us simply because we want the moon, but if we go on advancing in scientific knowledge there will be very reasonable means, say, by aeroplanes, to reach even the moon some hundreds of years hence.

Well, Sir, the last thing I will say is this. One most solid and enduring work which Sir Basil Blackett has done during his tenure of five years is that he has entirely overhauled the whole system of Indian finance, and also its policy as far as it was possible. His hands are not free but tied down by existing policies. It is important to remember that *expenditure depends upon policy*. As is the policy, so is the expenditure. It is in your own hands to tell the Government, "this and that policy will not do, a better and more satisfactory policy should be adopted". You will then see what a vast difference it makes. Tied as Sir Basil Blackett's hands have been by existing policies and limited as are his powers, I must say he has done phenomenal work of a most beneficial character for India. Sir, from my own experience of so many years I will say this that no less than three great Finance Ministers of consummate financial sagacity have come to India hitherto: James Wilson, Lord Cromer and the last but not the least, there, Sir Basil Blackett (Applause). It is a fact that contemporary opinion is for a few years past more or less prejudiced, impassioned and misleading. Passion and prejudice are more in the ascendant now than reason, political instincts and moderation. Therefore, it is not to be expected that when we say goodbye to Sir Basil Blackett, there will be one and only one voice heard in the country. Some people will possibly say, "Let us get rid of him", but I suppose Sir Basil will not mind it. He is too magnanimous. On my part I will unhesitatingly say that he is the third talented Finance Minister who has rendered vast good to India by radically overhauling the whole system of our finance. More, he has been vastly instrumental in improving the credit of India. Sir, perhaps my Honourable colleagues have read what appeared in the *London Times* of a fortnight ago. In recounting the invaluable work he has achieved the writer declares how Sir Basil has considerably improved Indian credit. Fifteen years ago the difference between Indian credit and English credit was ten points. To-day, Sir, India has so vastly improved that the difference is only two points. What is it due to? It is due in no small measure to Sir Basil Blackett's financial regime. Let us fervently hope that that credit may still further improve and the whole currency and credit system work smoothly. Sir, he has brought India to that point when India can go on smoothly promoting her credit and benefiting the country. Then, Sir, the next

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and most important achievement is in reference to the stabilisation of the rupee. Opinions do differ and I suppose will continue to differ till the fallacy of the adverse critics is laid low. Let us look at the facts as practical men. We find that in the last year and a half exchange has remained generally steady. Some people will say that it is entirely due to "artificial management." I believe "artificial management" of currency prevails all over the world. It is practised in every great financial country, in England, in the United States, in France and other European countries. If we read carefully many a bank report and treasury minutes, it will be discovered that what is called "artificial" is simply the consummate sagacity of those experts who control their respective country's monetary policy. So that even in this respect Sir Basil Blackett has done exceedingly well. He has improved credit. And that credit is bound to improve more and more. The solid work in finance he has accomplished during the last five years is certain to endure for many a long year. It is a matter of regret, Sir, that the Reserve Bank Bill has not passed. It matters little. The Reserve Bank Bill is sure to come on, if not to-morrow or the day after to-morrow, at any time hereafter owing to the force of circumstances and the logic of facts. Well, Sir, I refrain from saying aught more than this that to us Members of this Council which commands respect and attention for its uniform moderation, its reasonableness and practical wisdom, we should heartily congratulate Sir Basil Blackett for his great achievements and bid him a cordial farewell, farewell of a temporary character, in the hope that one day he may revisit India and be able to see the fruits of his own sound financial policy. Meantime let us hope that when he returns home he will find employment suited to his great financial status and ability, and let us hope to rejoice in his promotion. Who knows? Sir Basil Blackett is a talented young gentleman. I shall not be surprised if Sir Basil Blackett becomes the Chancellor of the Exchequer of Great Britain; I wish he becomes that. With these words, I resume my seat.

THE HONOURABLE MR. MAHMOOD SUHRAWARDY (West Bengal Muhammadan): Sir, hymns and Hallelujahs have been sung both here and elsewhere across the Atlantic over the fifth and final surplus budget of the out-going juggler of Indian finance, and how I wish I could join the chorus and be blessed. The iniquities of the Meston Award that had been crying for redress from the Central Government have been done away with, and the Honourable Member assures us that it would be a permanent dispensation that he leaves as his farewell legacy to the provinces, and also bids us entertain this pleasing delicate hope that "no storm from without or from within" would descend upon this unhappy country, made happy, if ever once in her bondage and misery by his Midas touch, to disturb the "bright prospects of financial well-being" to which she seems to-day to be well justified in looking forward. It would be the height of "cold ingratitude" nay, the "unkindest cut of all", I apprehend, if I would slip out of the crowd and break forth into other tunes and deny the blessings of the Blackett Award. Verily, Sir, I would also be one in the chorus and sing for the ten lakhs of rupees that the Honourable the Finance Member has ear-marked as a "new provision for expanding the Territorial Force".

But, Sir, thus far and no further; I must cry halt now. The air is resonant with praises of a surplus budget—nay a prosperity budget. A layman that I am, almost a nondescript, as you might have it, in the field of finance, this twaddle of the high-brows, however delectable an esoteric feast it might be to the initiated, has a poor appeal to my low-brow imagination. Thank God, Sir, I have yet a common-sense imagination not perverted by the mysteries

of initiation, and it appears to me that this "surplus" of the budget is a clever manipulation of the Member in charge which might be golden, but far from gold, the real metal.

Even at the outset, Sir, I shall take up the broadest and the most glaring of deceptive features of the surplus. With a fair degree of self-complacence the Member in charge has stated that out of an aggregate budgeted revenue of Rs. 132·23 crores for the year 1928-29, the expenditure for the same is likely to be only to the extent of Rs. 129·60, thus leaving a surplus of Rs. 263 lakhs. Very nice indeed ! But what about the accruing liability for bonus on cash certificates which would be as much as 5½ crores in October 1928 ? Well, Sir, the retiring Member has thought fit to indulge in fantastic dreams of millenium for financial India. But O Happy Dreamer of a dream, when your unhappy successor would wake in the sober world of waking facts after your dream-interlude, the Pilgrim's portentious bundle would already be on his back, and his march for the delectable land would be halting, stumbling, fretting plod that would exasperate him and the multitudes in the long run. Here, Happy Dreamer, is that handful of cloud that would develop into a "storm from within", whose faint rumblings I hear even now, that despite his magic dispensation and self-deluding dream is sure to disturb, nay, upset in the immediate future the "bright prospects of India's financial well-being." This is, then, Sir, the siren-song of surplus—alas ! so hollow, so shallow and so contemptible, for has not the Honourable Member here entered his caveat, however mild and suppressed, on behalf of his successor for an extra burden of taxation in the years immediately to follow ?

Sir, the much-applauded author of the Budget has said with modesty that it is "not a spectacular budget". But even to the meanest understanding, Sir, if the Budget is anything it is a gorgeous and elaborate attempt for the spectacular, a skilful manœuvre to play to the galleries. "With its large reductions in passenger fares and in freight," with its "imposition of not new taxation," what this Budget does,—to quote the Honourable Member—is to provide a surplus and that (all glory to him and his financial genius) in spite of reductions in the customs tariff. What more impositions, I beg to know, Sir, did the Honourable Member want to inflict ? Has not this country long been groaning under super-tax, has it not long been bled white, is not its cup of misery full ? Why then this idle vaunt ? You have four successive years of surplus—what prosperity do such surpluses ensure if they are not to ensure relief from taxation ? What does the Mother of Parliaments do in your own country when there are repeated surpluses ? Well, Sir, if she does anything, she relieves the children of the soil from certain taxes. Why not do that here, too ? Is not what is sauce for the gander sauce for the goose too ? Or is it that principles suffer a complete sea-change as they cross the waters of the Mediterranean ? With Rs. 296 lakhs actually transferred to the Revenue Reserve Fund even in the year 1926-27 and with an estimated surplus of Rs. 263 lakhs for 1928-29, what justification has the Finance Member not to have remitted the iniquitous salt tax over which the whole country has been sorely aggrieved which has deprived the starving millions of even that one sauce of their daily food ? What justification has he to leave untouched the question of reducing the postal and telegraphic rates against which such a huge storm of protest had been raised by the then representatives of the suffering people ? Sir, I have been sent to this House by a constituency which consists of people who are perhaps the poorest among the Mussalmans of the country, and where flood, famine, malaria and influenza are annual guests. I know how it touches them to pay half an anna for a post card that would fetch them anxious news

[Mr. Mahmood Suhrawardy.]

from their distant relatives. I have seen how with a pinch of salt they eat their morsels and curse their fate with suppressed tears—I have seen all this—I, a passive spectator, a helpless representative, a spectacular Member of the sonorous sounding Upper House of the Indian Parliament. It is a peculiar situation, Sir, as you must know it, where you have everything to endure and nothing to redress. This is, Sir, England's work in India.

Sir, the Honourable Member has spoken of reduced passenger fares and sought thereby to appeal to the mass imagination. But, Sir, he has built castles in the air. So long as the people of the country are to be huddled together like cattle in the third class compartments of Indian Railways and denied the most modest amenities of civilisation and of comfort, it matters nought whether you reduce half a pie in the mileage or a pie. Give them back their prestige, give them back their honour and their comfort, and let them live and move like human beings and not like human cattle. That is what is wanted. If you want to catch their imagination, if you really want to lay claim to be a "better Swarajist than the Swarajists themselves", then do one act of equity, of humanity, rather than talk loads of claptrap, platitudes and barren futilities, or present delusive, impotent surpluses. But that you will not do; for "whatever you are paid to do in the Government of India", you are not certainly paid to budget for submission to the popular demands. You are paid to fiddle while Rome burns. (Laughter.)

Sir, what after all does this surplus mean? If it means anything it is bad house-wifery. There are housewives, Sir, who would starve their children without healthy food only to increase their credit in the bank in their greed for the expert's fame. Such is the case with Sir Basil Blackett too. (Laughter.) But let me tell him in clear and emphatic words: You had no right to budget for a surplus by starving the nation; you had no right to continue the imposition of the iniquitous taxes on salt and the exorbitant postal and telegraphic charges; in fact, you had no right to continue measures that were sought to cope with the exigencies of a war-time down to a decade after the peace. We do not want your surplus. What we want is an equitable balance between both sides of the sheet, a reasonable adjustment between the nation's income and expenditure, the lack of which is tantamount to a woeful negligence of the principles of national economy and a scientific budget.

Then, Sir, comes the question of the military budget. In speaking of the beneficial services the Finance Member has pleaded the "limited means at his Government's disposal" for the obvious insufficiency of grants in that direction. But no excuse is thought necessary in providing for an increased expenditure to the extent of 8 lakhs (I speak of course excluding the Territorial Force provision) for the military services, as if we are to take that as a blatant fact, as a decree of the inexorable Fates, unredeemed and unredeemable! With an irreverent disregard of the Inchcape Committee's recommendations for more moderation under this head, and despite the halt-cry of a whole people groaning under over-taxation, despite better conditions prevailing both inside and outside the country, despite the much-advertised activities of the League of Nations, talks of world peace, disarmament proposals, international arbitration, and war being made an impossibility, and despite, what is more, the increasing moderation by England herself in this matter, the Finance Member has saddled an additional burden of 8 lakhs on the Indian tax-payer for an already topheavy administration; and the Honourable Member has bluntly declared that reduction is out of the question if India is to make reasonable provision for her defence in modern conditions. "Reasonable provision"

and "modern conditions"—fine phrases indeed to cover a multitude of indecent vices? Why not speak out the plain facts? Say that so long as Japan will look to lording it over the Pacific, China shall be unwilling to be "Chinese dogs" within her territorial limits, Russia be carrying on the message of her new gospel and making ever new friends, and a permutation and combination of political alliances going on between the East and West, and India's neighbouring monarchs waking to World Realities—so long India, the Open-Sesame to the Orient, the master-key to the Eldorados of exploitation, India cannot be untagged from the chariot wheels of British Imperialism, for this Car of Juggernaut must go on and India must be bled white of men, money and munitions.

Sir, to make matters short, I cannot in the circumstances look with complacency upon this Budget—this much-talked of surplus budget. When I notice that my Bengal's persistent demand for the immediate transfer of the proceeds out of the duty on jute to the provincial exchequer has been treated with scant courtesy, when I notice that indigenous industries like the Match industry has not been vouchsafed an adequate measure of protection, when I notice that the postal and telegraphic rates are still weighing like nightmares upon an entire people, when I notice that there has been no amelioration in the lot of the third class passengers of the Indian Railways, when I notice that more than a third of the total expenditure of the nation is swallowed up by its military, and last, though not least, when I notice that Government is always trotting out the fifth-rate excuse of "limited resources" whenever the question of the beneficial services crops up—and all this after four successive years of surplus budgets leavened by the even beneficence of a bounteous Providence during all these years,—I for one cannot aid or abet the Honourable the Finance Member in his unblushing performance of self-laudation or commend his Budget to the country at large.

THE HONOURABLE SIR BASIL BLACKETT: Sir, I could not entirely follow the beat of the pencil of the Honourable Member who spoke last. I understand that he describes something as claptrap and futility. I have my own opinion as to what he was describing—I could not hear what it was that he said when he described it as claptrap and futility; but I believe he was fiddling while Rome was doing something. Judging by the Honourable Member's smile as he read that speech, I could not believe that he himself had any doubt about claptrap and futility. Sir, this is an occasion which cannot but bring some emotion of sorrow and regret. It is the last of six occasions on which I have had the honour of getting up in this House to reply on the debate on the discussion of the General Budget. I have no reason to complain—indeed I have many reasons to blush—at the kind things that have been said about me by nearly every speaker who has taken part in the debate, and it is with a feeling of sincere regret that I have now to say farewell to so many old friends in this House and to remember that the budget discussions will go on year by year in this House and I shall not be here to listen to or take part in them.

There are two main subjects which have been discussed. One and by far the most important is the question of the extension of the Indianisation of the Army in connection with the Skeen Committee's Report. On that I do not wish to say much. His Excellency the Commander-in-Chief has already dealt with the speakers on that subject. I would like, however, just to make one comment. Is it not rather strange that when an announcement is made, which is one of the most important announcements that has been made or could be made in regard to progress towards the ideal of self-government initiated in the announcement of August 1917,—when such an announcement

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is made, it should be received in many quarters with dismay and disappointment? I cannot help thinking that possibly the Government of India themselves may be to blame in the matter. There is perhaps something wrong with the stage-management. What has really happened? After very careful consideration, all being agreed that it is desirable that we should advance in the direction of Indianisation of the Indian Army and the creation of an Indian national force officered by Indians, it has been decided to increase the number of vacancies in the military colleges in England from 10 to 37, to throw open for the first time the Engineering Service, the Artillery Service, Woolwich and Cranwell, and to establish at as early a date as possible an Indian Air Force, Indian officered. That announcement has been made with a good deal of unanimity all round, and yet it is stated that it takes the form—this is with reference to what my Honourable friend Sir Phiroze Sethna and others said—of whittling down the recommendations of the Committee...

THE HONOURABLE SIR PHIROZE SETHNA. Is it not so?

THE HONOURABLE SIR BASIL BLACKETT: It is not even a whittling down of that Report. It is another method of approach to the same thing. But even if it were a whittling down, has not the Honourable Member the generosity or the vision to see that it is an immense advance towards the goal which he is seeking, as every one else is seeking, instead of getting up and complaining about it? I do not think he used such strong language as was used in another place—absence of faith, absence of honesty on the part of Britain. But can he not see that it is a clear proof that His Majesty's Government and the Government of India are determined, so far as in them lies, to go forward as fast as they think can possibly be done in the interests of India in regard to Indianization of the Indian Army? I do not think that if Honourable Members will just take their minds two or three years back and imagine the announcement made then as the result of co-operative work among all parties who had been concerned in the matter, they will see that instead of there being something to complain about, it is a very big step forward in which Indians and Britons alike can co-operate and feel proud of what has been done.

I turn now to some of the points raised in regard to the Budget. The most important, I think, was that raised by Mr. Chari and taken up by others, especially by my friend Sir Maneckji Dadabhoy on the subject of the debt policy. Mr. Chari contrasted what was done in England in the matter, and then he went on to say that the debt policy of the Government of India in the last five years has mercilessly sacrificed the interests of the present generation to those of the future. The contrast with England is not entirely accurate. At the present moment the amount set aside for the purpose of sinking fund in the Budget of the United Kingdom is 65 millions and the total debt is about seven and half thousand millions. That is a larger proportion of the total than our figure of about five and half crores in a total debt of about a thousand crores.

So far as the total debt is concerned, therefore, the comparison is in favour of India. India is less heavily charged for debt redemption than is England. But of course it will be said that the English debt is almost entirely non-productive, whereas only a proportion of the Indian debt is non-productive. I do not think that that is entirely germane. After all, when you borrow money you have to make provision for paying it off. Even if you borrow for the purpose of investing in productive purposes, you are mortgaging your revenue just

as much if the proceeds are invested productively as if they had been invested non-productively. My second comment as regards England is that I do not think there are many people who have studied English finances who are at all satisfied that England has done anything like enough in the last decade since the War in the matter of reduction of debt, and I am sure that there is a very large body of opinion in England who would only be too glad if they had been able to follow so successfully a policy of provision for reduction or avoidance of debt as we have been able to do in India. If India is better off in that matter, it is a matter for pride rather than a matter for providing the means for a weapon, for a stick to beat the Indian Government with. I deny also Mr. Chari's argument that there has been any sacrifice of the interests of the present generation to those of the future. I do not want to go deeply into the subject. The figures are available in the Financial Secretary's Memorandum. It will be seen that the reduction in the charge for interest since 1923-24 is well over 6 crores—nearly $6\frac{1}{2}$ crores. Our total provision for reduction of debt in the current year's Budget is under $5\frac{1}{2}$ crores. Supposing we had had no provision for reduction of debt during that period, I am quite confident that this year's budget expenditure would have been 2 or 3 crores higher than it is. In place of the absence of any provision for reduction or avoidance of debt, we should be paying many crores more in interest. We should, it is true, have no provision whatever for reduction or avoidance of debt, but that would be more than counterbalanced by the extra charge for interest. The net result would have been the sacrifice of the present generation for nobody's benefit, the sacrifice of both the present and the future generation. I agree with Sir Maneckji Dadabhoy that it is most desirable that the policy of strictly attending to debt redemption should be kept well in view. I agree with him that it would be desirable if that could be made a matter of statutory arrangement rather than merely a question of annual decision. That, however involves, I believe, an alteration in the Government of India Act. It is a matter which might well be brought before the Statutory Commission. Sir Maneckji Dadabhoy went on to give an extra reason, though I do not think that he said it was an extra reason, for a strong sinking fund. He said that he was dissatisfied with the amount that is to be spent next year on productive capital expenditure for the Railways. I do not think it is true to say that a policy was adopted at one time of spending 30 crores a year on Railways for all time. It is perfectly true that a motion was passed in another place as a result of the Report of the Acworth Committee to spend 30 crores a year on rehabilitation. .

THE HONOURABLE SIR PHIROZE SETHNA : For five years.

THE HONOURABLE SIR BASIL BLACKETT : . . . for a period of five years. That programme as a matter of fact broke down almost before it was started. In so far as expenditure on rehabilitation was concerned we have for some time past substituted another programme of spending, if I may put it, as much as we can and as much as the railways can reasonably spend, on both extensions—particularly extensions—of Railways as well as rehabilitation. I said in my budget speech that the Railway Department would have liked a higher allotment this year, and so should I, but we have to consider what our available resources are. Even allowing for a considerable sum provided by the provision for reduction or avoidance of debt we cannot, with large amounts of maturing debt still to deal with, undertake a very heavy programme of new expenditure unless we are quite sure of being able to raise the money in the market. I would draw the attention of the Council to a very important subject, namely, the question of the redemption of our maturing debt as it falls due year by year. Next year, the 1929—47 loan falls due and it is a considerable sum. It does not have to be repaid in 1929, it need not be repaid till

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1947, but it will obviously be desirable that we should refund that at a lower rate of interest at as early a date as it can reasonably be done, and if we are to do that, we clearly must have no slackening off in our provision for reduction or avoidance of debt. For another reason also mentioned by Sir Maneckji Dadabhoy and Mr. Chari the policy is of importance. Reference has been made to the sterling loan that was issued in January of this year. From the first, ever since I came to India, I have made it my object to avoid if possible borrowing outside India and reduce such borrowings to the minimum. It was a disappointment to me that we had to borrow in England during the current financial year, but that we had to do so was the result of several causes. Undoubtedly, as Sir Maneckji Dadabhoy said, one important cause was the agitation over the ratio question which disturbed market conditions and led to a very considerable export of capital from India to other countries. Another reason was the increase in our railway capital expenditure from Rs. 25 crores to Rs. 30 crores, a rather unexpected increase owing to the fact that the Railways for the first time managed to spend up to their estimate and beyond one more pessimistic estimate of what they would be able to spend. If we are going to spend large sums on our capital programme in India it is important that as far as possible the money that we spend should be raised in India and not outside. I should be very sorry to see our programme of productive capital expenditure seriously curtailed, but I think that if it were to be found that that programme was leading to the necessity for considerable borrowings abroad year after year, it would be necessary to reconsider the policy. I do not say that we shall do so, but it has been my anxiety all through whether we can continue and how long we can continue a large programme of capital expenditure approaching a total of Rs. 40 crores a year without taking undue risks in regard to borrowing outside India. The last loan of £7½ millions is the first that has taken place since May 1923, and during the period between our last borrowing in England and the borrowing that took place last January, we have spent very large sums both for new capital purposes and in reduction of liabilities in the United Kingdom. There is no doubt that there has been a very considerable reduction of India's debt taking India in the large sense, including private indebtedness, a large reduction of external liabilities during that period. I hope that the programme that we have set out for ourselves this year can be carried through without borrowing in England, but as I pointed out in my speech, it is a considerable liability that we are undertaking and it is only if we can raise the money at reasonable rates and to the full amount that we require in India that it will be possible to carry that programme through to completion without some borrowing in the United Kingdom. Comment has been made on the comparative failure of the rupee loan last summer. The position was a difficult one. It has been suggested—and it was very carefully considered in the Finance Department at the time—that by offering a rather higher yield it might have been possible to raise the amount that we required. The difficulty was this. Government securities were being quoted at a very high rate in the market, and particularly in Bombay where there had been speculation. Supposing we had announced an issue which compared with the existing issues unduly favourably, then we should probably have got no money at all. Instead of increasing the amount we should have reduced it. It was a difficult question and it points to the damage that can be caused by undue speculation in Government securities. Undoubtedly the course of the market and particularly in the price of 3½ per cent. from the beginning of 1926 was due more to speculative purchase than to purchase by investors pure and simple, and that created very considerable difficulty. It was partly

with that in view that the Government decided last summer to experiment again with Treasury Bills. One of the difficulties of the situation is that, as money accumulates in certain periods of the year there is nothing for the investor to do with it except to put it into Government securities. Government securities therefore go up and when there is want of money he has to sell the Government securities and the Government securities go down. It creates an undue fluctuation of the market over the whole year, and in order that it may be partly avoided, we have begun issuing a certain number of Treasury Bills which provide a reasonable investment for money of that sort in a period when it would otherwise have to go into Government securities and push them up to an unduly high figure. I hope that the system of Treasury Bills is one that has come to stay, but I am free to confess that it has not been entirely satisfactory over the period since last August when it was inaugurated. At times the Government have had to pay a little bit unnecessarily highly for their bills and at other times there has been a rather surprising absence of market demand for them when it appeared that they might be extremely useful for the purposes of the market. I hope the Council will forgive me for this rather long digression, but the matter is extraordinarily important in what I may call the region of pure finance.

Some reference was made by Sir Maneckji Dadabhoy and Sir Dinshaw Wacha to the question of the rate of our general tariff. What I said in my budget speech was that I thought—and I am sure that there are many who will agree with me—that our general tariff of 15 per cent. is unduly high as a purely revenue tariff. I did not suggest—and here I am not in entire agreement with my old friend Sir Dinshaw Wacha—that we should have free trade, nor did I suggest that it was undesirable that protective duties should be imposed wherever they would be likely to have results beneficial to the growth of industrial enterprise in India. All I said was that for revenue purposes in the absence of a protective justification, I think the tariff of 15 per cent. is too high and Sir Maneckji Dadabhoy quite clearly understood me, I think, in that sense.

Sir Arthur Froom drew my attention to the increase in the yield of the excise duty on motor spirit. I do not want to be drawn into making any pronouncement as to what the attitude of the Government of India is likely to be. The report has not yet been drawn up of the Committee in which he has taken so considerable an interest, a committee of very great importance on the question of development of road communications in India. I have personally always had a very keen interest in that question, and I am quite prepared to say that if I had been here I would have welcomed, and I am sure my successor will welcome, with open arms any suggestions which are really feasible and sound for improving the situation in regard to road traffic in India.

I cannot I think usefully follow what has been said in regard to the question of reducing income-tax and super-tax. The particular points that were mentioned by Sir Phiroze Sethna in regard to insurance and the points made by other speakers will be taken up and looked into by the Finance Department when the report of to-day's debate is before them, and I cannot usefully pronounce upon them at the present moment. I always think however, when I hear it suggested that income-tax or super-tax are higher in this country than even in England, that the speakers forget the absence of another important tax of the nature of an income-tax, namely, the death duties, the existence of which makes the real burden of direct taxation in a country like England very much larger than it can possibly be said to be in this country.

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I am sorry that Mr. Gray still feels that he has not had a sufficient answer to the question of Burma's balance sheet. I endeavoured to make a general answer to that question when I had the honour to be speaking in Rangoon at a meeting of the Burma Chamber of Commerce. It is not a question really of going into detail as to the exact question of how much money is at present spent in Burma and how much is spent for Burma but not spent in Burma at present. It is a question of hypothesis. Suppose Burma were separated from India and had all her revenues to herself, how much would she have to contribute towards military expenditure, which, *ex hypothesi*, would not most of it take place inside Burma, and what share would she take in the unproductive debt of India, and questions of that sort? They are hypothetical questions which can only ultimately be solved when you come, if you do ever come, to a round table bargain as to what price Burma is to pay and what are the terms on which India is going to be willing to agree to the separation of Burma from India, supposing it does come to the point that Burma desires to be separated from India and the broadest interests of India and Burma are agreed to be compatible with such separation.

I do not think that there are any other points which I need refer to. I should like once again to express my very real appreciation to those who have been kind enough to be eulogistic in regard to the opportunities of service that I have had in India. It has been a very great privilege to me to be able to feel that I have had a real opportunity of service in India. If in any directions the results have fallen short of my hopes that at any rate is a proof that the ideals that I set myself were not set too low. Nothing I think could be more miserable for a man leaving the position which I have held than to feel that he had done all that he hoped to, because it would be obvious that he had set his hopes much too low if he was able to say anything of the sort. I hope very great things for India in the future and for Indian finance; and I feel sure that if India has the courage to face her difficulties in a reasonable and practical spirit and remembers not to cry too much for the moon and to take the step that is next without trying to jump several steps at a time, there is, Sir, a great and bright future in store for India as a partner in the British Empire.

STATEMENT OF BUSINESS.

THE HONOURABLE MR. S. R. DAS (Law Member): Sir, our next meeting will be held on Monday, the 12th March, on which day motions will be made for the consideration and passing of the Bill further to amend the Inland Bonded Warehouses Act, 1896, for certain purposes, which was laid on the table on the 22nd February. Thereafter the House will meet on Tuesday, the 13th, and Wednesday, the 14th. The 13th is a non-official day and on the 14th motions will be made to consider and pass the Indian Limitation (Amendment) Bill on which the Select Committee's Report was presented on Wednesday last. There will be no meeting on the 15th as there is no non-official business for that day.

The Council then adjourned till Eleven of the Clock on Monday, the 12th March, 1928.