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OF THE

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LEGISLATIVE ASSEMBLY.

Tuesday, 20th March, 1923.

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

QUESTIONS AND ANSWERS.

INTERMEDIATE CLASS CARRIAGES ON BOMBAY, BARODA AND CENTRAL INDIA RAILWAY.

598. ***Munshi Iswar Saran:** (a) Is it a fact that there is no intermediate class carriage on B. B. and C. I. Railway running between Agra and Cawnpore?

(b) Is Government aware that the absence of this class of accommodation is a source of great inconvenience and hardship to the travelling public?

(c) Will early steps be taken to provide this accommodation?

The Honourable Mr. C. A. Innes: (a) The reply is in the affirmative.

(b) Government have no information to that effect.

(c) The Railway Administration is watching the result of providing intermediate class accommodation on trains between Bombay and Viramgam before introducing this class of accommodation on other services.

Rai Bahadur Bakshi Sohan Lal: Is it also a fact that there is no intermediate or third class on the Bombay Mail running between Lahore and Peshawar?

The Honourable Mr. C. A. Innes: I do not think that that question arises, Sir.

POTATO TRAFFIC FROM FARRUKHABAD.

599. ***Munshi Iswar Saran:** (a) Is it a fact that Farrukhabad in the United Provinces produces a great deal of potato which is sent to other places in the country?

(b) Is it a fact that the increase in the railway rates is threatening to seriously interfere with the export of potato from Farrukhabad?

(c) Is it a fact that the short supply of wagons to the potato dealers in Farrukhabad between January and May produces great loss and hardship?

(d) Is it a fact that there is considerable dissatisfaction against the goods department at the Farrukhabad railway station?

The Honourable Mr. C. A. Innes: (a) The reply is in the affirmative.

(b), (c) and (d). Government have no information. Enquiry has been made and the result will be communicated to the Honourable Member in due course.

PRINCE OF WALES' SPECIAL TRAIN.

600. ***Mr. Mohammad Faiyaz Khan:** (a) Will the Government be pleased to state the cost of the special train made last year for His Royal Highness the Prince of Wales while visiting India?

(b) What has become of that special train?

The Honourable Mr. C. A. Innes: (a) His Royal Highness the Prince of Wales' special train was built at a cost of Rs. 9.26 lakhs (of which Rs. 6.12 lakhs represent the cost of material subsequently to be used for the ordinary purposes of the Railway for which it was originally obtained).

(b) The train was made up of eleven coaches which are being disposed of as follows:

One coach was sold to the Government of Bihar and Orissa for the use of the Governor of that province,

Six are being converted into ordinary stock for public traffic, and

Four have not yet been finally disposed of, but they will probably be used for additions or replacements of stock.

Mr. K. Ahmed: At what price have they disposed of it to the Government of Bihar and Orissa?

The Honourable Mr. C. A. Innes: I must ask for notice of that question.

EXECUTIVE MEMBER'S BOGIE CARRIAGE.

601. ***Mr. Mohammad Faiyaz Khan:** What is the cost of making an eight wheeler bogie carriage for the use of an Executive Council Member of Government of India?

The Honourable Mr. C. A. Innes: No carriage has been built for a Member of the Executive Council for many years. The existing carriages were built mostly at a cost of about Rs. 28,000 each. It is estimated that carriages of the same type, if built now, would cost about Rs. 50,000.

Mr. K. Ahmed: Is the cost of these carriages made for Members of the Executive Council votable or non-votable?

The Honourable Mr. C. A. Innes: No demand for money for building a carriage of this kind has been put before the Legislative Assembly or is likely to be put before the Legislative Assembly.

MUTUAL BENEFIT SOCIETIES IN MADRAS.

602. ***Mr. M. G. Mukundaraja Ayyangar:** Did the Government of India receive memorials, communications or written representations from the Secretaries of the several Permanent Funds in the Madras Presidency in January and February, 1923, that:

(a) the Mutual Benefit Societies earning small profits, sometimes much less than the taxable minimum in the case of other persons under the Finance Act, 1922, suffer a great deal by their being liable to pay income-tax at the uniform rate of one anna six pies in the rupee, whatever their income;

(b) rules may be framed prescribing the Mutual Benefit Societies which come under the Indian Income-tax Act;

(c) the provisions in the explanation to section 10 (2) (iii) of the Income-tax Act XI of 1922 be not made a dead letter by not framing any rules under the Act?

The Honourable Sir Basil Blackett: The answer is in the affirmative.

MUTUAL BENEFIT SOCIETIES: EXEMPTIONS UNDER INCOME-TAX ACT.

608. ***Mr. M. G. Mukundaraja Ayyangar:** (1) Is it a fact that representations were made by a large number of Mutual Benefit Societies in the Madras Presidency, requesting the Government to make under section 60 of the Income-tax Act exemption in the case of Mutual Benefit Societies, and make clause A, Part I, of III Schedule of the Finance Act, 1922, applicable to them instead of Part B?

(2) Are the Government aware that the Mutual Benefit Societies are not satisfied with the way in which their representations were disposed of?

(3) Are the Government also aware that the way in which these representations were disposed of, was against the assurances given by the Government in this House when the Income-tax Bill was under discussion last year?

(4) If so, do the Government propose to have rules under the Income-tax Act, to relieve these Societies from the hardship to which they are now subject?

The Honourable Sir Basil Blackett: (1) Representations were received from several societies asking the Government to make special arrangements under section 60 of the Income-tax Act.

(2) The societies were informed that action was postponed pending a decision of the High Court to which reference had been made at the instance of one of the societies as to whether profits of such societies are taxable.

(3) The offer of the Government to make special arrangements under section 60 was rejected by the Assembly which inserted instead the Explanation to section 10 (2) (iii) of the Act.

(4) I would refer the Honourable Member to the reply given to question No. 158 at the meeting of the Legislative Assembly on the 12th February 1923.

Rao Bahadur T. Rangachariar: Sir, with reference to the High Court case referred to here, is it not under the old Act?

The Honourable Sir Basil Blackett: I do not think so, but I am not certain of the facts.

UNSTARRED QUESTIONS AND ANSWERS.

REGISTRATION OF AEROPLANES.

240. **Mr. Saiyed Muhammad Abdulla:** Will the Government be pleased to state what steps are taken after the registration of aeroplanes to inform the fact to the District Officers or Political Officers concerned to give publicity in the areas where the aeroplanes are to be used?

Colonel Sir Sydney Crockshank: Up to the present no such intimation has been furnished. The Government of India are, however, prepared to communicate the registration of aeroplanes to the Local Government or Administration concerned, leaving it to them to take such action as they may deem necessary.

LEAVE OF MR. J. K. N. KABRAJI.

241. **Mr W. M. Hussanally:** (a) With reference to the answer given by the Honourable Finance Member to my question No. 359, at Simla, is the Government of India aware that Mr. J. K. N. Kabraji, late Member of the Legislative Assembly, was granted by the Government of Bombay privilege leave for 5 months and five days from 26th October, 1921; that after having enjoyed leave for 1 month and 28 days only Mr. Kabraji came to Delhi on 24th December, 1921, having been authorised by the Government of Bombay to attend the Delhi Session of the Legislative Assembly; that Mr. Kabraji attended the meetings of the Standing Finance Committee from 2nd January, 1922, and thereafter the whole Session of the Legislative Assembly up to 28th March, 1922; that Mr. Kabraji's request to the Government of Bombay to count as duty the period of such attendance has been refused by that Government in their letter No. S.-20-2, dated 7th April, 1922, and again in their letter No. S.-20-2, dated 13th November, 1922, even after the answer to my question No. 359 had been communicated to that Government and without giving reasons for disregarding the ruling of the Government of India; and that Mr. Kabraji has consequently enjoyed only privilege leave for one month and 30 days excluding Christmas holidays, instead of 5 months and 5 days?

(b) Is it a fact that under the Leave Rules Mr. Kabraji could suffix Christmas holidays to the privilege leave enjoyed up to 23rd December, 1921, as he joined duty at Delhi after the Christmas holidays on 2nd January, 1922?

(c) In the circumstances does the Government of India propose to point out to the Government of Bombay that the period of Mr. Kabraji's attendance at Delhi must be counted as duty in view of the answer of the Government of India to my previous question?

The Honourable Sir Basil Blackett: I am having the matter investigated and will inform the Honourable Member of the results as soon as possible.

1ST AND 2ND CLASS RAILWAY TICKET CONCESSIONS.

242. **Mr. Sambanda Mudaliar:** (a) Will the Government be pleased to state the reason and circumstances under which the old system of issuing return first and second class tickets at reduced rates according to the practice that was in vogue some years back was discontinued by the authorities of the S. M. Railway and S. I. Railway?

(b) Having regard to the increase of rates, will Government be pleased to direct the authorities of S. M. Railway and S. I. Railway to adhere to the old system of issuing return first and second class tickets at reduced fares?

Mr. C. D. M. Hindley: (a) The system was discontinued not only on the Madras and Southern Mahratta and South Indian Railways but on all the other important railways. This measure was necessitated by the conditions brought about by the war.

(b) The Honourable Member is referred to the answer given to question No. 522 in this Assembly on the 9th March 1923.

INTERMEDIATE CLASS ACCOMMODATION ON MADRAS RAILWAYS.

243. **Mr. Sambanda Mudaliar:** (a) Is Government aware of the fact that there are no intermediate compartments in the mail and passenger

trains running between Madras and Mettupalaiyam and the inconveniences which middle class people are put to?

(b) Will Government be pleased to direct the early introduction of intermediate compartments in the said railways to facilitate travelling?

Mr. C. D. M. Hindley: (a) The reply is in the affirmative, but Government is not aware of the alleged inconvenience referred to.

(b) Government are informed that intermediate class accommodation is not provided in passenger trains as there is no demand for it.

Intermediate class accommodation will be provided in the mail trains as additional stock is built. The present stock is unsuitable for the purpose.

TAXES ON MOTOR CARS.

244. **Lala Girdharilal Agarwala:*** (a) Is it a fact that motor car owners who purchase a car for Rs. 4,000 have to pay taxes on it in the first year amounting to Rs. 1,297 and thereafter nearly 10 per cent. of the initial cost every year subsequently as printed in the *Pioneer* of Allahabad, dated 8th March, 1923, at page 14?

(b) Are the Government aware that the United Provinces Government proposes to impose a further tax of Rs. 180 yearly on each motor car?

(c) If the reply be in the affirmative, do the Government propose to do anything in the matter?

SWEETMEAT STALLS AT STATIONS.

245. **Rai T. P. Mukherjee Bahadur:** (a) Will the Government be pleased to state the procedure adopted in making settlements of sweetmeat stalls, etc., at important Railway stations?

(b) For how many years at a time are those stalls generally settled?

(c) Are those stalls sold at a public auction? If so, is there any rule for the purpose? And will the Government be pleased to lay a copy of the rule on the table?

Mr. C. D. M. Hindley: (a) and (b). The procedure varies on different railways both in regard to the charging of fees and the term of contract, but the ordinary practice is that a nominal charge or license fee is made to vendors and contractors licensed to sell sweetmeats, etc., on station platforms, and contracts are usually made annually. As stated by me on 16th March 1923 in reply to question No. 565 in the case of the North Western Railway, no license fee is imposed on vendors.

(c) The reply is in the negative.

RECEIPTS FROM STATION VENDORS.

246. **Rai T. P. Mukherjee Bahadur:** Will the Government be pleased to state the amount received every year from the station vendors?

Mr. C. D. M. Hindley: The Honourable Member is referred to the answer given on the 5th February 1923 in this Assembly to item (4) of Question No. 141 asked by Lala Girdharilal Agarwala in a similar connection.

* The reply to this question will be printed in a later issue of these Debates.

REDUCTION OF BRITISH TROOPS IN INDIA.

Mr. E. Burdon (Army Secretary): Sir, I understand that some misapprehension has been created in regard to the position which has actually been reached in the matter of the proposed reduction of British troops in India, and with your permission, Sir, I should like to have an opportunity of removing that misapprehension. Actually the position is as follows:

His Majesty's Government have agreed, both in principle and in detail, to the reductions in British Infantry. These amount to a total reduction of something over 5,000 British soldiers from the existing establishment. The other two important recommendations with regard to reduction of British troops were the reductions of Artillery and British Cavalry. The position as regards these is as follows:

The House is aware that the Inchcape Committee proposed and His Excellency the Commander-in-Chief agreed to, amongst other things, reductions which included the equivalent of an entire Brigade of Artillery. His Majesty's Government are at present considering whether that is the most suitable form which the reduction of artillery should take. I would put the matter like this to make it as clear as possible to the House. One method of effecting the reduction is to abolish an entire brigade, that is to say, we should then have 10 instead of 11 brigades of artillery. Another alternative form would be to retain the whole of the 11 brigades but to retain them at a lower establishment, that is to say, with fewer horses, fewer guns and fewer men, and the guns which would be put out of commission in peace time would be kept in store and would be available to be drawn upon in the case of mobilisation or emergency. A similar question is under discussion as regards the British Cavalry, that is to say, whether entire units should be disbanded or whether the units should be retained at a lower establishment; for example, you may have three squadrons instead of four squadrons. Now, the question which form the reduction should take is a purely technical military matter. Naturally every one concerned is anxious that the reduction should do as little harm as possible. On the other hand, whichever technical expedient is adopted, so far as the financial aspect of the matter is concerned, it is immaterial. The pecuniary saving would in either event be obtained, and I am able to inform the House that in principle His Majesty's Government have agreed, subject to the settlement of the form, to the pecuniary saving of the amount required being carried out.

Dr. H. S. Gour (Nagpur Division: Non-Muhammadan): Sir, may I in this connection inquire how far His Majesty's Government have accepted the proposal formulated, if any, by the Government of India accepting the recommendations and Resolutions passed last year on the Esher Committee's Report, that the Army in India shall be primarily and solely maintained for the defence of India and not for any Imperial purposes; secondly, what were the recommendations of the Government of India regarding the reduction of troops in consequence of the Resolution of this House; thirdly, what were the reductions actually sanctioned by His Majesty's Government and what reductions were vetoed by His Majesty's Government?

Mr. President: I think the questions asked are important and should appear on the paper with notice.

Mr. E. Burdon: I am quite willing to answer them, Sir. The answer to the first part of the question—I am not sure I got the third part

correctly, perhaps my Honourable friend will repeat it later on—but as regards the first part—what action has been taken with regard to the Esher Committee Resolutions—well, a very long printed statement was laid on the table of this House not so very long ago, in response to a question; and that contains the information which the Honourable Member desires. With regard to the particular Resolution to which he referred, I may say that that Resolution has been accepted by everybody concerned, I am speaking of the Resolution regarding the maintenance of the Army in India solely for the requirements of India—that is the Resolution to which I think my Honourable friend referred. The second part of the question I am afraid has escaped me

Dr. H. S. Gour: The second part of my question was, what was the actual reduction recommended by the Government of India in the British troops in this country and what were the reductions actually sanctioned?

The Honourable Sir Malcolm Halley (Home Member): That was not the Honourable gentleman's question. What he asked was, what was the reduction recommended as the result of the Resolution of this House. As a result of the Resolution of this House no reduction was involved and no reduction was recommended.

Dr. H. S. Gour: I modify the question now, Sir. What was the reduction recommended by the Government of India?

Mr. President: I think the result has proved that the Chair was right; the question must be put down with notice.

Mr. K. Ahmed (Rajshahi Division: Muhammadan Rural): If the Chair will permit me, Sir, may I inquire whether anybody either from India or from England representing the Government of India went and took part in the Brussels International Conference where it was decided only about two years ago that no nation should keep up an army incurring a cost of more than 20 per cent. of the revenues of that country?

Mr. President: That also had better be put on the paper.

THE BUDGET—THE INDIAN FINANCE BILL.

FINAL STAGE—concl'd.

Mr. President: The House will now resume the consideration of the Bill to fix the duty on salt manufactured in, or imported by land into, certain parts of British India, to vary the duty leviable on certain articles under the Indian Tariff Act, 1894, to fix maximum rates of postage under the Indian Post Office Act, 1898, to amend the Indian Paper Currency Act, 1923, and to fix rates of income-tax.

Mr. T. V. Seshagiri Ayyar (Madras: Nominated Non-Official): Sir, I do not propose to move my amendment* unless you allow me to amend it in the terms in which it is put by some of my friends lower down. At the same time I admit that it might be said that since others have given notice of Resolutions on the same lines, I should have no precedence in a matter like this. Therefore if you would allow me to move one of the amendments of which notice has already been given, I will move; otherwise I withdraw my amendment.

Rao Bahadur T. Rangachariar (Madras City: Non-Muhammadan Urban): I object to any such procedure.

* "Omit clause 2 of the Bill and re-number the subsequent clauses."

Mr. T. V. Seshagiri Ayyar I have not sat down yet.

Mr. President: The Honourable Member had better sit down now. If the Honourable Member does not move his amendment I must call on Mr. Jamnadas Dwarkadas.

Mr. Jamnadas Dwarkadas (Bombay City: Non-Muhammadan Urban): I stand in the same position, Sir, as Mr. Seshagiri Ayyar; I prefer the other amendments.

Dr. H. S. Gour (Nagpur Division: Non-Muhammadan): I move:

✓ "That clause 2 of the Bill be omitted."

(*Cries of 'No.'*) Sir, Honourable Members have already in their possession a copy of the Finance Bill containing clause 2. I shall not, therefore, read it for the information of the House. The purpose of my amendment is to move that the duty on salt be not enhanced. This has been the subject of prolonged discussion in this House, and Honourable Members will remember that a similar motion moved by Government on the last occasion during the last budget was considered, debated and defeated by the vote of this House. That was, Sir, also a deficit year. This year again we have a deficit, though a smaller one. The question arises whether we should or should not balance the budget. On that question Honourable Members have expressed their views with no uncertain voice in the course of general discussions. We are all agreed that the budget must be balanced, but we have suggested ways and means for balancing the budget. All our suggestions have been rejected by the Honourable Finance Member

Mr. Jamnadas Dwarkadas: May I rise to a point of order? Last year this was the ruling that you were pleased to give with regard to the amendments being moved. Mr. Spence asked:

"May I know in what order the amendments are taken up? There is no reference in the printed documents which we have in hand."

The President said:

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

Sir, you ruled last year that it was not only unnecessary—amendments of this character—but that it was not allowed by Standing Orders. May I ask your ruling now whether this amendment is in order?

Mr. President: Which Standing Order does the Honourable Member refer to?

Mr. Jamnadas Dwarkadas: I have quoted from the passage that you yourself, Sir, referred to; this is from your speech

Mr. President: If the Honourable Member will read Standing Order 33, he will see that that ruling was given under a misapprehension regarding the scope of the existing Salt Act. The Honourable Member will see that the Standing Order No. 33 says that an amendment may not be moved which has merely the effect of a negative vote. I admit at that

time I thought it merely had the effect of a negative vote, and it was not, I think, till later in the debate that I discovered that it had a positive effect, because it restored salt to its original position; it was more than a direct negative.

Dr. H. S. Gour: Sir, I was going to say when I was interrupted that we have explored every possible avenue and made our suggestions for the consideration of the Government. All these suggestions have been rejected by Government. The sole question, therefore, that the Government wish to press for the consideration of this House is the question relating to the enhancement of the salt tax. Now, Sir, I should like clearly to define for the non-official Honourable Members the position regarding the enhancement of the salt duty. There can be no doubt that the whole country is unanimously opposed to the enhancement of the salt tax. We are the representatives of the people of this country. (*A Voice:* "Why was it imposed last year?") We have received a mandate in no uncertain terms that we should not vote for the enhancement of the salt duty. As representatives of the people, whatever may be your personal views, you are bound to carry out the wishes of your constituency. It would be in accordance with parliamentary constitution and tradition. In England a duty on tea was sought to be levied. Members of the House felt that a duty on tea would affect the general tax-payer in a very small way and that it would not perceptibly increase the price of tea, and yet they were bound to obey the mandate of their constituents and oppose the tea duty. I submit, therefore, it would be in accordance with parliamentary constitution and tradition for the Members of this House to carry out the behests of their constituents. If they do not follow the views of their electorates, they cease to represent them, and whatever therefore may be their personal views either on political or economic grounds, I submit, standing as we do here as representatives of the people of this country, we must and are bound to voice their views and give effect to their representations. In ordinary circumstances, that would, I submit, close the matter so far as we, the elected non-officials in this House, are concerned; but we have other reasons to oppose the enhancement of salt duty. It has been said by the Honourable the Finance Member and repeated by the other official spokesmen, that the duty on salt will fall very slightly upon the consumer since its incidence will be no more than three annas per head per anna. But, Sir, it cannot be forgotten, that to tax salt is to tax alike man and beast, because salt is a necessity not only for human beings but also for cattle, and no account has been taken in the statistics presented to us of the large consumption of salt necessary for the maintenance in fit condition of agricultural cattle. But, Sir, the Honourable the Finance Member reminded us the other day that statistics are things which can be used to prove anything, and I therefore ask Honourable Members not to exaggerate the importance of the figures that have been presented to us. We have to look at this question from the broad standpoint of commonsense. The people don't like the tax, and we, therefore, as representatives of the people, cannot support it; and when, added to this fact, we have the further fact that we know as a matter of fact that poor people will be hard hit by the enhancement of this duty, the case against the increase of salt tax is strengthened. Sir, I move my amendment.

(*A Voice:* "Which is that amendment please?")

Mr. President: The motion is: ✓

"Omit clause 2."

The Honourable Sir Basil Blackett (Finance Member): Sir, I do not propose at this stage to attempt to enter into argumentation in regard to the salt tax in general. I wish merely to point out to the House what the effect of this amendment is. As you have already stated, Sir, it is more than a direct negative. It does not restore the position to what it has been in the last year when the duty remained at Rs. 1-4-0. It has this effect, that after the 31st March of this year there will cease to be any duty imposed by an Act of this House on salt, but automatically the powers of the Governor General in Council granted by an Act of 1888 to impose a duty not exceeding Rs. 3 per maund on salt in India are revived. That is to say, if this amendment is accepted, the House, as I see it, hands back to the Government the duty of deciding with what duty and at what rate salt shall be taxed up to Rs. 3.

(Cries of "Withdraw, withdraw.")

Mr. C. A. H. Townsend (Punjab: Nominated Official): Sir, I understand that some Honourable Members of this House go so far as to wish to abolish the salt tax altogether. A few are willing to agree to an increase in the rate of taxation

Dr. Nand Lal (West Punjab: Non-Muhammadan): There is no proposal to abolish it altogether.

Mr. C. A. H. Townsend: . . . but not to the extent asked for by the Government. But many Honourable Members of this House have sent in amendments the object of which is to leave the salt tax as it is. Before the Assembly comes to a decision, Sir, on this important matter I wish to put a few considerations before it. First, on the general question as to whether it is desirable to have a salt tax in this country or not. I wonder if it is realised that an unskilled Punjabi labourer who owns no land and who, I may say, is now getting at least twelve to fourteen annas a day, need pay, if he drinks no liquor, no taxation whatever to Government other than the small amount due on the salt he uses. He lives in a house made of the simplest materials, can dress himself and his family of khadar cloth made of local cotton and spun and woven in his village. Many eminent economists hold the view that every resident of a country, however poor, should contribute some small amount to the revenues of his Government. Many critics say that salt is a necessity of life and therefore should not be taxed. India is not the only country in which salt is a fiscal monopoly. It is the same both in Austria and Italy. Dr. Gour, Sir, referred to the duty on tea in England. But in that cold country tea is practically a necessity of life, and every pound of tea that enters the country pays now a tax of over 3d. per pound, and that represents in Indian currency a duty of over of Rs. 15 per maund. Now, as to the rate of duty. The Honourable Finance Member said, and Dr. Gour accepted his figure, that the proposed doubling of the tax would involve an additional expenditure of a rupee per year per family. Well, Sir, a few days ago, I had the temerity to check the figure of the Honourable the Finance Member. Strange as it may appear, I found it correct. Dr. Gour has just said that this figure of 3 annas a head does not make any allowance for the salt required for cattle. Well, Sir, I asked a friend of mine, who is in intimate touch with the salt question in the Punjab, which he has specially studied; he tells me that this figure of three annas does include an allowance for cattle. I mentioned, Sir, a few days ago the troubles we had in North India owing to the cessation of the import of salt into India during the war. I wish the

House would realise that between 1917 and 1919 salt in the Punjab, although the duty was what it is now, sold at much higher rates than it will even if the whole increase of duty Government ask for is sanctioned. In 1918 the price of salt at Lahore was very nearly Rs. 5 a maund. Even with a duty of Rs. 2-8, salt should be available in that city at Rs. 3-8 a maund. These high rates lasted for three years; but the difference between the tax and the retail price went then not into the pockets of Government, but only enriched speculators and middlemen. Of course, our people grumbled, but they "stuck it" all right. Surely, Sir, it is not unreasonable for Government to ask the people in the present financial stress to pay an increased amount for their salt, but still an amount considerably less than they paid for some years to mere speculators and middlemen.

To adopt a phrase used by the great Duke of Wellington in another connection "the Government of India has to be carried on somehow." Well, the Government of India ask the House for means to enable it to be carried on, and put forward the only constructive proposal that I have heard in the long discussions that have taken place on this subject in the last fortnight, which will give them the minimum amount of additional taxation they required. Is it fair, Sir, I ask the House, to the Government of India, with its heavy responsibilities, is it fair to the reputation of the House itself, as Sir Sivaswamy Aiyer said yesterday, to decline to sanction the extra taxation, and to leave, as last year, an uncovered gap between its anticipated income and expenditure for next year of millions of pounds sterling?

Rai Bahadur Pandit J. L. Bhargava (Ambala Division: Non-Muhamadan): Sir, as pointed out by the Honourable the Finance Member, if this amendment is carried by the House, the effect will be that there will be no section in the Indian Finance Act which can fix the salt duty. The effect of this amendment being carried, therefore, would be ultimately that the Government will, under the Salt Tax, be able to fix a duty up to a maximum of Rs. 3. Now, that is not the object which the Honourable Mover has in view. His object is to have the tax reduced to Rs. 1-4 and not to allow it to be enhanced. As this object can be secured only by the amendments which appear on the paper in my name and the names of several gentlemen who have given notice of a motion that Rs. 2-8 be reduced to Rs. 1-4, I would request my Honourable friend the Mover to withdraw his motion.

Dr. H. S. Gour: Sir, I withdraw my motion.

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

Dr. Nand Lal: May I submit, Sir, that I may be allowed to move this amendment† of mine after we have discussed the question, which is the vital question before the House, as to whether there should be any increase in the duty on salt or not? Because my amendment will be of material good if it is discussed after the discussion on that point.

Mr. President: Is it the Honourable Member's intension to raise by the words he proposes to insert the question whether a rebate should be payable or not for the tax paid in March?

* "Omit clause 2 of the Bill."

† "(a) In clause 2 (1) insert the following at the beginning:—"With effect from the first day of April, 1923."

Dr. Nand Lal: Yes, Sir.

Mr. President: Then it had better be raised, I think, on an amendment of a more precise character.

Dr. Nand Lal: Sir, have I your permission to move my other amendment, No. 17, relating to the vital question which is before us?

Mr. President: Mr. Rangachariar's amendment comes first.

Rao Bahadur T. Rangachariar: Sir, I am delighted, and I am sure the House is delighted that, by the timely warning given by the Honourable the Finance Member, the House and the country have been saved from a catastrophe which the last amendment threatened. Sir, the Government have opened their mouths wide in putting forward this motion to enhance the salt duty. There is a deficit of 3.68 crores and they put forward a proposal to raise a revenue of 6 crores by putting on an extra Rs. 1-4 in the way of salt duty. Sir, after listening to the remarks made by the Honourable the Finance Member yesterday, my mind was set thinking as to what really is at the back of the Government of India in this proposal. I am afraid, Sir, they want to stabilise the present rate of expenditure by this proposal. The Honourable the Finance Member refuses to look at the deficit of this year as a mere temporary phase. He has told us yesterday that he considers this will be a permanent deficit and what is the necessary implication therefrom? That the military expenditure should remain at or near 58 crores. Sir, His Excellency the Commander-in-Chief has already told us that he refuses to accept the recommendation of the Incheape Committee that the military expenditure should eventually be reduced to 50 crores. His Excellency has deliberately stated that to this Assembly, and this statement by the Honourable the Finance Member supports that statement made by His Excellency the Commander-in-Chief. The Honourable the Finance Member is confronted with this difficulty. He takes it that the permanent expenditure of India will be every year 130 crores; he wants the permanent revenue to remain at about 130 crores. That is why he wants the salt tax to be enhanced. The surcharge will be temporary; the salt tax will be permanent. That is the view which he has taken and that is the view this House is asked to endorse by a vote on this clause. I ask Honourable Members to remember that. If you will look back at the history of this duty, from the year 1888 to 1903 the Executive Government of this country, with whom this power vested of either enhancing it or reducing it, kept it at Rs. 2-8-0. In 1903 the Executive Government, without any pressure from the representatives of the people, themselves voluntarily reduced it to Rs. 2 and again they reduced it to Rs. 1-8-0. They again reduced it to Re. 1-0-0, and in times of dire need in the year 1916 they had the courage only to put it up by 4 annas. Sir, when a bureaucratic Government was running the Government of this country, without any vote of even a representative or an unrepresentative House, when the Executive Government could not summon courage to put on any extra salt duty, a representative House is called upon to enhance the duty by 100 per cent. Let us remember that when we give our votes in this matter. When the Executive Government themselves felt the injustice of piling up this salt duty, are you, a representative House, going to allow this enhancement? Sir, it has been said that the pressure which will be felt by the people by the enhancement of the salt duty will be very light and will be only 3 annas per head of the population. When people are spending money in liquors, in toddy

and other things, when prices have gone up, and when wages have gone up, the salt duty has not gone up commensurately and therefore, they say, what is the harm in putting on this duty? May not the same argument be applied to any tax which you put on? We are eating so much rice, Sir. Every family spends much more on rice than they spend on salt. They spend much more on wheat than they spend on salt. So that, why not put on a tax on food? You have put on a tax on clothing. These are the two things which no civilised Government will ever venture to put a tax upon. They are the necessities of life. No politician, no economist will tell you that any country can put on a tax on food or clothing. Sir, this is a necessity for life—necessity for existence. The salt tax is in theory—it is not a mere political question which politicians want to take advantage of—it is in theory—I have the authority of the Honourable Mr. Innes last year—in theory it is unsound; in practice it works out unjustly. In practice it works out unjustly because the capacity to pay the tax becomes less and less as you go down the scale. Sir, I do not eat more salt than my servant. In fact, perhaps I eat less. He uses more salt than I do. Therefore, whereas I can afford to spend 3 annas on myself, my servant cannot afford to spend 3 annas without the burden being felt more largely by him than it bears upon me. So that, in theory it is unsound and in practice it works out inequitably, and that is the reason why the Government of India, when they were responsible to the people without the intervention of a Legislature, felt the inequity of it, felt the injustice of it and they would not dare to enhance the duty. Sir, last year it was perfectly open to my Honourable friends on the Treasury Bench to have enhanced the duty without consulting this Assembly. There was no legislative prohibition against their enhancing it up to Rs. 3 a maund. They had the power in their hands. Why did they not do it? Why did they consult us? Why did they deliberately put it before us and desired a vote of this House on that matter? Sir, they wanted to avoid the odium of the curse of the 300 million people of this country. Sir, as has been stated in books on taxation, to tax the very poor at a shilling costs two shillings. But the ultimate cost cannot be measured. It goes deep down into the minds of these people and that is the surest method of making your Government unpopular. That is the surest method of making them say, "Here is a Government which will tax even our very necessities of life. What use is that Government to me if I cannot have my sprinkle of salt without paying for it?" That will be the attitude they will adopt. It is that which has weighed with the Government all along. We have been asked to look at it from a wrong point of view altogether. We are told that it is not going to be felt. Nothing is going to be felt. But remember this. It is the last straw that breaks the camel's back. We have already increased the cost of living on account of economic world conditions. We have already increased the cost of living by putting on these import duties. They have to pay for clothing, which is a necessity, much more than they have hitherto been paying for it. Where they were using—as the Honourable Sir Campbell Rhodes told us last year—18 yards before, they are now content with using 9 yards. I hope I am quoting the figures correctly. (A Voice: "10 yards.") They are using 10 yards. That shows that if you put on the prices of these things, they stint themselves to the extent of the barest necessity. So also, if we increase the price of salt, they will be obliged to stint in the supply of salt to themselves and to the members of their families and to the poor cattle which they keep. It needs no argument to convince the House that that will be the necessary result. Once you make the salt cheap, there is more consumption. Once you make it

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dear, there is less consumption. That argues for itself. Therefore, I do not think I should take the time of the House much longer in arguing these matters. So that, my proposition is, let us have the existing duty. Let there be no more enhancement of this tax. We have already agreed to Rs. 1-4-0 and I am glad the Government have given the power to this Assembly to vote upon this question and they have not ventured to impose it themselves. Therefore, my amendment is to substitute the figures Rs. 1-4-0 for the figures Rs. 2-8-0 which are proposed in the Bill. Sir, this will no doubt leave us with a deficit. What is after all a deficit? The deficit can be worked down in two ways. We have already made several suggestions to the Government as to how they may meet this deficit by further taxation on our part and how on their part they might bring down the deficit by practising more economy. Sir, the Inchcape Committee have not said the last word when they fixed the figure at 19 crores. Page after page they have said, "This matter requires investigation; that matter requires investigation" and they have referred to various matters under every head. When are you going to investigate these? Are you going to investigate these conditions or not with a view to effecting economy? If you do, you will be effecting further economy and you need not be afraid.

Mr. President: Order, order. I do not think I will allow salt to include the Inchcape Committee.

Rao Bahadur T. Rangachariar: I beg your pardon, Sir. This deficit need not stagger us at all. After all, the country's credit did not suffer when we had Rs. 20 crores of deficit one year. The country's credit did not suffer when we had Rs. 9 crores of deficit in another year. And surely, we are not going to be staggered by the statement made by the Honourable the Finance Member that because we are leaving a deficit of Rs. 3 crores, the credit is always to suffer subsequently.

Mr. President: The Honourable Member will realise that there is a further stage when the Assembly can discuss the final effect of what is done on the Budget. That is the stage that the Bill be passed. Here we are discussing a more restricted question now, namely, reduction of the figure proposed by Government to the figure proposed by the Honourable Member.

Rao Bahadur T. Rangachariar: I move:

"In clause 2 (1) that the word and figures Rs. 1-4-0 be substituted for the word and figures Rs. 2-8-0."

The Honourable Mr. C. A. Innes (Commerce and Industries Member): Sir, my Honourable friend Mr. Rangachariar is a difficult man to follow. I do not mind his eloquence. I know this Assembly well enough. It is a true democratic Assembly and mere eloquence makes very little impression upon it. What does count with this Assembly is sincerity and what makes Mr. Rangachariar a difficult man to follow is that he uses his eloquence to reinforce convictions which he feels most sincerely. But, Sir, let me ask Mr. Rangachariar and let me ask this House to give us on this side of the House credit for equal sincerity. Mr. Rangachariar yesterday said that in putting forward this proposal to enhance the duty on salt the Government had wantonly provoked a collision with the House. Sir, I do not think that Mr. Rangachariar should have made that remark. We on the Government side have tried to work with this House for the last three years and I am not aware that there was anything in our record which authorised or justified Mr. Rangachariar to make so serious a charge

against the Government. (A Voice: "Certification.") (Mr. Rangachariar: "With respect to this proposal.") It is perfectly true that last year we put this proposal before the House. It is perfectly true that the House rejected that proposal by a large majority. We were perfectly well aware of that fact and if we have again put the proposal before the House, the House may rest assured that we have done so with the fullest sense of responsibility.

It is common ground with all of us that we must balance the budget. Whatever Mr. Rangachariar may have said in his speech this morning, I think that the outstanding feature of our debates and our discussions yesterday was the unanimity in all quarters of the House that India cannot afford again to go before the world with a deficit budget. (A Voice: "Real deficit.") Sir Basil Blackett laid special stress upon that fact in his budget speech, and until Mr. Rangachariar made his remark a few minutes ago I have not heard the soundness of Sir Basil Blackett's proposition challenged anywhere in the House and I think, Sir, that it is a tribute to the Assembly's sense of financial responsibility. (As I have said, it is common ground with all of us that we must balance the budget. That was the axiom, that was the postulate with which we started when we first began to prepare our budget, and the House may rest assured that before we came forward with this proposal to enhance the duty on salt we had explored with the utmost care every possible alternative which could occur to us. We examined the Customs schedule, we examined the income-tax, the Railway rates, Postal and Telegraph rates. Everywhere we got the same reply. Always we came back to salt, nothing but salt. Again, since the Finance Bill has been before the House, other alternatives have been suggested to us, and as the House knows, each and every one of those alternatives has been subjected to the most searching examination, and I say it again, again we come back to salt. Salt tax may not be a popular tax, may be a tax distasteful to the people of this country, but the burden of that tax is so distributed among the population of India that it becomes negligible in individual cases. (Cries of "No, no.") It gives us certainty for the future. It gives us the money we need for the present, and it gives us the money we need for the future. It enables India to stand out among the nations of the world as one of the few nations which has been able partly by retrenchment and partly by shouldering the burden of taxation to balance its budget and it restores our credit. Whatever Mr. Rangachariar may say, I say it is essential for India that we should have a balanced budget this year in order that our credit may be rehabilitated.)

(Now, Sir, let me turn to Mr. Rangachariar's charge that we have wantonly provoked a conflict with this House. Because last year we put this proposal and it was turned down, therefore Mr. Rangachariar says that we have no right again to put the proposal up. There is all the difference in the world between last year and this year. Last year we put the proposal before the House and the House turned it down. It was I who defended the proposal and looking back on the history of that time I say now that the Assembly was right. Even if the tax had been imposed last year it would not have balanced our budget, it would have still left us with a large deficit and the Assembly insisted that the remedy lay in retrenchment. Well, Sir, we have retrenched. *As a result of the Inchcape Committee's report we have reduced the Army. We have reduced the army expenditure by five crores of rupees and more. We have it on the authority of His Excellency the Commander-in-Chief that we have effected those reductions

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at some military risk. Again, Sir, we have effected retrenchments on the civil side. People in this House may think that we have not retrenched enough, that we have not done all that we can in the way pointed out by the Inchcape Committee's report. Sir, as one who has served the Government of India for many years my fear is that we have retrenched too much. The reason why any Department looks askance at retrenchment is that that Department sees the implication of what we are doing. It sees the harm that retrenchment may effect, but, Sir, like everybody else in this House, we in the Government of India . . .

Mr. President: I had to call the Honourable Member from Madras to order in order to prevent him from continuing on that line and I will ask the Honourable Member to keep himself within the same limit.

The Honourable Mr. C. A. Innes: I merely wished to make the point that the position this year is entirely different. (Last year we had not done all we could have in that direction. This year we have done all the retrenchments we can and still we are faced with a deficit. The problem still remains how to cover that deficit and the difference between the House and the Government of India is this that we say that salt is the only way. The House says that there are other ways, but they have not been able to give us any unanimous vote as to what other ways should be proposed—even a majority vote—there is no assurance of it and they have not been able to prove to us that the other ways they may propose are in accordance with the principles of sound, wise, economic taxation.

(Then, again, Sir, there is another difference between this year and last year. The position has changed economically. India is better off this year than it was last year. Prices of foodstuffs have fallen in this year by 20 per cent. The price of wheat has fallen by more. Take the price of wheat at Lahore in January 1922 and the price of wheat at Lahore in January 1923. In January 1922 you could buy for a rupee 3 seers and 15 chittaks of wheat. In January 1923 you could buy for a rupee 8 seers and 8 chittaks of wheat. That is to say, the price of wheat is less than half it was last year. Think what it means to the poor man. After all, your salt is a condiment and the man uses just an infinitesimal quantity

every day. Wheat is a mainstay of life and the poor people
 12 Noon. spend the greater part of their income on foodgrains and foodstuffs; and when you find that those foodgrains and those foodstuffs are less than half the price they were this time last year, then do not talk to me about the hardship you are going to put on the poor man by putting on a small increase in the price of his salt. Let me take this economic argument. Is there any one here who really advances it seriously? It is a very useful thing to be able to say, "Oh no, we do not oppose this salt tax on political grounds; we oppose it on economic grounds." But, Sir, is that an honest belief? I gave the figures last year; Dr. Gour said that my figures of last year took no account of the consumption of salt by cattle. That, Sir, is not correct. Last year we took the total consumption of salt in India and the total population of India and we arrived at what the consumption of salt per head per annum was. It was 6 seers of salt per annum. An increase of duty of Rs 1-4-0 per maund means an increase of 3 annas in the price paid for the amount of salt consumed per head per annum; 3 annas! and that includes salt required for cattle; let Dr. Gour mark that fact. Three annas per head: 12 annas per family; one anna per family per month: 1 pie per family every 2½ days; there is the sum for you. Is anybody here

really seriously going to assert that a small increase of that kind is going to hurt any one seriously? And mind you, I do not lay too much stress on those figures. People may say that that may be the increase in price measured by the increase of duty, but when the middleman passes that duty on to the consumer he will pass on more than the duty. Well, Sir, I have got information on that point. The retail price of salt in Delhi on the 28th February before this new duty was imposed was 16 seers to the rupee, 1 anna per seer; that is, your 6 seers per annum cost 6 annas. The retail price of salt in Delhi on the 10th March after this duty had been imposed was 11 seers to the rupee; that is, the price paid for 6 seers per annum is 8 and eight-elevenths annas; that is to say, the actual increase is less than your 3 annas per head per annum.)

Let me take another point. Mr. Joshi says that before we impose taxes of this kind we should make a proper economic survey. Give us the money; give us this salt tax and I hope that we will be able to make this economic survey. But, Sir, people are working at this problem; they are working at it in Mr. Joshi's own town of Bombay. Family budgets of 3,000 families have been prepared by careful investigators, non-official investigators, people with no axe of any sort or kind to grind. I am not going to give the figures because they are not material to my present purposes; I am merely going to give the percentages and that will reinforce the point which I made just now that an increase in the price of salt is as nothing compared with an increase in the price of foodgrains and foodstuffs. The results of these family budgets show that these working people in Bombay spend 32 per cent. of their monthly income on foodgrains; they spend more than 10 per cent. on other foodstuffs; and they spend 4 per cent. on salt. (Mr. Rangachariar says that this increase in the duty on salt is the last straw that breaks the camel's back. Sir, it is no use flinging phrases at me like that. If we lay a straw on the poor man, a bad monsoon lays a flail upon him, a far heavier flail than anything we can do in the way of a salt tax. I repeat, Sir, there is nothing in this economic argument. Let the House clear its mind of all prejudice. I am not going to overstate my case; I am not going to say that I like this tax. I am quite prepared to admit that any tax, however small it may be, any tax which is a tax on a necessity of life is theoretically bad. All I say is that having regard to all our necessities, having regard to our deficit, this tax which imposes a burden which is negligible on the people of this country is on the economic side the soundest way of giving us the money which we require. Mr. Rangachariar says that it will give us more money than we want. It is going to give us 4.50 crores this year and all we want is 3.69 crores, and next year it will give us 6 crores. But, Sir, Mr. Rangachariar knows as well as I do that a great part of our income now is a transitory income, that the Government of India is in honour bound to repay 9 crores of contributions to the provinces, and have we not got to look ahead and provide for the future. Sir, as I have said, let us be honest and let us drop this economic argument; let us get to grips with real facts. What is the objection to this salt tax? The objection to the salt tax is the political objection. Some people say that they dare not go back to their constituency; they dare not face the electors; they dare not say that they have agreed to the salt tax. Well, Sir, I have sufficient confidence in the Honourable Members who constitute the non-official majority in this Assembly to believe that they will put personal considerations of that kind aside. Their objection is that if we put on this salt tax we give a handle to the non-co-operator. Well, Sir, I do not wish to understate or in any way to

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minimise those objections. I recognise that they are perfectly real. But, Sir, they can be exaggerated. All our information is that as regards the agricultural classes, as regards the rank and file of the country, the non-co-operator has lost his influence in the last six months. The population of this country are beginning to recognize and beginning to feel that half their troubles are due to these non-co-operators. (Hear, hear.) I do not believe that the increase in this salt tax will have any effect in that way upon the bulk of the population of this country. And as regards your own electors, the people who elect you, surely you can educate them; surely you can explain to them why we have been compelled to adopt this tax; and, Sir, if they are reasonable men I am sure they will listen. Sir Sivaswamy Aiyer laid his finger the other day upon the real objection to this salt tax. For many years,—I admit it,—for many years political India has fought against the salt tax. They have said that it is a tax which ought not to exist, much less to be increased. It is felt that mere consistency compels you to take the same line, and that is why Sir Sivaswamy Aiyer said that it was not practical politics even to think of raising the salt tax. It is an article of faith; it is a creed in political India that the salt tax must not be raised. Well, Sir, creeds become outworn: articles of faith require readjustment to changing conditions; and every now and then you have to re-examine the foundations of your belief and that is what I ask the House to do to-day. It is said that the imposition of this tax will be a violent shock to the reforms, a staggering blow to the reforms. That may be so, Sir, but there are worse things than shocks, there are worse things than blows. A worse thing is the cancer which eats away the root of the reforms. What is it? What is it that is preventing the reforms from having their full effect at the present moment? I say it is one word, or two words: 'financial stringency in the Government of India, and financial stringency in the Provincial Governments'. We all know with what high hopes the Ministers in the provinces assumed the tasks allotted to them, we all know how they hoped that they would be able to show the bureaucracy how money should be spent on education and sanitation. Have those hopes been fulfilled? Is it not a fact that, instead of these hopes being fulfilled, there is a dull resentment against the reforms? And why? Because the Ministers have not been able to get any money to justify themselves, or any money to carry out those projects on which such high hopes were pinned. Then, again, I do not suppose there is any one in this House who does not remember the remarkable speech delivered by Mr. Clayton in September 1921 in the Assembly. Mr. Clayton made the point that the one essential in India at the present time was a fundamental unanimity. The whole of these reforms presuppose that India can weld itself into one homogeneous nation. These provincial contributions, are they not a sore which is eating away India? Are we not setting Madras against Bengal, the United Provinces against Bombay, all because these provinces feel a resentment at these contributions? Madras feels that she is being unjustly treated; the United Provinces, the same, Bengal, the same. Sir, I say that if we take the long view, we do not allow ourselves to be blinded by the easy considerations of the present. I say that this House will recognize that the real danger of the reforms does not lie in the imposition of a small addition to the salt tax. (A Voice: "100 per cent.") It lies in our allowing the financial stringency to continue in the Government of India and in the Provincial Governments. I can claim that we on our side have done all we can. The Government of India have retrenched,—we have retrenched to the very best of our ability, and I say that no Government

could have done more than we did on that Report. And I feel that we are now entitled to ask this Assembly to show, on their side, their responsibility. I ask them to take the long view,—to risk unpopularity, to risk shame, to risk obloquy, not to be guided, not to be weighed, by what I called just now the easy consideration of the present. If this Assembly rises to the occasion now, if it agrees to the small tax, then I say that, judged by the tribunal of history, the Assembly will have done the wise and the right thing; it will have risked unpopularity, it will have made sacrifices in order to restore India's credit, in order to restore India's finances, and in order to make these reforms a success. Sir, I hope the House will not accept this amendment.)

Ohaudhri Shahab-ud-Din (East Central Punjab: Muhammadan): (Sir, no one will deny in this House or outside it that the salt tax is a very undesirable tax, a very distasteful tax, a very detestable tax and, as it is characterized by some, perhaps a very dreadful tax. But the question before this House is whether we can avoid the imposition of this tax. If a tax is inevitable, as has been admitted tacitly by this House (*Voices*: "No, no, no.")—it has been argued from the Government Benches that the balancing of the Budget shall enhance the credit of India and make India a solvent country, prove India's solvency beyond doubt—and I have not heard a single voice in this House denying the desirability of balancing the Budget. If I am right so far, then I think it follows that the balancing of the Budget may be taken as a fact admitted almost on all hands. If that assumption of mine is correct, then I think I am justified in concluding that the imposition of a new tax is inevitable, it is unavoidable; and it is on this assumption that I move my amendment. If, of course, the House were to decide that no tax is necessary and that, therefore, no tax should be imposed, I will be the last, as I said yesterday, to propose that a new tax should be imposed; but if a tax is inevitable, if it is unavoidable, then I think the salt tax is the best tax. My reasons for this position are very simple. It is a tax which affects all tax-payers equally, the rich and the poor are equally affected by it. It has been argued by Mr. Rangachariar and some other speakers that while the rich people will not mind paying 3 annas a year, that is, one copper a month, a tax of 3 annas per head per annum shall seriously affect the poor. I will assume that we are advocating only the cause of the poor, and that it is in their interest that we are opposing this tax. I would like on that assumption, to enlighten the House, so far as my province is concerned that the so-called poor in the Punjab can more easily afford to pay this tax than the so-called rich. (*Voices*: "No, no." "Take us there.") Sir, despite the impatience on the part of certain Honourable Members of this House, I feel bound to lay some hard facts before the House for its consideration. The population of the Punjab, perhaps unlike many other provinces, can be divided into three classes. The so-called poor or the labouring classes. I include the agricultural as well as the industrial labour. Then there are the middle-class people both among agriculturists and traders; the majority of agriculturists are owners of very small holdings. Then, there is the higher class, the rich people so to say, that is, whether they are lawyers, merchants, or big zemindars. As regards the middle classes, I am in a position to say, without fear of contradiction, that they are perhaps the poorest lot. The labouring class is very well off; its standard of life is in certain cases higher than, or at any rate equal to, the standard of life of the middle class; in fact, the middle-class people have to defray certain expenses on occasions of marriage and at other social functions which the members of

[Chaudhri Shahab-ud-Din.]

the labouring class have not to defray and I know it as a fact, and I believe I will be supported by some Punjabees in this House, that some members of the so-called poor labouring class are in fact bankers of the so-called rich middle-class people; they have more money—and I think their habits of economy and frugality have enabled them to save some money—to set aside some money, which they actually lend out to the so-called rich middle class people who are the owners of very small holdings and whose expenses are comparatively higher than those of their frugal labourers. It is this labour class, the so-called poor class in my province, in whose interest I am expected to oppose the salt duty. But if my knowledge of my province is correct, I am fully justified in saying that if this tax is to be opposed, the opposition is not justified in the interests of the so-called poor labourer whose wages, I think, have been under-estimated by the Honourable Mr. Innes in his speech. I have made inquiries and learn that here at Delhi a labourer is getting 9 annas a day, but in the Punjab, in Lahore, we cannot get a labourer even for one rupee a day to-day; and I can say without fear of contradiction that my knowledge is as accurate as it is first-hand and personal. Now, that wages are so high and the labouring classes are so well off, that they are, in some cases, if not in a large number of cases, bankers of the so-called rich middle classes, to advocate the cause of the so-called poor, in my humble opinion, is going against facts. As regards the rich people, surely they can very easily pay the small tax of annas 3 per head per annum. This is not questioned or doubted by anyone in this House. Now, as regards the amount of taxation, and its incidence on the poor, one pice a month is the burden which the so-called labourer shall have to bear if the proposed duty of Rs. 2-8 per maund is imposed. Every labourer in my province is consuming tobacco worth two pice a day. Tobacco is a luxury, while salt is a necessity. (A Voice: "Tax tobacco.") Tax it by all means. Impose an excise duty if you will. I do not mind at all. Tax it, but you will find it difficult, if not impossible, to tax local tobacco. You have already taxed foreign tobacco, I think, very heavily, and I shall not mind if the local tobacco is taxed. Do so by all means. I do not object to that. But I am stating a fact and that fact is that every labourer in the Punjab is consuming tobacco worth two pice a day. A labourer who is consuming so much tobacco, a luxury, I think, may well be expected to pay one pice a month. (A Voice: "Does the Agriculturist do the same?") Yes; he is doing the same. In my province smoking is so common that, barring the Sikhs, perhaps even one per cent. of the Punjabees are not free from this vice. (An Honourable Member: "Very sorry.") I am very sorry myself, but I am stating the fact. This is not smoking.

Mr. President: It is not usual to smoke salt.

Chaudhri Shahab-ud-Din: Then, as the Honourable Mr. Townsend said, we have salt mines in our own province, yet we had to pay for salt during the war more than Rs. 5 a maund at wholesale rates, the retail rate being far above Rs. 5 a maund. But the so-called poor labourer who had to buy salt at so heavy a price not only for one or two years, but for 3 or 4 years, never grumbled against that high rate. I am told that if this new tax is imposed—and I have no reason to doubt the correctness of figures calculated by the Honourable Mr. Townsend,—that the price of salt shall exceed Rs. 3-8-0 per maund if the duty is doubled. I, therefore, propose that instead of imposing the full tax, that is, instead of doubling it from Rs. 1-4-0 to Rs. 2-8-0, let us be contented with Rs. 2

a maund. (*Rao Bahadur T. Rangachariar*: "Why?") Because, I may be allowed to say in answer to my Honourable friend, Mr. Rangachariar, according to my calculations if the tax is enhanced from Rs. 1-4-0 to Rs. 2 per maund and not to Rs. 2-8-0, the income from that source will be rupees 2 crores and 65½ lakhs. Then, I would invite the attention of the Honourable Mr. Rangachariar to his own amendment at the top of page 6, that is, if we exclude ordinary cotton goods which are used by the so-called poor people, and a sur-tax or a sur-charge of 6 pies per rupee is levied upon Customs, that will bring, according to my calculations, about Rs. 1 crore; and thus we will have altogether about 3 crores and 65 lakhs, and I think we shall be able to balance our Budget.

These are the reasons why I propose that instead of Rs. 2-8-0 per maund we must have a tax of Rs. 2 only.

With these remarks, I propose, Sir, that a tax of Rs. 2 per maund may be sanctioned and not of Rs. 2-8-0 per maund as proposed by Government in clause 2 of the Bill.

Mr. President: In order to give an opportunity of discussing this amendment to Honourable Members, I propose to take the Honourable Member's amendment in this form, as an amendment to Mr. Rangachariar's amendment:

"Omit the words 'one rupee and four annas' and insert the words 'two rupees' in that amendment."

Mr. B. C. Allen (Assam: Nominated Official): Sir, Mr. Rangachariar's words carry such weight in this House that it is impossible to allow any observation of his to pass unnoticed. There were two grounds on which he attacked the salt tax. Firstly, he took the natural ground that it is very undesirable to tax a necessity. Now I am not certain whether the House realises the extent to which necessities are taxed elsewhere. I am not sure whether my friend, Dr. Gour, knows that tea is taxed at all. Another Member stated that the tax on tea was Rs. 15 per maund. The Commerce Department will, I hope, correct me if I am wrong, but my impression is that tea is not taxed at the rate of Rs. 15 per maund, but at the rate of Rs. 45 a maund in the case of tea which comes from British territory and at Rs. 70 a maund if it comes from outside the Empire. There are two points which I would like the House to remember. Firstly, that tea is almost as much a necessity as salt in a country like England and, secondly, that tea is consumed in much greater quantities than salt. I would ask the House to compare this tax of Rs. 45 on tea with the proposed tax of Rs. 2-8 on salt. The second point taken by my Honourable friend was that when the Government was a bureaucratic Government it did not venture to raise the tax on salt but now that it has been liberalized it comes forward and asks this House to do so. Well, Sir, I would only quote to Mr. Rangachariar an authority which even Mr. Rangachariar will accept as being no less weighty than himself where democratic questions are concerned. A debate took place in the old Council in 1918 when Pandit Madan Mohan Malaviya spoke as follows:

"My friend said 'Remember, in any form of popular Government there must be a great deal of extra taxation'. My Lord, we are thankful to him for reminding us of it. If we have studied any books on History, Economics or Political Science, that truth has been ingrained in us. We know that ever popular Government means greater expenditure. *We are longing for the time when we shall be put in power to raise further taxation.*"

(A Voice: "Not on salt.") Sir, those are weighty words. I commend them to my Honourable friend.

Mr. W. M. Hussanally (Sind: Muhammadan Rural): Sir, this tax on salt has given me any amount of anxiety and I have been considering over it all night last night after the effort for a compromise that was made for nearly three hours yesterday. But, unfortunately, Sir, the more I have been thinking of it, the more I am persuaded to believe that I cannot agree with my Honourable friend Chaudhri Shahab-ud-Din. Sir, any tax is odious and unpopular, but it cannot be denied that this tax is the most odious and unpopular of all. It has been brought up here in this Assembly and also in the Councils before times out of number and with one unanimous voice from the unofficial Benches it has been rejected as unsuitable and as one which should not be imposed. And with the result of the vote only last year, I think my friends on the non-official Benches will only be stultifying themselves if they give any vote contrary to what they did last year. And, being the most unpopular tax, I do not suppose my friends on this side will be able to face the popular discontent out in the country if they vote in favour of the tax.

Sir, I think the bait thrown out by the Honourable Mr. Innes to the Members from Madras and the Punjab to vote for this tax in order to relieve themselves of the burden of provincial contribution will not prevail, and it will be treated with the scant courtesy which it deserves. (*Mr. R. A. Spence*: "Oh!") Sir, I will not repeat the arguments which have been employed from time to time against this tax, but if arguments were needed I would refer my friends to the most important speech made by the Honourable Sir Dinshaw Wacha only the other day in the Council of State. My friends call him the Nestor of Indian Finance. I will not take up the time of the Council in quoting from his speech which, I daresay, many of my friends must have read for themselves.

One point, Sir, that I have been thinking about is whether, as put by the Honourable Mr. Innes, we have sufficiently retrenched our expenditure so as to necessitate any further taxation. As my Honourable friend Mr. Rangachariar put it, the Inchcape Committee had not the last word to say upon retrenchments. I consider that, apart from the Inchcape Committee's Report, there is a good deal of expenditure which can be retrenched. Above all, if the Government were to look into the Stores Department and consider the question whether the stores should be purchased in India or in England, they will find a considerable opportunity to retrench in that direction even this year, so as to cover this small deficit. But even supposing there is a small deficit left at the end of the year, they will find that there will be many items in the various departments where they will not have been able to spend all the allotments made under the various sub-heads, and they will find that they can easily make up or that they will have made up the little deficit which is now left uncovered.

Sir, for these reasons I think I must oppose this tax.

Baba Ujagar Singh Bedi (Punjab: Landholders): Sir, I intended to move the amendment, No. 23, which stands in my name, and I submitted a note to the Honourable the President to the effect that I would like to speak immediately after the Honourable the Finance Member would speak; but, unfortunately, I could not get that opportunity, and my friend Chaudhri Shahab-ud-Din got the preference.

Mr. President: I cannot allow that remark to pass. The Honourable Member suggests that I gave the Honourable Member from Lahore an unfair precedence over himself. He himself is well aware that the amend-

ment in his name on the paper is not the amendment which Chaudhri Shahab-ud-Din has just been moving.

Baba Ujagar Singh Bedi: I did not mean that, Sir.

Mr. President: Then the Honourable Member should not say it.

Baba Ujagar Singh Bedi: On the day the Budget was introduced and when the Honourable the Finance Member enlightened the House with his harangue, I was somewhat perplexed whether or not the duty on salt as proposed by the Honourable the Finance Member would be agreed to.

In the first place it appears to me that there will be no need for fresh taxation for the revenue as has been pointed out by the Honourable the Finance Member, is anticipated for 1923-24 to be 198.52 crores against the expenditure for the same year, which is estimated at Rs. 204.37 crores. Thus leaving a deficit for 1923-24 of Rs. 5.85 crores.

But taking into consideration the net interest on Gold Standard Reserve which is 1.59 crores, the balance deficit remains 4.26 crores.

Again having regard to grants that have been curtailed and if the Government strictly adheres to the policy of retrenchment there probably remains no need for any fresh taxation.

But if at any rate there is any exigency to raise fresh taxation I would strongly oppose and deprecate the principle of taxing and overtaxing a certain sect of people and coming forward with a proposal to enforce super-tax which is so heavily felt by them.

This super-tax was only imposed as a war measure though the war terminated four years back, but pity, the super-tax is still in force.

I am afraid here I have to give an instance of the time when immediately after the demise of the Lion of the Punjab, Maharaja Ranjit Singh, there was no regular Government and some soldiers that were putting up in a fort began to depredate a village named Sanghoi in the District of Jhelum and after every second or third day whenever they stood in need, they joining together conversed "let us go and plunder Sanghoi."

The result was that after two or three invasions there was nothing left in the village to be depredated any further.

Sir, we should not adopt the measures to tax one particular class of men. Besides the principle of taxation does not allow to tax in such a form which should be so heavily felt by the tax-payer.

To my mind the taxation should be in such a form as would not tell heavily upon the tax-payer and yet will fetch more revenue.

Therefore if it is sought at all to enhance the revenue by fresh taxation I should not be reluctant to accept the duty on salt by annas 12 per maund only as proposed by my Honourable friend Chaudhri Shahab-ud-Din.

And therefore I will ask the indulgence of the House to bear with me for a couple of minutes.

Sir, it is advocated from certain quarters that the duty on salt should not be increased either politically or economically since it is the poor man's necessity.

These arguments do not convince me, in the first place if it was politically or economically improper to impose duty on salt, then, Sir, there should have been no duty on salt at all. But what we find is that there is already

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a duty imposed on salt of Rs. 1-4-0. If it was in any way detrimental politically, economically or otherwise to the Indian interest, then, Sir, why the House agreed to this duty which is already in existence.

Now therefore this part of the argument cannot arise.

What the Honourable the Finance Member wants is to increase the duty by Rs. 1-4-0 more, so as to meet the deficit for 1923-24.

The second part that it is the poor man's necessity, therefore the duty on salt should not be increased, does not appeal to me as well. I look at the enhancement of duty on salt from a different standpoint.

It is a general cry that the money market is very tight. One would naturally like to know where all this money has gone to, which was jingling in the pockets of the public a few days back, because had there been any money in India its circulation would not have stopped, on account of which the business is getting duller and duller every day.

Some persons reply that such money as was earned in the days of war has gone to foreign countries, while others emphasize that the Indian money has been taken off in the form of unsettled state of exchange.

But, Sir, even if it had gone to the foreign countries, then too its circulation could not have stopped.

But to me what appears, is that all this money had been spent on buildings, ornaments or other such like things and thereby the money has gone into the hands of the labourers in the form of wages and their requirements being small such wage earners have withheld the money, and hence the circulation of money has been greatly depressed.

Now, Sir, in support of my argument, I would like to draw the attention of the Honourable House to the mere fact that in the pre-war days, a lay wage-earner was drawing something like 6 or 7 annas a day; during the war it went up to one rupee or even more. An ordinary mason in the pre-war days was earning one rupee a day; his wages have risen up to rupees three or four a day.

Although the values of different commodities and necessities of life in which they stand in need of, have dropped considerably, even then, Sir, their wages are still there and they do not agree to take a penny less than their so enhanced wages.

Their requirements are such as even one day's wage would suffice to support them for many a day.

Therefore it has become almost impossible to reduce their these high wages because the money which they have earned in the war days and which they have withheld along with the present wages that they are earning, have made them so stubborn and sturdy, that they would not heed to any reduced rate now. They can live for months and months without doing any work, and the public standing in need of labour, without which they cannot do, are bound to bend before them.

It is said that if we adopt the proposal of the Honourable the Finance Member, *i.e.*, to impose a duty on salt, it will affect the poor, does not hold good.

Let us examine therefore how much will it affect if the proposal is accepted. The Honourable the Finance Member proposes an increment of Re. 1 and annas 4 per maund on salt. This means that he proposes Re. 1 and annas 4 on 40 seers, and that comes to half an anna or 6 pies

per seer. Now one man does not require more than $\frac{1}{4}$ tola of salt for his requirements per diem. It means that the duty as proposed even if accepted will bring a pressure of one twenty-sixth of a pie only to each individual.

My amendment proposes only an enhancement of annas 12 per maund, which further reduces the so-called pressure to one-fortieth of a pie to each individual, which means that in two months' time he will have to pay a duty of one pie.

Now, the august House will realize what and how much it affects the so-called poor, who are drawing such high wages in these days.

On the other hand if we resort to the amendment we could create an enhancement of something 3 crores of rupees according to the figures calculated by the Honourable the Finance Member.

And thereby there could be every hope to relieve the province from the pressure of the Provincial Contributions which ultimately will benefit the provinces as a whole.

If we propose any other taxation like sur-tax Custom, then even this burden will fall ultimately on the poor much heavier than the salt as the values of the commodities so taxed will naturally rise the triple of the duty proposed.

Again the Honourable Members will find that this salt duty as is proposed by the Honourable the Finance Member in clause 1, sub-clause (3) of the Bill is only for one year, that it will remain in force up to the 31st day of March 1924.

It will not be inexpedient if we increase a little duty on salt for one year to raise the revenue, thereby to meet the deficit of 1923-24.

Before I resume my seat I should appeal to the Honourable the Finance Member if he could see his way to meet the House half way.

Khan Bahadur Maulvi Amjad Ali (Assam: Muhammadan): (Sir, I would point out that this tax on salt has become a vexed question altogether and we have been wasting our eloquence on it for some time past; but the House is unable to come to any conclusion. Those who advocate the cause of the poor people, so far as this tax is concerned, have some motive and that motive is attributed to the fact that elections of the Legislative Assembly are near at hand. Then again some of those who support this tax have also some motive. Now, Sir, the public time is being wasted in this fashion and we are not able to come to any solution. It is undisputed that there is a deficit of Rs. 4 crores odd. It is also undisputed that this deficit must be met. Of these two things we are quite sure—that there is some deficit and that it must be met. These are quite clear. Now, Sir, we have been crying that there should be no tax on salt. Very well, if there is no tax on salt, point out certain other means by which that deficit can be met. That is the point. The Government does not want to impose salt tax for nothing. Government wants to raise money to meet the deficit. If the House is prepared to meet that deficit, I think the House should be prepared to point out some other means to meet the deficit. Government is not vindictive that out of *sid* they are going to impose some tax on salt. The only reason which actuates Government to propose taxation like this is to meet that deficit. Yesterday there was a talk of compromise and for that purpose the House was adjourned under the permission of the President. When the discussion was going on it pleased Sir Sivaswamy Aiyer to put forward certain proposals, and one of

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the proposals was to have 9 pies surcharge on customs, excise, and income-tax. Well, he appealed to the Members present there, and specially to my friend, Mr. Seshagiri Ayyar, to accept his proposal

Mr. President: The Honourable Member must realise that he should not refer to proceedings about which this House officially knows nothing. That conference was held *in camera* without reporters being present, in order to enable the Members freely to express their minds and to discuss the matter in all its aspects with a view to arrive at a satisfactory compromise. There has been no statement made here to-day that that compromise was reached, and therefore I think that the opinions expressed privately ought to remain private.

The Honourable Sir Basil Blackett: May I suggest, Sir, that the statement that has already been made as to what was alleged to have been suggested by particular individuals ought not to appear in the official record?

Mr. President: As to what ought not to appear in the official record is a difficult point to decide. The Honourable Member from Assam will do well to refrain from referring to things which other Members have said in private.

Khan Bahadur Maulvi Amjad Ali: What I submit to this House, Sir, is that that proposal may come to this House for decision. That is a very reasonable proposal, and I think if it comes before this House with the permission of the Chair, it may be accepted by a large number of the Members of this House and further discussion may be put an end to. For that reason, Sir, I was going to speak about the proceedings which took place yesterday. If you will permit that that subject should come up before the House

Mr. President: If the Honourable Member wishes to discuss a proposal of that kind, he may put it forward publicly on his own responsibility, but I must ask him not to refer in detail to the proceedings of that conference about which this House has no information.

Khan Bahadur Maulvi Amjad Ali: Now, Sir, if the salt tax is not accepted by this House, then I appeal to the Members of this House to put forward certain other suggestions by which money may be raised to meet the deficit instead of wasting our labours for nothing. I think I will have to put in an amendment; but these Honourable Members who have sent in amendments may in the course of their observations point out certain means by which money may be raised and the whole discussion may be put an end to.

Sir Montagu Webb (Bombay: European): Sir, I am opposed to the doubling of the salt tax, but I do think in present circumstances that salt should contribute to some extent towards the removal of the present financial difficulty, and I therefore support the amendment moved by my friend Chaudhri Shahab-ud-Din. I am opposed, Sir, to the doubling of the salt tax for two reasons,— economic and political. There is no doubt whatever that the salt tax is objectionable, in that it is a tax upon a vital necessity of life, the reduced consumption of which must tend to affect the health of the people. Then too, at the present moment the political situation is such that I do not think it would be wise on the part of Government to arouse and incur further hostility by forcing upon the public a doubling of the existing rate of duty. I have been collecting during the

past week or two salt-tax cuttings from newspapers in all parts of India in order to better understand popular feeling in this matter. I expect Government have done the same thing. Now, Sir, what do I find? I find a universal condemnation of this proposed doubling of the salt duty except by one or two papers and one or two groups upon whom that duty would fall with the least weight, upon whom the duty, even if doubled, would be almost imperceptible. Well, Sir, there is nothing peculiar about that state of affairs. Every section of the community objects to a duty when it is going to fall upon themselves. I notice that the motor trades strongly object to the existing scale of motor duties and have asked for them to be reduced. Other trades also are asking for duties to be reduced. I have a bundle of telegrams here, Sir, very strongly objecting to the proposed surtax on the customs duties, which it is said, instead of bringing in extra duties, would merely check imports and probably reduce the estimated receipts from Customs which the Finance Member has already made. The Bombay silver interests, of course, object to the imposition of a silver duty. On my wiring and asking them if in the circumstances they would not support the small duty on salt, they have replied: "Your question is irrelevant". And so on. The fact is, Sir, that everybody objects to a duty being put on that commodity which particularly affects him. And so, I do not think Government can feel any surprise if objection is expressed to any proposed increase of salt duty for the reasons which I have already stated.

Now, Sir, I noticed yesterday that my Honourable friend from Madras expressed considerable contempt for the political argument. He spoke almost as though politics were a matter of no account in a consideration of this kind. So, too, the Honourable the Finance Member spoke with even greater scorn of the political consideration. He said: the objection to this enhanced duty is a mere matter of sentiment,—and he spoke, or he implied, that in the consideration of the Budget we ought to be guided by pure, undiluted reason: we ought to work solely on the cold logical financial principles which are generally believed to guide authorities in Lombard Street and in Whitehall. We should not allow sentiment to interfere with the preparation of our budget. I do hope, Sir, that the Honourable Member will not bring ideas of that kind into his consideration of this budget. Why, Sir, what is it makes the world go round? Sentiment! (*The Honourable the Finance Member*: "Money".) What was it that caused the nations of East and West to spring to arms to repulse the attacks of the Central European Powers in the recent war? Sentiment, Sir, the feeling that might should not conquer right; the desire to assert our belief that humanity was higher and greater than brutality. I dare say, if the Honourable Member turns his glance to the incidents that are now taking place on the continent of Europe, he would hardly advance the argument that the people of Europe at this moment are influenced by motives of pure reason. (*The Honourable Sir Basil Blackett*: "They ought to be; that is the trouble.") Well, Sir, why should we expect more reason in India than we can find in Europe? It is normal and natural that the public should be influenced by consideration of sentiment, and I am glad to think, Sir, that in the Government of this country, there is hardly a single law that does not take into consideration and rightly take into consideration, the feelings and the sentiments of the people of this country. And, therefore, Sir, I do hope that the Honourable Member, in considering this salt duty, will pay due weight to the feelings and the sentiments of the people of this country. Surely, Sir, one of the first and most important considerations in the art and science of Government is to win

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the assent, the confidence, and the co-operation of the governed. And that being so, we must consider sentiment; and we must consider politics.

Now, Sir, I would carry the argument just a trifle further and ask the Honourable Member to think what has happened during the course of the first Session of the reformed Assembly. Three years ago, after the introduction of this democratic scheme of Government, Members were invited to come to this Assembly to assist in carrying on the Government of the country. They came in many cases amidst a good deal of hostility and hostile criticism from unfriendly and sometimes malicious critics. What did they find? The first year they appeared here, a deficit of Rs. 26 crores. They were asked "Would you please vote additional taxation to that extent?" Well, Sir, the newly elected Members of this Assembly with great courage and considerable foresight and statesmanlike outlook did vote that Rs. 26 crores, and were duly abused by the enemy in consequence. That was the first year. Now, Sir, as regards the second year. Members returned a year ago to this Assembly. What did they find? A deficit of Rs. 31½ crores. They were once more asked to assent to every kind of taxation including salt. Well, Sir, once more the Members of this House did vote that extra taxation. They certainly rejected the salt and I was glad to hear the Honourable the Commerce Member say that in the circumstances he thought that Members were right in rejecting the salt and insisting on severe retrenchment, which policy has worked out very well. Now we come to the third year in which these newly fledged democratic Legislatures approach their duties. What are they asked to do? Again a deficit and this time the "ultimate reserve of taxation," as the Honourable Member called it,—the ultimate reserve—the salt-tax is once more brought out and they are asked to double it. And, Sir, the first general election is in sight! This Assembly is finishing its life and going back to the electorate. These Members, having during the whole of their time imposed a succession of additional taxation are now asked as their last act, to double the salt-tax and then go back to their constituents and ask for re-election!

The Honourable Sir Malcolm Hailey (Home Member): You kindly voted for us last year.

Sir Montagu Webb: Well, Sir

Mr. President: Order, order. The Honourable Member is rather a long way from the subject. At the moment Chaudhri Shahab-ud-Din moved his amendment the issue was narrowed between the two figures, and particularly I understood the Honourable Member wished to address himself to that.

Sir Montagu Webb: The object of my remarks is to persuade the Members of the Treasury Bench and Government Officers to abandon the idea of doubling the salt tax, and to accept the amendment which my Honourable friend has put before them. I may say that although I used the political argument at some length, I was not concerned so much with the fate of the Legislators as with the fate of the Government, and the Reform Scheme itself. Now, Sir, during the last two or three years it has been my fortune to travel round the whole of this country two or three times, and I must say, Sir, that nothing has depressed more than to note the growth of suspicion, hostility, loss of confidence, and disbelief in the sincerity of Government, and of Government's good motives that has sprung up on all sides. This has very often, I think, been the result of ignorance and malice; but still it exists, and I know no royal road to getting over this difficulty. But I submit to the officers of Government that it is very inadvisable in

these particular circumstances to go out of the way, so to speak, to *double* the salt tax and thereby place a handle in the hands of the enemy to make Government still more unpopular. We are at present in a very difficult situation. I confess that I do feel some sympathy with what an Honourable Member from Bombay said yesterday in this connection that it seemed to me that the Honourable the Finance Member was very severe and unbending in that although we are in a great financial difficulty he would not allow the whole of the war expenditure to be debited otherwise than to revenue

Mr. President: The Honourable Member is now quite out of order.

Sir Montagu Webb: I will come right back. I was about to recall the fact that an Honourable Member from Bombay had severely criticised the Honourable the Finance Member for being stern and unbending. The Honourable and gallant Member, I think, in his similes and criticisms went very much further than needs of the case or the facts of the case demanded. Now, I would like to appeal to my Honourable friends, Mr. Seshagiri Ayyar and Mr. Rangachariar who are stoutly resisting this proposal to double the salt tax—I would appeal to them that they on their side must not be rigid and unbending. Here is an occasion where there must be give and take on both sides. It is no use for us to say that one side is unbending when we on the other side are similarly unbending. I do appeal therefore my friend Mr. Seshagiri Ayyar and his party who propose to leave the salt tax at Rs. 1-4-0 to bend and to meet the situation half way by acquiescing in and supporting the amendment put forward by my Honourable friend Mr. Shahab-ud-Din to raise the salt duty to two rupees only.

Mr. President: I see Honourable Members are not very willing to discuss the amendment to the amendment and I shall therefore dispose of it

The Honourable Sir Basil Blackett: Before you put the amendment, if you are about to put it, I should like to say that in the difficult circumstances that have arisen Government obviously prefer Rs. 2 a maund to Rs. 1-4-0 a maund and they will feel bound therefore, if the amendment of Rs. 2 a maund is put before the amendment of Rs. 1-4-0, to vote for the amendment to the amendment to the extent of putting Rs. 2-0-0. They reserve, of course, their right to a further consideration of the question when the main question is put as between the Finance Bill and the amendment.

Mr. Jamnadas Dwarkadas: May I, Sir, request you not to put the question at the present moment?

Mr. President: I warn the Honourable Member that the issue is very narrow and I shall have to pull him up sharply. I had to pull up Sir Montagu Webb three times, and I warn the Honourable Member that the issue is so narrow that it is difficult to keep the discussion in order.

Mr. Jamnadas Dwarkadas: I want to support the motion as moved by my Honourable friend Mr. Rangachariar and oppose the amendment as moved by my Honourable friend, Mr. Shahab-ud-Din, and in dealing with this I shall certainly have to deal with the speech that my Honourable friend Mr. Innes has made in support of the Government proposal. The Honourable Mr. Innes

Mr. President: The Honourable Mr. Innes has not spoken on this amendment.

Mr. Jamnadas Dwarkadas: The Honourable Mr. Innes has spoken on the motion of Mr. Rangachariar

Mr. President: The Honourable Mr. Innes has not spoken on this amendment.

Mr. Jamnadas Dwarkadas: Sir, the Government have taken this attitude now of supporting in the first instance the amendment put forward by Mr. Shahab-ud-Din. To all intents and purposes it may be said that so far as Mr. Rangaohariar's motion is concerned we have those that support Mr. Shahab-ud-Din and those that support the Government combining to vote against that amendment. I therefore take leave to review some of the arguments advanced by the speakers for an increase of salt tax. It has been pointed out that it is necessary to look ahead. I hope that that lesson will be taken to apply more to the Government Members than to ourselves. We have had an admission here that the attitude that we took up last year has turned out to be the right attitude, and the attitude that the Government took last year has turned out to be the wrong attitude. I won't wonder if next year, in spite of the strong advocacy that we have heard in favour of the enhancement of the salt tax, we are again told by Government when we have defeated them once more that we were in the right and they were in the wrong. It is they who ought to look ahead and not try to impart that lesson to us.

But, Sir, another argument has been put to us. We have been told, "you are opposing this enhancement only on political grounds, because you are not likely to convince your electorate. Go and educate your electorate." Now, Sir, yesterday you placed upon us a number of restrictions that are imposed on the Members of the House of Commons. I wonder if a responsible Member of the House of Commons could have said to the other Members of the House of Commons, "we are unbending; go and educate your electorate." It is because in this House we have Members who are not responsible

Mr. President: The Honourable Member is entirely irrelevant.

Mr. Jamnadas Dwarkadas: I was only trying to deal with the argument that was advanced. I only meant to say that if the Honourable Member was responsible

Mr. President: If the Honourable Members wish to discuss the general application of the salt tax they had better let me get the issue between Rs. 2 and Rs. 2-8 out of the way.

Mr. Jamnadas Dwarkadas: My only submission, if I may be permitted with all due respect to the Chair to make it, is that the position has been altered by the Government practically accepting the amendment moved by Chaudhri Shahab-ud-Din.

Mr. President: The Honourable Finance Member announced that Government proposed to vote for that amendment but they safeguarded their rights as they must, because they will have a further opportunity in common with the rest of the House of discussing the issue between Rs. 2 and Rs. 2-8.

(Several Honourable Members: "The question be now put.")

Mr. President: The question is that the question be now put.

The motion was adopted.

Mr. President: The original question was:

"That clause 2 stand part of the Bill." e

Since which an amendment has been moved:

"That in clause 2, sub-section (1), for the words 'two rupees and eight annas' substitute the words 'one rupee and four annas'."

Since which a further amendment has been moved to Mr. Rangachariar's amendment :

"to omit the words 'one rupee and four annas' in order to insert the words 'two rupees'."

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

The Assembly divided :

AYES—48.

Abdur Rahim Khan, Mr.
Abul Kasem, Maulvi.
Achariyar, Rao Bahadur P. T.
Srinivasa.
Aiyar, Mr. A. V. V.
Akram Hussain, Prince A. M. M.
Allen, Mr. B. C.
Amjad Ali, Maulvi.
Barua, Mr. D. C.
Bhanja Deo, Raja R. N.
Blackett, Sir Basil.
Bradley-Birt, Mr. F. B.
Bray, Mr. Denys.
Bridge, Mr. G.
Burdon, Mr. E.
Cabell, Mr. W. H. L.
Chatterjee, Mr. A. C.
Clark, Mr. G. S.
Cotelingam, Mr. J. P.
Crookshank, Sir Sydney.
Dalal, Sardar B. A.
Faridoonji, Mr. R.
Gidney, Lieut.-Col. H. A. J.
Haigh, Mr. P. B.
Hailey, the Honourable Sir Malcolm.

Hindley, Mr. C. D. M.
Holme, Mr. H. E.
Hullah, Mr. J.
Ikramullah Khan, Raja Mohd.
Innes, the Honourable Mr. C. A.
Ley, Mr. A. H.
Lindsay, Mr. Darcy.
Mitter, Mr. K. N.
Moir, Mr. T. E.
Moncrieff Smith, Sir Henry.
Muhammad Hussain, Mr. T.
Muhammad Ismail, Mr. S.
Percival, Mr. P. E.
Reddi, Mr. M. K.
Rhodes, Sir Campbell.
Sams, Mr. H. A.
Shahab-ud-Din, Chaudhri.
Singh, Mr. S. N.
Sinha, Babu Adit Prasad.
Spence, Mr. R. A.
Townsend, Mr. C. A. H.
Ujagar Singh, Baba Bedi.
Webb, Sir Montagu.
Willson, Mr. W. S. J.

NOES—55.

Abdul Majid, Sheikh.
Abdul Quadir, Maulvi.
Abdul Rahman, Munshi.
Ahmed, Mr. K.
Ahmed Baksh, Mr.
Ahsan Khan, Mr. M.
Asjad-ul-lah, Maulvi Miyan.
Ayyangar, Mr. M. G. M.
Ayyar, Mr. T. V. Seshagiri.
Bagde, Mr. K. G.
Barodawalla, Mr. S. K.
Basu, Mr. J. N.
Bhargava, Pandit J. L.
Chaudhuri, Mr. J.
Das, Babu B. S.
Faiyaz Khan, Mr. M.
Ginwala, Mr. P. P.
Gour, Dr. H. S.
Hussanally, Mr. W. M.
Iswar Saran, Munshi.
Jafri, Mr. S. H. K.
Jamall, Mr. A. O.
Jamnadas Dwarkadas, Mr.
Jatkar, Mr. B. H. R.
Jejeebhoy, Sir Jamsetjee.
Joshi, Mr. N. M.
Kamat, Mr. B. S.
Lakshmi Narayan Lal, Mr.

Latthe, Mr. A. B.
Man Singh, Bhai.
Misra, Mr. B. N.
Mudaliar, Mr. S.
Mukherjee, Mr. J. N.
Nabi Hadi, Mr. S. M.
Nag, Mr. G. C.
Nand Lal, Dr.
Neogy, Mr. K. C.
Ramayya Pantulu, Mr. J.
Ramji, Mr. Manmohandas.
Rangachariar, Mr. T.
Samarth, Mr. N. M.
Sarfaraz Hussain Khan, Mr.
Sa-vadhikary, Sir Deva Prasad.
Sassoon, Capt. E. V.
Schamnad, Mr. Mahmood.
Shahani, Mr. S. C.
Singh, Babu B. P.
Sinha, Babu Ambica Prasad.
Sinha, Babu L. P.
Sinha, Beohar Raghurib.
Sohan Lal, Mr. Bakshi.
Srinivasa Rao, Mr. P. V.
Subrahmanayam, Mr. C. S.
Venkatapatiraju, Mr. B.
Vishindas, Mr. H.

The motion was negatived.

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

The Assembly re-assembled after Lunch at Half Past Two of the Clock. Mr. President was in the Chair.

Mr. T. V. Seshagiri Ayyar: Sir, after what the Honourable Mr. Innes said, namely, that from the economic point of view there can be no doubt that the salt tax can be fully justified, it requires some temerity to answer that argument, but I would add in all humility as my friend, Mr. Iswar Saran would have it—I would say that there is another side to that question. Sir, I have collected statistics to show that whenever the duty was high, the consumption of salt in this country has been very low, and as the duty was lowered from year to year, the consumption increased. I will mention only a few figures and then pass on my table to the Honourable Mr. Innes. When the tax was Rs. 3-4-0, the consumption of salt in this country was 28·8 million maunds. When it was Rs. 2-8-0 it came up to a considerably higher figure. When the tax was Rs. 2, it went up to 38·2. When it was Rs. 1-8-0, it went up to 41·3. When it came down to Re. 1, it went from 43·5 to 48·2; and again when it went to Rs. 1-4-0, it came down to 44·8. Now, during the last three years there has been some increase, and it is now 52·8. Now, Sir, that shows that if the tax is low, there is greater consumption of salt in this country; and what does it mean? It means freedom from epidemic diseases, and that people will be healthier in consequence of the consumption of salt. And what do they consume at present? It is 12 lbs. according to official estimates, whereas in Burma, according to official estimate, they consume 17 lbs. per head. Now, if there is less tax, people would be in a position to consume a great deal more and thereby the Government also would be in a position to get more income. Sir, I think if the Government would apply its mind to reducing the tax instead of increasing it, they would get a great deal more income than they are getting now, because there will be greater consumption of salt.

Sir, the Honourable the Finance Member has used one argument very consistently and I must, with your permission, refer to it for a minute. It is this. He told the House that Member after Member had risen in his place and said that there should be a balanced budget. Sir, when we said that at the time when the Budget was introduced in this House—and I was one of those unfortunate men whose expression has been availed of by the Honourable the Finance Member—what we meant was that we and the Government should sit together and see that the expenditure is cut down a great deal more and that thereby the Budget is balanced. That is what we intended to convey to the Honourable the Finance Member and not that if the Government were not going to do that, we should help them by the imposition of new taxes. If the Honourable the Finance Member is under that impression, he is very much mistaken. The argument which has been put forward very often from the Government Benches that it is our duty to balance the Budget has no force whatsoever if they would not meet us half-way. If they themselves cut down their expenditure, then it may be possible for us to meet them half-way. The principle of give and take seems to mean, according to the Government Benches “Give everything and we shall take everything.” That is the only meaning they ascribe to the expression “give and take.” There is one other matter to which I wish to allude and then I will sit down. It is this. A great deal has been made about this being a question of sentiment and of its not being based upon sound reasons, that it is for political reasons that we are voting

against the salt tax. I will admit for the moment that it is a question of sentiment. But can any civilised Government afford to ignore the feelings of a whole nation? If it is a sentiment, it is the sentiment of the intelligentsia of the country, of the poor of the country and of every one living in the country. Can any civilised Government afford to ignore that sentiment and say "We are going to enforce our sovereign will upon you." Can you say that? Will any civilised Government be justified in saying that? As regards the political reasons, I am astonished that officials who have been born in England and who have been brought up in the atmosphere of political amenities, should take exception to my friends saying that on political grounds it would be impossible for them to go before their constituencies if the salt tax is increased. Sir, speaking for myself, I am in a very fortunate position; I am not in the same unfortunate position that my friends are in. I am a nominated Member and, therefore, I have no constituency to which I have to account; but, so far as my friends are concerned, is there anything wrong on their part if they say "We want to serve the country again and it would be impossible for us to do that if we are parties to the increase of the salt tax." Is there anything wrong in their saying that? I can understand the Government Benches saying "We are not bound to help you; there are as good fish in the sea as come out of it, and those who come after you might help us to balance our Budget." But let me ask them if there is anything wrong on the part of my friends if they say that it is not fair to them to ask them to consent to this tax, and that, if they do, they will not be able to get back. Sir, I think they are justified in that and I think a great deal has been said about it which ought not to have been said.

For these reasons, Sir, I am strongly of opinion that the motion which has been made to reduce the tax to Rs. 1-4 should be accepted by this House. There are some friends who have spoken against the increase of the duty by 100 per cent. but who have voted for the increase of the duty by eight annas. I am quite sure, if they are consistent, they will go into the Lobby with us when this question of raising the duty by 100 per cent. comes to be voted on.

Sir Campbell Rhodes (Bengal: European): Sir, I feel the debate has lost a little of its reality since the trial of strength this morning, but there are one or two points that I should like to put before Honourable Members. Personally I am not altogether sorry that the rather wishy-washy compromise proposed in the amendment of my Honourable friend and so ably advocated by the sentimental financial expert from Karachi did not succeed. I would much rather face the straight issue and at the outset I would like to endorse what Sir Montagu Webb said, about the difficulties this Assembly has experienced, and also to pay my tribute to the Honourable Members on my right who have done so much these last three years and worked so consistently and so successfully to get the expenses of the Government down.

Various alternatives have been put forward and I would like, on the permission you kindly gave us yesterday, to refer in brief to one or two of these alternatives. There is the question of book-keeping my Honourable friend from Karachi advocated—that is to say, to balance the Budget with the help of an eraser and a penholder. I do not think he was really serious in that suggestion.

(An Honourable Member: "He was.")

Sir Campbell Rhodes: He may have seemed so to the Honourable Member, but to me it looked as if he was speaking with his heart in his mouth and *ipso facto* therefore his tongue must have been in his cheek. But another proposal has been made,—and here again I find my foes are of my own household—by the President of the Madras Chamber of Commerce,—this question of surcharge. I submit, Sir, that the only justification for a surcharge is a national and sudden emergency occurring between two Budget periods when at all costs money must be suddenly raised. I do not know whether it has occurred to Honourable Members—I should like to think that it has not—that this suggestion was the suggestion for tax-paying Bengal.

Mr. Jamnadas Dwarkadas: Also Bombay.

Sir Campbell Rhodes: I will take in my friends from Bombay. They and we between us provide practically the whole of the income-tax and the import duty. But Bengal also, I may tell Bombay, supplies 77 per cent. of the export duties, so that this, Sir, after the generosity of the House last year in regard to Provincial Contributions is an attempt, after giving us 63 lakhs, which they said we were honestly entitled to, to charge us about 2 crores.

Then, Sir, Mr. Moir expressed some doubt yesterday as to what a super-heater was. I may tell him in simple language that a super-heater is a method of turning steam into gas. That brings me to my friend, Dr. Gour. He suggests that the tax on iron and steel should be put up. Dr. Gour had, I believe, a most successful career at Cambridge as an economist. (A Voice: 'No.') I have his own authority for saying so. That, Sir, was many years ago, but I do take exception when he drags into the quagmire of economic fallacy the Members of the Fiscal Commission. I have the book here, Sir, and I can lend it to him and he can rub up his somewhat tarnished economic truths by reading that book and finding out where we recommend heavy import duties on iron and steel. I am not quite sure in regard to cloth whether my friend, Mr. Jamnadas Dwarkadas, was not a little off the rails and was going a little away from the report which he enriched with his own signature. Well, Sir . . .

Mr. Jamnadas Dwarkadas: Will the Honourable Member read out exactly what the Fiscal Commission has said with regard to steel?

Sir Campbell Rhodes: I think it would save the time of the House if Members will read it at leisure. But, Sir, Mr. Jamnadas Dwarkadas will find out exactly what they said in paragraph 108. We have explored all these methods and we have found that they are impracticable. Then we come back to the question of balancing the budget. My Honourable friend, Mr. Seshagiri Ayyar, was very anxious to balance the budget as long as it was cutting down the grants; but he is not so anxious now and he is willing to face a deficit. Well, Sir, I am not. We have done our level best to balance the budget by cutting down the grants and we have failed. The alternative now before the House is a salt tax or a deficit and it is suggested that the salt tax would press more hardly on the poor. I am not certain about that. The Finance Member has pointed out that a deficit is adding to the unproductive debt of the country, but experience has shown that it is also adding to the inflation of the currency. Now, that means in simple language that a rupee purchases less than it did before the inflation and therefore the poor man can buy less salt with the money. Whichever alternative you adopt, whether it is deficit with its necessary

inflation or salt tax, you will inevitably reach the same end, putting some burden on the poor. I think, Sir, and I think most in the House will admit, that this is really a political rather than an economic question. The Members of the House are faced with the alternative of either their lives or their principles, and I would suggest that while it is an uncertainty about their life it is a certainty about their principles, and by saving their principles they may also save their lives. The Honourable Mr. Innes suggested that the constituencies should be educated. It was received very coldly in the House,—why, I do not know. Whether the implication was that the members are not qualified to educate their constituencies or the constituencies are not capable of being educated, I cannot say, but if they want a text book, I strongly recommend to the Government that the eloquent and convincing speech of the Honourable Member for Commerce which he made in the House this morning should be distributed broadcast in all vernaculars throughout the country.

There is another reason, Sir, why I gave my vote last year, and shall give it again, to the salt tax. We have tried, as I have said, to balance our revenue, and we have failed. We want permanently additional sources of revenue. That is what I personally want, and what I should imagine the Government probably also want. Let us face that fact. We are not living now in abnormal times. We are working under normal conditions, and we cannot gamble on better monsoons than we have had this year in the future. Last year my Honourable friend Mr. Joshi twitted me because I preferred salt to cloth. Mr. Rangachariar has, I think, answered that argument, but I may point out that in the interests of the people, it is better that for every rupee you collect sixteen annas should go into the pockets of the Government. That is the case in salt. The case of cloth is that for every rupee you collect from import duties six annas will go into the pockets of Government. I hope, therefore—though I admit it is a very faint hope,—after the division this morning, that the House will reconsider this matter.

Captain Sassoon in a speech which contained much that I personally take strong exception to mentioned that it was within the rights of the Government to restore this salt tax if the House threw it out. Where you have rights, and I am addressing myself now to the Honourable the Finance Member and his colleagues, you have also responsibilities,—if Members say they must represent their constituents, then the Honourable the Finance Member must represent sound finance; otherwise it was not necessary to have brought him out from England; we might have got our Finance Minister nearer, say from Karachi. (*A Voice*: "Why not from Calcutta.") I am afraid Calcutta would not help. A celebrated surgeon was taking half a dozen senior medical students round the hospital in London, and coming to a certain bed he asked the students what they thought of the condition of the patient. They all said, he was not very ill and they thought if he were left alone he would be all right. The surgeon replied "Gentlemen, you do not realise the symptoms, and I shall operate to-morrow". Here the patient interposed and said "you will certainly do nothing of the sort when the majority is 6 to 1 against you." I leave the Honourable the Finance Member and his colleagues to take the bearing of that story and to decide what is right both in the interests of their own reputation and of the life of the patient. But I appeal, Sir, once more to the House to take a more statesmanlike view of this position than has been indicated in some of the speeches. My Honourable friend Mr. Rangachariar says that the Government Benches are afraid of odium. The

[Sir Campbell Rhodes.]

Honourable Member for Commerce has looked across the House and has said "Why not have the pluck to do it?" Standing in this position, Sir, I see many reeds on both sides of the House shaking in the wind and I would urge a little courage. I would urge Members to lead rather than be led by their constituencies. This question of odium does not appeal to me at all. Face the odium. I gather Mr. Rangachariar's new chemical designation for salt in future will be "odium chloride". I appeal, therefore, finally, Sir, to the House to accept their responsibilities and not to look back at the burning cities of bankruptcy behind but, if they do it, I can only repeat that old warning, which seems extraordinarily appropriate to the subject before us: "Remember Lot's wife."

Sir Deva Prasad Sarvadhikary (Calcutta: Non-Muhammadan Urban): Sir, notwithstanding your best endeavours and the prevailing depression in trade, one trade, in particular (in spite of this stifling weather), has been flourishing, and that is the trade in red herrings constantly trailed all across the line. Some are always trying to get us out of vision of the one issue now before us, and that is whether there is going to be enhancement of salt duty to the extent of Rs. 2-8 after the amendment to the effect that it be raised to the extent of Rs. 2 has been lost. That is all that we are now concerned with. And I do not think that appeals to passions and prejudices, whether with regard to provincial contributions or the likelihood of Bombay and Bengal having to pay more in the shape of income-tax and customs duties, need trouble us for the present purposes. I should have thought, Sir, that, after the Honourable Mr. Innes's eloquent disclaimer of eloquence of a democratic nature, we should have had less eloquence of a bureaucratic nature, trying to take us away from the issue before us.

Sir, an appeal has been made on the ground of economic aspects of the question. I desire to offer one or two observations with regard to that to start with.

Mr. Innes gave us certain figures. The latest figure, according to him, regarding the Delhi retail salt market, is 11 seers to the rupee or thereabouts. Mr. Innes probably, like another occupant of the Government Benches with whom I had the honour of talking about the matter, had sent for his butler and asked him what he spends on salt—if his butler is the man to spend money on salt as he spends money on other "necessities." He may have found out, by calculations in his office as well as this direct investigation, that the increase is no more than 3 annas a head. Well, I had the curiosity to send for my bazaar *chit* this morning and the retail price of salt at Delhi this morning, or yesterday morning, is 10 pice to the seer for, no doubt, salt of the better kind. Therefore, it is not a question of whether the extra tax is to be 12 annas or Rs. 1-4. It is much more. The moment you disturb the market after it is getting settled down, unscrupulous—call them if you like—dealers, middlemen, intermediaries, disturb the market to an extent that makes the real rate inoperative for you cannot stabilise retail rate without objectionable control. Last year, there was this attempt to raise the tax. It failed. I don't complain. I don't call it want of consideration or courtesy on the part of Government to bring it forward again. It is worse. I would like to borrow

8 P.M.

Mr. Innes' own language with regard to attempts to interfere with other portions of the Finance Act Schedule. He appealed to us not to disturb other markets on short notice but to let things go on. Well,

last year people thought that a steady salt rate was to be continued and on the 1st of March we have this proposal. Disturbing influences have been in operation already and revenue to the tune of Rs. 30 lakhs will probably have been collected by the end of the month. But the people pay a great deal more. All this goes to show that although the initial amount of taxation may be small, the extent of bad and malignant influences on the market is tremendous, and we have got to save people against results of fluctuation. Sir, the question of the use of tea in England has been brought in. I should like to know whether England makes its own tea in the same way as India has been making its own salt and can make its own salt if it is allowed and if there is encouragement. Therefore, the two questions are not analogous at all.

Mr. R. A. Spence: Are both necessities?

Sir Deva Prasad Sarvadhikary: Well, salt also is I suppose a necessity in England—at least now. Is it taxed? Where is the good of talking about necessities that you create. To some people beer is a necessity. But that is no reason why the Honourable Member from Bombay should plead for free beer.

Mr. R. A. Spence: No, not at all.

Sir Deva Prasad Sarvadhikary: Coming to another branch of the economic question, 3 annas only—a miserable negligible 3 annas—to be added per head and why object to it. But 3 annas out of how much? The other day a question was asked in the House and was never attempted to be answered because Government had not the materials though it should have, "What is the average income of the people of this country?" was asked and we have no up-to-date information. In old school books, probably now standing discredited, it was put down at something like Rs. 50 a year. (*A Voice*: "Rs. 35.") I am taking it at the higher figure, because that was at one time quoted. Let us have it even at Rs. 60 a year or the stupendous sum of Rs. 5 a month to be spread over all the necessities of life. We have been reminded, Sir, of how the cloth situation will be affected if we were to put on what was suggested with regard to surcharge on customs duty. But let me assure this House, Sir,—at least that portion of the House that does not know anything about it—that the 12 yards or 10 yards standard of cloth does not apply to people except to a very small extent. There are people in India who have to go about from month to month and year to year with a modicum of 3 yards of clothing purchased or donated at some ceremonial time and which has to do duty for all the year and more. But these people must have salt and plenty of it. That is the only thing that they have to fall back upon. As regards tobacco that Chaudhri Shahab-ud-Din speaks of, I am at one with him. Like me if he will start an anti-smoking society in the Punjab and be the President of the society I should understand his point and plead that the agriculturist or the artizan who spends Rs. 2 on his tobacco and should not do that. But the men I speak of have to go on from day to day literally without their pinch of salt. What is the use of quoting cloth figures and tobacco figures with regard to a much more prosperous class? This, Sir, with regard to some of the economic aspects of the question.

As regards the political aspect, Sir, I shall take up a much smaller issue. Was there any political aspect of the kind suggested present in the

[Sir Deva Prasad Sarvadhikary.]

minds of Assembly last year? There was none, for there could be none. And yet the House made up its mind definitely, and unmistakably and made that mind quite clear. Sir, as I have had by way of penance, occasion of telling the House more than once, that all these stock arguments in favour of salt duty are absolutely familiar ground with me, because I have had—I shall not say the misfortune but the necessity of using them longer than Mr. Innes has been in service. But I have long changed my point of view, examined the foundation of belief as Mr. Innes appeals to us to do. I believe that where the country is strongly and fairly unanimously of the mind that it is with regard to salt duty, it is the duty of those who have been favouring us with those stock arguments to revise their position and see eye to eye with the country which should be spared this fiery cross. It is a mistake to suppose that we cannot face our constituency because there is going to be this extra salt tax. Would it affect them? It is a very limited constituency, a very limited constituency. I repeat though I hear a cry of 'No' behind me. I shall explain myself. The constituency has to pay a certain amount of tax without which they cannot come on the register of voters. They are not in the position of those I speak of and will not mind an increase, slight or large. It is those who are never on the voting list, who have no chance of coming on the voters' list—it is those that this House has to think of, and not merely of the individual constituency. All these considerations point to one direction regarding the immediate matter before us, namely, this House cannot consistently with its attitude last year do anything but oppose the proposed salt tax. Sir, I shall not take a share in the red herring trade and I shall not go in this connection again into the question as to how this budget is to be balanced. We have had our say. We have made our suggestions, we have shown our anxiety to do the best we can to help the Government. (*A Voice*: "No.") There is absolutely no good of meaningless interruptions like that because the House tried to find the best devices it could on short notice and insufficient materials which have not been acceptable. As Mr. Rangachariar has pointed out, we are prepared to meet a deficit as we make it out, not one that has been made for us, certainly not one that has been handed to us not only for a series of years but almost for generations. We have done a great deal. We want to do more and rigid retrenchment is one of the methods. The Honourable Mr. Innes reminded us that there is a great deal of difference between last year and this year. So do I say, and we have just begun retrenchment; we have not devised nor carried out retrenchment to the fullest possible extent. I recognise that the whole of even the Incheape reductions could not be carried out this year. I also recognise that the civil authority have been partly helpful. I am thankful that the Railway authorities have to a certain extent come to our assistance by accepting my proposal about the Railway cut and by being helpful in other ways. While we have succeeded in getting a cut of Rs. 62 lakhs I believe or in the neighbourhood of that figure on the civil side, could not the Military authorities do something since we appealed to them last? There is a considerable amount of margin of recognised possibility of reduction leaving alone reduction of units and other questions that must await decision elsewhere. Could not the Military Authorities have taken our pitiful circumstances into consideration and said, here is another cross which without inconvenience we propose to spare, say out of the barracks, say out of the stores, or out of a thousand and one other things with regard

to which neither Whitehall nor the British Cabinet need dictate—could not they have come to our assistance and helped us and thereby minimised the supposed deficit? Then there is the question of accounting so slightly spoken of; but that has got to be put right. These are matters which under your ruling, (and I do not want to abuse your ruling except to show that ours is not a blind vote)—I will not go into now. The major question now before us is as to what is to be done with regard to this extra tax and I think that the House has one clear duty before it, namely, to reject it. Those who could not go the whole way with us but were for a compromise of Rs. 2 cannot now go back upon what they have given out as their principles, including the gentleman from Karachi who has come in for a good deal of Bengal sarcasm. In the words of Mr. Seshagiri Ayyar, they have to go into the lobby with us.

Mr. T. E. Moir (Madras: Nominated Official): Sir, I am afraid that I am in trouble again. I do not like to be in trouble, especially when it is really my own fault. But it is rather a shock to me to be accused by my Honourable friend Sir Montagu Webb of being devoid of sentiment. I was, Sir, under the impression that for the last year or more I had been engaged on a somewhat quixotic crusade which practically every one else thought could only be defended on sentimental grounds. But it is my own fault, because my Honourable friend based his remarks on a speech which I made yesterday. Sir, I am not a particularly adroit or experienced debater and I think the House will remember that I had the misfortune, quite deservedly I admit, to be called to order by the Chair for going beyond the scope of the debate and inexperienced as I am,—I am rather easily put out of my stride—the result was that various misleading lacunae were apparent in my argument which might not otherwise have appeared. But Sir Montagu Webb himself is not entirely devoid of sentiment, is, may I say, not devoid of practical common sense either because in referring to my lack of sentiment he himself took the opportunity of putting forward what I might refer to as Sir Montagu Webb's election mixture, which, as far as I could make out, was 50 per cent. sound common sense and 50 per cent. sentiment. I have no doubt that is a very good mixture for elections. But I also think that what we are still really discussing is this deficit and how it is to be met. Now, opinion on this point has apparently somewhat veered in certain quarters since yesterday, for I remember distinctly putting the question whether it was not the case that every Member in this House agreed that the deficit had to be met. I paused for an answer deliberately and I heard not a single voice raised in dissent from that proposition though demurred to to-day. Now, Sir, have I ever said that I liked the salt tax or that I liked additional taxation? I do not, any more than any other Member of this House. But surely when it is a choice of evils it is at least legitimate to consider that in the interests of the country at large, it may be worse that we should leave that deficit uncovered than that we should cover it by additional taxation, even if that additional taxation implies an addition to the salt tax. I do not think that there is any question of callousness necessarily involved in putting forward that proposition. I do not expect every one to agree with me, but at any rate there surely is, I think every one admits it, much to be said against our leaving this deficit uncovered. Now, Sir, it is very difficult to confine oneself to the point or points which happen to arise out of a particular motion or amendment, but I should like to state now,—I think I shall in the main only be repeating—some of the arguments as regards the salt tax. I shall do so in the first place from

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a purely financial standpoint, if I may try for a moment to ascend those somewhat arid heights which most of the Members of the House rather studiously avoided. I should like to endorse what Sir Campbell Rhodes has said as to the fact that the salt tax has at least one merit, that you do gain the whole of the additional taxation for the public exchequer. My Honourable colleagues on the Finance Committee will remember that in the last two months we have had a large number of proposals put before us for the strengthening of the other revenue—raising Departments, whether it be the Customs Department or the Income Tax Department or our Railways or our Posts and Telegraphs, and on each occasion we have been told, and we have generally found it necessary to accept that view, that this additional expenditure was essential in order to secure the additional revenue. But as regards the salt tax, I remember last year—I can speak for Madras only—that when we were informed that the salt tax was to be raised, we did not consider it necessary to ask for a single additional clerk or peon or any other official in our salt establishment; that is to say, that the whole of the additional taxation was going to be collected without any additional expense; and here perhaps I might correct a statement which I have heard from one Member, that is to say, that the additional taxation proposed was 6 crores; I understood that it was 4½ crores, this year. I suppose that the reason why 4½ crores only is estimated is that there are large stocks at present in the hands of dealers which they will naturally sell before buying more salt. But at any rate that advantage cannot be claimed for the other proposals which have been put forward as alternatives. The two principal alternatives are, an increase in the customs or in the income-tax. Now I cannot help being struck by the fact that the income-tax and customs have let us down very badly in the last two years, and that it is exceedingly doubtful if any readjustment of the income-tax or the customs could possibly meet our real requirements in the current year. In saying that, I am not in the least attempting to argue that the compromise which some Members of the House sought to achieve would have been a bad thing. I would have been prepared myself, if that compromise had been secured, to welcome it, in spite of that lack of sentiment which has been attributed to me. A further point to which I would like to draw the attention of the House is that as far as I can see—and I am here talking of the four principal heads of revenue with reference to which, I think, comparison might justly be made—that whereas in 1913-14 the salt tax represented something like 26½ per cent. of the revenue under those heads, even with an increase to Rs. 2-8-0, at which figure I may remind the House it has stood on a previous occasion, the percentage that the salt tax would bear to the total collections under these heads would be only about 15 per cent. Now, what this conveys to my mind, taken together with the failure of Customs and Income tax to realise our expectations, is that the effect, the financial effect, of the new financial arrangements have not been entirely or correctly foreseen and that there is in consequence a lack of balance and of due proportion in the present incidence of our taxation, for which the present proposal will really be in part a remedy. I cannot possibly enter now on such a wide question, but it seems to me that the criticism applies not only to our taxation but also to our tariffs, and that the temporary expedients such as have had to be adopted year by year with reference to the existing financial situation have gradually thrown our whole taxation system out of gear. I sincerely hope that that is a question which the Finance Department will take

under consideration before another budget is placed before this Assembly, because I do not think that we cannot possibly go on for another year, quite apart from questions of deficit or anything of that kind, without a real over-hauling and examination of the principles underlying our taxation and our tariffs. Now, to deal for a moment with the sentimental grounds I do not think that any Member has really made out a case that we are going to impose on the people of this country an intolerable hardship by this increase of the salt tax. As has been pointed out, any slight increase, any slight fluctuation in food prices, a few weeks' anxiety about the monsoon in any part of the country, would have a much more serious effect on the agricultural population than the proposed increase in the salt tax. But there is one consideration with reference to this question of balancing our Budget which I would like to put to the House. I have listened in this Assembly to a great deal of discussion about tariff reform, about our being master of our own fiscal policy. We have even talked of the abolition of the salt tax. Now, I am perfectly certain that all such talk is entirely in vain so long as we continue to have deficits; so long as we have deficits, our financial policy must be deflected by purely revenue considerations and it would be no use of our talking about tariff reform or fiscal freedom; and paradoxical as it may seem, the royal road to the ultimate abolition of the salt tax may be to balance our budget this year even if it be at the cost of increasing the salt tax. At any rate, if we want our fiscal freedom, in my opinion we have got to get rid of both deficits and of provincial contributions.

Now, Sir, I wish to turn to a few remarks which fell from one or two of the speakers in this House. Dr. Gour said that he would not tax salt because it was a necessity. Now, I would ask Dr. Gour if he considers clothing a necessity. I have always understood that clothing is regarded as the mark of and necessary to a civilised community and I have several times in the Indian press seen it thrown up against my own countrymen that at a time when India was at the height of its civilisation my ancestors were roaming the woods in a garment which consisted of at most two coats of paint. For myself, I have always been rather suspicious of the truth of that statement. My own experience of the hills and heights of Caledonia stern and wild has convinced me that the climate is really against a garment of that kind; in fact, I have not even had the temerity to wear what is regarded as my own national costume. But I was also interested in Dr. Gour's interpretation of the constitutional position of an elected Member of this Assembly with reference to his constituents. Dr. Gour said that the correct position was to follow their mandate. Now, I would have no objection to Dr. Gour following that mandate if he did it consistently, but, since I came up to Delhi, I have been deluged with literature in the form of protests against legislation proposed by Dr. Gour. One piece of that legislation is, I find, entered on the agenda for to-morrow. (*A Voice*: "Oppose it.") I do not know and I cannot say what the real attitude of Dr. Gour's constituents is to that legislation, but certainly the impression I have got is that they are distinctly against it. But I do not think Dr. Gour can have it both ways. He cannot lead from in front in matters of social reform and lead from behind in matters of taxation.

Now, Sir, I should like to turn to one or two remarks made by my Honourable friend Mr. Rangachariar. I was astonished to hear him throw

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out the suggestion that Government were in this matter merely attempting to deceive the Assembly. Now I have had many a bone to pick with the Government of India, but the suggestion that they have some ulterior motive in view, other than that of sneer financial necessity in balancing the Budget, has never crossed my mind, and I should have thought that the paramount obligation upon the Government of India to do so would be evident to anyone, and of course I am not in the least prepared to suspect the Honourable the Finance Member of wishing not to balance his Budget but to ensure the position of the Government of India so that they may continue on what Mr. Rangachariar terms their extravagant course—that rake's progress of which we have heard. If I found any reason to suspect that that was the case, let me assure Mr. Rangachariar that I should gladly join him in the hunt. Now I hope, Sir, I need say nothing more about the suggestion that the Government of India are a set of bold buccaneers who are merely raiding hen roosts for their own purposes. But another remark which the Honourable Mr. Rangachariar made was that he was not prepared to tax foodstuffs. That remark seemed to me incomprehensible. Ever since taxation was known, it seems to me that in India, the fiscal system had been based on the taxation of food stuffs. Is our land revenue in its essence anything else than the taxation of foodstuffs? What is it derived from? In the old days the Government of the country took its share direct of the foodstuffs. It took it in kind. Subsequently, when currency came into vogue and it was possible to do so, for the convenience both of itself and the people of the country it converted that share of the foodstuffs of the country into its cash equivalent. But what still more astonished me was that while many Members of this Assembly avow they are not prepared to vote any additional burden on the poor agriculturist in this matter, they are not consistent even in this. It was only the other day that I heard one Honourable Member—I do not think he is present now—say with reference to the question of tariff reform and protection that he was prepared to put a burden and a considerable burden on the country. He admitted that it would be a burden and he said that he was prepared to put that burden on the country, and he also assumed at the same time that the country would be prepared to take that burden on its shoulders. My Honourable friend, Mr. Rangachariar, also pointed out that even in the stress of war time the Government of India only imposed an addition of 4 annas to the salt tax. Now, Sir, when I came up here I was very unfamiliar with the financial policy of the Government of India. I am still very much at sea, I admit; but I have been slowly coming to the conclusion that to a very large extent our financial troubles now are due to the weakness—I might almost say, the folly—of our financial policy during the war. Those years of the war were really, as far as India was concerned, the fat years, and in those years we made no provision for the lean years which we did not see were coming, and in that respect I almost feel that I owe an apology to the Honourable Sir Malcolm Hailey.

I had been inclined, like some others, parrot-wise I am afraid, to assume that the responsibility was mainly his. I am beginning very much to doubt that, and to feel that it was not his fault so much as the fault of his predecessors who left to him a financial situation from which we are only now beginning to extricate ourselves. Now, Sir, one last point. One Honourable Member, I think it was the Honourable Member for Commerce

and Industry referred—I have hitherto been dealing with the question on pure financial lines—referred to the political grounds underlying our attitude towards this question of additional taxation on salt, and in that connection he referred to the fact that apprehensions of what the non-co-operators might say or do account largely for that attitude. Now, as to that, I have personally had much experience of the ways of the non-co-operators, and I do not think that I am likely to underrate either their malice or their capacity for abuse. But I will say this, that I have never yet known—I cannot recollect a single occasion on which any Government in this country or any official or any responsible non-official has yielded to his apprehension of that capacity and at the same time received any recognition or gratitude from the non-co-operators for so doing. But I will add, Sir, that in the Madras Presidency at any rate we are not afraid of non-co-operators. We have had our fight with the non-co-operators and we have beaten them and those who are now engaged in working the reforms in that Presidency are in no wise to be terrorised by the non-co-operators or by threats of what they may say or do. This budget as I have said has given to the Madras Presidency a view from Pisgah of the Promised Land, and let me say this, that if the Madras Presidency consents once again to go forth into the wilderness it will not be because of anything that the non-co-operators may say or do.

Rai Bahadur Bakshi Sohan Lal (Jullunder Division: Non-Muham-madan): Sir, it is admitted on all hands that salt is a commodity of life which is an absolute necessity for every human being, as well as for agricultural animals, specially of this poor agricultural country. A tax on salt affects more or less everybody from the highest to the lowest, but as a matter of fact it affects the poor the most. The middle classes, the wealthy people and others have the good luck of tasting other things like sweets, acid things and others, but the poor have got nothing to swallow their dry bread except with the help of salt. Salt is the only medicine for them; salt is the only luxury for them, and salt is the only thing on which their life can depend. The logic of the enhancement of the wages of labourers does not apply to the case of the salt tax. The 300 million or more population of this country does not consist entirely of labourers or traders or official and non-official workers. The proportion of such men is not more than one-tenth of the whole population. The majority consists of those who are unfit to work, the unemployed, indigent, impecunious, old persons incapable of moving about, the poor, the sick in bed, the children and *pardanashin* ladies, and last but not the least Hindu and Muham-madan widows with some children in arms, who, even if able bodied, have to depend entirely on a scanty earning of one anna or two by working a *charkha*. The reason why some Members of this Assembly have spoken in support of increasing the salt tax is because they do not know the condition of the poor people of this country. There is no representative of the poor in this Assembly, because they have no place even on the franchise list of the provinces or of the Assembly. They have got no property or other qualifications to send their representative. The labourers have got their representative in Mr. Joshi who is nominated by Government, but may I ask, who is representing in this Assembly those who are not labourers or have any property qualifications? The number of these people is certainly much more than those who are represented in this House. Their number who are not represented here is probably not less than 9/10ths of the whole population of this country. Are we not to safeguard the interests of those who are not represented here? Only those people who go to the

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villages know of what value salt is to the poor people, where salt is not produced. These poor people will take in barter the things which are produced in the village, grain, or any other thing, but salt which is to be imported from a distant place is to be purchased, and it cannot be assumed that it is very easy for every individual in this country to pay four annas. The number of people who are able to pay four annas is very small; the greater majority of them are those who cannot afford to pay even 4 annas. So it is in the interests of those persons who have no voice in this House except by the generosity of the Members of the Assembly that this salt tax should not be increased. I should say that even the most greedy among the profession of money-lending or of law or of medicine extend their free help to such men. There is a Punjab proverb that *Dayan bhi ek ghar rakh leta hai* which means that even a wizard retains at least one house untouched from his life-sucking charms or magic. There is an exception to every rule, so if there is to be an exception to taxation, salt should be the exception. A duty on tea, timber, cloth, iron, chinaware, tobacco, etc., or even on railways or postages will affect only those who can afford to pay in consideration of what they avail of, but this salt tax mostly affects those who cannot afford to pay and who cannot enjoy even the advantage of tea and cloth, etc. Their case is quite different from the rest. The enhancement of the wages has not in any way ameliorated their condition. They have rather been put into the worst position by the increase in the prices and in the wages. They have no means to earn but have to pay higher for their dry bread and salt. May I ask, is there any tax on salt in England, in France, in Italy, in America, or any other country? (*The Honourable Sir Malcolm Hailey*: "Yes, it is a state monopoly in those countries.") That is a different thing altogether. Certainly we will have to balance the budget of this great empire, but we also have to look to the budget of the poor and I respectfully submit that under any circumstances the tax on salt ought not to be increased and, if there is any occasion for a prosperity budget, the first thing to abolish would be the existing tax on salt. With these words, I support the motion.

The Honourable Sir Malcolm Hailey: I feel under a great disability in addressing the House at this moment. Not only has the House already by its previous vote given some indication of its feelings on this question but the arguments on both sides have been put and reput, have been argued and counter-argued and I feel that it would be of little avail to me now to re-state the case for the increase in the salt tax or to argue its necessity in the light of our financial position. Yet, there are considerations which I must put to the House, for I feel deeply the gravity of this occasion. I have felt it so deeply myself that I, with other friends, have been unremitting in our efforts to attempt some solution which would avoid the motion for doubling of the salt tax being put to the vote of the Assembly. To avoid that, we were willing to agree, as the House knows, to a solution which we ourselves felt in some respects highly undesirable. I need not go into its details here, for the attempt has failed. With the best good will we could not secure agreement, and we now stand faced with the necessity of supporting on behalf of Government the original measure embodied in the budget proposals. And this, Sir, comes at a moment when we are closing a momentous chapter in the history of this Legislature and indeed of the Reform Scheme. One has only to look back on the events

of the last year to realise its importance. It is not only the fact that the Legislature has represented to us, who have the interests of the Reform Scheme at heart, a proof that there was in India a strong and solid body of moderate opinion which the chief bulwark against the forces of disintegration and almost, I would add, of anarchy that seemed at one time to be flooding the country; it was not only that it has proved to us that to that extent the reforms were a success; but its own history as a Legislature has not been devoid during the last year of incidents which will have a powerful bearing on the history of India and its relations to Great Britain. I need not perhaps dilate on the importance which history will attach to what has happened in this Legislature in regard to questions such as our fiscal relations or to the Bill which affected the juridical relations of Europeans and Indians, nor in another sphere, to the discussions regarding the State management of railways. It is enough to say, that this question comes as the last of a series of discussions of the highest importance; it will be practically the last serious decision which this Assembly as an Assembly will have to take. Our business in Simla is seldom of the first importance. We foreshadow only a short Session there this year, and naturally, in a short Session, we shall, if we can avoid doing so, avoid bringing before the Assembly any matter of very grave moment. But that is not the only reason why I feel the gravity of the occasion, for it is an open matter between us that the decision will have other implications of a constitutional nature. Perhaps those in themselves are more important than the effect of this immediate decision

Mr. K. Ahmed: What are they?

The Honourable Sir Malcolm Hailey: . . . more important perhaps than the effect of this decision on the finances of the country.

Rao Bahadur T. Rangachariar: Don't raise them.

The Honourable Sir Malcolm Hailey: I have no intention and indeed do not need to repeat that defence on the economic side of our proposals so brilliantly put forward by my friend Mr. Innes. I am dealing rather with larger issues. I am answering the first question which has been put to us, how we, as a Government, came to put this proposal before the House. Indeed, it was put to us in this form, which suggested that we had done so lightly and without due consideration. Sir, was it likely that a Government constituted such as ours, and a Government which had behind it the record of the last two years, would have put such a proposal forward lightly or without a due prevision of its consequences? There are those in the present Government who in their sphere and among critics, both in India and outside, have incurred a certain amount of obloquy because we were previously unwilling to produce or to face a constitutional deadlock. Surely we of all others would hesitate to do anything which would seem to imperil an ideal to which many of us were firmly attached, I mean the progress of reforms. Is it likely that we would have put forward such a proposal unless we had felt that it was the only and the final solution of our difficulties? One final remark; I know I am now treading on somewhat delicate ground and I must choose my words—but I said that the proposal involves grave constitutional implications. Well, how came it then that we as a body put forward a proposal which, by carrying such implications involved also consequences affecting the head of our Council, for in the ultimate resort an individual responsibility of a very heavy

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nature might fall on him? I can only say this that it was unlikely that we would, without the most anxious consideration, give advice to the head of our Council which might finally involve him in making a decision of so momentous a nature, the more serious for him because not only has he a long Liberal career behind him, but from the first has had as his one consideration out here the task of making a success of the reform scheme. Well, Sir, we put this proposal forward, as has already been pointed out, in circumstances entirely different to those which prevailed last year. Last year we had our deficit, not the first of such deficits I am sorry to say. It was no doubt impairing our credit, but circumstances had not arrived at the condition in which we now find ourselves. Let me explain the matter from my point of view. Deficits are an extraordinary danger in finance. But although our operations last year presented all the characteristic dangers of a deficit, that is to say, although it forced us to raise our temporary loans at a higher rate because we had not a hold on the money market, although constructively, at all events, the series of deficits may have led to some inflation, yet we had not arrived at the stage when those who were advancing us money could definitely say that they despaired of our ability to rehabilitate ourselves. The circumstances of our finances had not then been explored to the full. Now we are in a different position. We have had every sphere of our expenditure narrowly and carefully examined. We have loyally and to the best of our ability given effect to the recommendations put forward by the expert body which examined our expenditure. (*A Voice*: "Not fully.") Not fully, Sir, because no human being can forthwith and within a few months give complete effect to such recommendations. But I am taking the position of the outside world. They will say that last year it is true there was a deficit, but it was quite possible that this was temporary, since we had not then regulated our affairs. Now, they know that even after the immediate maximum of retrenchment has been made India will have a deficit. That affects our credit in quite a different degree to the circumstances of last year. I sincerely believe that unless we can now balance our budget we shall be affected in our credit; and let me say that I am not sure that it is always recognized in this House quite what this means to us. Until we re-establish our credit we shall always have dear money in India. Since we must borrow both in Europe and in India the effect of short borrowing in England so increases our operations here that we lose all control over interest rates. Dear money in India does not only mean a fresh burden upon our revenue but it means of course high interest rates throughout the country, and that affects everybody, everybody who is starting a new industry, everybody who is seeking finance to maintain an existing industry. The re-establishment of our credit for the purpose of raising our loans is a primary necessity not only for the State, but it is of vital interest to everybody concerned in commerce or industry in this country. That then is our obligation towards our credit. But we had also the internal obligation, if I may use that word. In the first place, it is clear that our retrenchment will leave us as a Central Government almost stagnant in some Departments. That fact has already been sufficiently voiced in the House and not only on this side of the House. Our retrenchments will leave us in a state in which we can do nothing to promote that higher technical education which is necessary to fit Indians to take their place in our Imperial Services. But of course we have also

a further obligation. Mr. Rangachariar said that our only object in trying to get this extra taxation by salt was so to confirm our position that we might rely on maintaining always an expenditure level of 130 crores. Now, of course, that is not so. In the first place we know that although we can give effect this year to part only of the proposals of the Retrenchment Committee, the effect of those proposals should be continuing. We do not necessarily look merely to maintain expenditure at the level of 130 crores, because we hope the effect of the Retrenchment Committee will, given fair harvests and fair times, enable us to reduce that. But we have obligations of 9 crores of rupees to the provinces. I am not going to dilate on that question myself. It has caused me enough criticism and enough unhappiness to justify me in avoiding the subject. But there the obligation remains and somehow or other we must confront the necessity for our revenues being reduced by that amount. Those then were our obligations, and it was with a sense of the gravity of those obligations that we put forward our budget proposals. We are told that we might have avoided putting them forward, if we cared to do so. It has been suggested to us, but I do not think it has been suggested to us seriously, that there were other forms of taxation; I say, not seriously because when the House has tried to explore those other forms of taxation, it has always fallen into divided camps on the subject. I think I may say with some confidence that, had we from the very first and while preparing our budget been discussing with the House these alternative forms of taxation, the differences which have now appeared would have been equally strong, and we should have found ourselves in exactly the same position. Anything which involved further direct taxation would have been deeply resented by one section, and anything which involved further increase of the customs would have been equally resented by others. So I think I am justified in saying that now at all events the House at large is agreed that alternative forms of taxation could not safely be recommended as supplying the deficiency in our accounts. We are told again that we could have avoided it if we had acted more strenuously in following the recommendations of the Incheape Committee. Indeed some have even gone much further and have said "A fig for your Incheape Committee! if we ourselves had undertaken retrenchment, we would have gone very much further; it was an accommodating kind of Committee which first learnt how much each Department could spare and then proceeded to cut just that amount off." A more unjust, a more unreasonable description of the operations of that Committee it would be impossible to frame. I believe myself that there are few in this House who ever thought that a Retrenchment Committee could put forward proposals for so substantial a reduction in our current expenditure; and I can say with confidence that if those who say we have not done our best to meet the recommendations of that Committee, were to sit with us and were to attempt to face the task of carrying those recommendations out, I doubt myself whether they would be successful, as we ourselves are likely to be, in carrying out those recommendations. "A few crores more off the Army would do all that was wanted!" It is an easy word! But I, who had some experience of the difficulties of reducing army expenditure after the Great War, who have seen how extraordinarily difficult it is when you are just building up your machinery after the chaotic conditions introduced by such a war. I have seen how almost impossible it is at once and at one swoop to make large reductions, unless at the same time you reduce the strength of your combatant troops. Personally I believe that we shall be lucky if we manage to work down to the figure which we have taken for the retrenchments

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recommended by the Committee in the present year. At all events I can say, with the utmost confidence on behalf of my colleagues, that if ever their ready compliance and loyalty was shown in carrying out the recommendations of a Committee, many, if not most of whose recommendations were bound to be distasteful, that loyalty was shown on this occasion. We are told that there is another method of meeting the difficulty; and here, again, well aware as I am how much this question has already been discussed, I shall touch on it but very lightly, I mean the method of altering the form of our account. I should not indeed have touched on it at all if it had not been that our inability to take this course has been quoted as a proof that we ourselves have been unduly obstructive, unduly hard to move, and unaccommodating in this respect. I say 'ourselves', Sir, advisedly, because there was a personal attack made on the Finance Member, which attributed that attitude of mind entirely to him. Sir, I do not see the author of that attack. (*A Voice*: "He is here.") Yes, he is here. I should like to say as little as possible as to the manner of that attack. I will say a little of it, because I believe myself that on the whole the House so far disagreed that it has strengthened Sir Basil Blackett's position. But I must say this, that it has been one of our traditions here, and a tradition of which we are proud, that we do not indulge in personal attacks on each other. We attack each other's ideas; we attack each other's principles; we attack each other's policy. In neither case are we sparing in our criticism. But we do not attack the individual. Yet that is exactly what was done on this occasion, and were that method to be followed generally in this House, there are few who would not have cause to look back on the innovation with genuine regret. As to the arguments on which that attack was based, I must say this. So far from any one individual member of our body having been unduly unaccommodating in this respect, anything that has been done in regard to the restoration of grants refused is the decision of our body as a whole and we stand and fall together by it. Now, grants have been restored in two respects. One relates to the Royal Commission. I suppose there is nobody here who did not expect that if the vote went against us—and I think I may claim that it was perhaps only by a chance that it did go against us—we should in the ordinary discharge of our duty have to restore that grant, and I will add, Sir, that I do not think there is anybody here who resents our having done so. (*Mr. Jamnadas Dwarakadas*: "No, no. We do resent.") But, there was a second case in which the grant was restored. I argued it before; I am not going to argue it again. But I wish to quote the actual words used by Captain Sassoon in supporting the proposed transfer from Revenue to Capital. Remember again, when you hear them, that it was the Finance Member who was unaccommodating because he could not see his way to yield on this point.

This is the argument on which the proposal was based:

"We find no other at any rate easy suggestion put forward to replace that money. We are therefore trying to cut our coats according to our cloth and, although I agree it is to a certain extent juggling"

So, Sir, it was put forward with the admission that it confessedly was juggling and the Finance Member was unaccommodating because he refused to juggle. I commend Captain Sassoon to put forward an argument of that nature at a meeting of one of his companies in Bombay.

I suggest to him that, if at any time he should be in the position of having to raise further money and, in order to show a good return should be under the necessity of putting his affairs in as favourable a light as possible to the public, I commend to him to suggest to the shareholders that they should indulge in the operation of juggling in order to make their accounts look better. I will only give him one other piece of advice. He said that, if this were the attitude we were to take up on behalf of Government, he was doing little good here and he might as well return to his constituents. I have no desire to see him return to his constituents, Sir, because I think that, if he stays here, he will learn something which will be valuable to him in after life, if it is only a proper reticence in debate.

When those were the alternatives, namely, when it has not been really suggesting to us that there is any better tax, when it has been put to us that we might get square by making further retrenchments which we know to be impossible, or by changing the form of our accounts, we have on sale that we are indeed left with this one sole resource; and, if we have the opinion or wilfully offending a deeply felt sentiment. We knew and recognised that sentiment. But, we were faced with a necessity for which we saw no other solution and a necessity, Sir, for which at this moment frankly I and those with me see no other solution now. Believe me, if we still hold to our position, it is not because we do not recognise the difficulties of our opponents; it is not because we are unmindful or careless of the depth of sentiment on the subject of the salt tax, or of the 20 years' history behind it. We recognise that it will require courage on the part of Members of this House to support that tax, and yet, although it is with an uneasy heart—for I myself would have been too glad to have avoided fresh taxation and more than glad to have avoided this particular item of taxation, yet though my heart is uneasy on the subject, I can with some confidence still put this solution forward. The one thing that we want now is a courageous and a consistent attempt to get into a position where we can at last see daylight. If it requires courage on your part, believe me you are not alone in that. It has required on our part also courage, for we know that we run the risk of incurring much criticism, much misinterpretation, and even discontent. My last word to the Assembly is this—that if you can take your courage in both hands now, if you can get into a position where you can at length see daylight, then you are at the beginning of a new state of things; you will have reached something like stability, and financial stability is the basis of your future progress. But as long as your condition of instability lasts, you will still year after year have to face recurring trouble, not only financial but political. It is only by facing the situation now that you can put the finances of India into a condition when India itself can, with something like a serene outlook on the future, set to work to readjust its relations with the Provinces, to provide Ministers, who are the chief agents of reform in the Provinces, with means to make their position real, it is only then that you can look with anything like a clear and serene vision on the future.

Mr. President: Amendment moved to clause 2, sub-section (1):

"For the words 'two rupees and eight' substitute the words 'one rupee and four'."

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

The Assembly divided :

AYES—59.

Abdul Majid, Sheikh.
 Abdul Quadir, Maulvi.
 Abdul Rahman, Munshi.
 Abdulla, Mr. S. M.
 Abul Kasem, Maulvi.
 Ahmed, Mr. K.
 Ahmed Baksh, Mr.
 Ahsan Khan, Mr. M.
 Asjad-ul-lah, Maulvi Miyan.
 Ayyangar, Mr. M. G. M.
 Ayyar, Mr. T. V. Seshagiri.
 Bagde, Mr. K. G.
 Barodawalla, Mr. S. K.
 Basu, Mr. J. N.
 Bhargava, Pandit J. L.
 Chaudhuri, Mr. J.
 Das, Babu B. S.
 Faiyaz Khan, Mr. M.
 Ginwala, Mr. P. P.
 Gour, Dr. H. S.
 Hussanally, Mr. W. M.
 Ibrahim Ali Khan, Col. Nawab Mohd
 Ikramullah, Khan, Raja Mohd.
 Iswar Saran, Munshi.
 Jafri, Mr. S. H. K.
 Jamall, Mr. A. O.
 Jamnadas Dwarkadas, Mr.
 Jatkari, Mr. B. H. R.
 Joshi, Mr. N. M.
 Kamat, Mr. B. S.

Lalshmi Narayan Lal, Mr.
 Latthe, Mr. A. B.
 Man Singh, Bhai.
 Misra, Mr. B. N.
 Mudaliar, Mr. S.
 Mukherjee, Mr. J. N.
 Nabi Hadi, Mr. S. M.
 Nag, Mr. G. C.
 Nand Lal, Dr.
 Neogy, Mr. K. C.
 Ramji, Mr. Manmohandas.
 Rangachariar, Mr. T.
 Reddi, Mr. M. K.
 Samarth, Mr. N. M.
 Sarfaraz Hussain Khan, Mr.
 Sarvadhikary, Sir Deva Prasad. not
 Sassoon, Capt. E. V. e is
 Schamnad, Mr. Mahmood. that
 Shahani, Mr. S. C. who
 Singh, Babu B. P. that
 Sinua, Babu Ambica Prasad.
 Sinha, Babu L. P.
 Sinha, Beobar Raghurib.
 Sohan Lal, Mr. Bakshi.
 Srinivasa Rao, Mr. P. V.
 Subrahmanayam, Mr. C. S.
 Venkatapatiraju, Mr. B.
 Vishindas, Mr. H.
 Webb, Sir Montagu.

NOES—44.

Abdur Rahim Khan, Mr.
 Achariyar, Rao Bahadur P. T.
 Srinivasa.
 Aiyar, Mr. A. V. V.
 Akram Hussain, Prince A. M. M.
 Allen, Mr. B. C.
 Amjad Ali, Maulvi.
 Barua, Mr. D. C.
 Blackett, Sir Basil.
 Bradley-Birt, Mr. F. B.
 Bray, Mr. Denya.
 Bridge, Mr. G.
 Burdon, Mr. E.
 Cabell, Mr. W. H. L.
 Chatterjee, Mr. A. C.
 Clark, Mr. G. S.
 Cotelingam, Mr. J. P.
 Crookshank, Sir Sydney.
 Dalal, Sardar B. A.
 Faridooji, Mr. R.
 Gidney, Lieut.-Col. H. A. J.
 Haigh, Mr. P. B.
 Hailey, the Honourable Sir Malcolm.

Hindley, Mr. C. D. M.
 Holme, Mr. H. E.
 Hullah, Mr. J.
 Innes, the Honourable Mr. C. A.
 Jejeebhoy, Sir Jamsetjee.
 Ley, Mr. A. H.
 Lindsay, Mr. Darcy.
 Mitter, Mr. K. N.
 Moir, Mr. T. E.
 Moncrieff Smth, Sir Henry.
 Muhammad Hussain, Mr. T.
 Muhammad Ismail, Mr. S.
 Percival, Mr. P. E.
 Rhodes, Sir Campbell.
 Sams, Mr. H. A.
 Shahab-ud-Din, Chaudhri.
 Singh, Mr. S. N.
 Sinha, Babu Adit Prasad.
 Spence, Mr. R. A.
 Townsend, Mr. C. A. H.
 Ujagar Singh, Baba Bedi.
 Willson, Mr. W. S. J.

The motion was adopted.

Mr. President: I had better call upon Dr. Gour to move the proposal he has put on the paper in the form of a new clause which ought to be added as sub-clause (3) of clause 2.

Dr. H. S. Gour: Sir, I wish to move the following amendment

Mr. Harchandrai Vishindas (Sind: Non-Muhammadan Rural): Might I suggest to the Chair that the number of the amendment should be stated.

Mr. President: It is amendment No. 47, slightly redrafted.

Dr. H. S. Gour: It is No. 47, redrafted for me by the Legislative Department. It reads as follows: It will be sub-clause (2):

"Notwithstanding anything contained in the Provisional Collection of Taxes Act, 1918, the duty on salt manufactured in, or imported into, any part of British India other than Burma and Aden shall for the period beginning on the first day of March, 1923, and ending on the day preceding the commencement of this Act be deemed for all the purposes of the Indian Salt Act, 1882, to have been imposed by rule made under section 7 of that Act at the rate of Rs. 2-8-0 per maund of 82 and 2/7th lbs. avoirdupois."

Now the real point of this amendment, as Honourable Members will see, is this. The Government of India ordered the levy of the enhanced duty on salt from the 1st of March of this year. And consequently they will have realised between 25 and 30 lakhs of rupees between the 1st of March and the date on which the new Finance Bill comes into operation. And the question, therefore, is whether the Government of India should, on the passing of our amendments, refund the money which they have received on the basis of the enhanced salt duty. If Honourable Members will consider for a moment from whom this duty has been realised and who will ultimately profit by it, they will have no difficulty whatever in supporting my amendment. The enhanced duty was realised by the middleman, the contractor. He immediately passed it on to the other subordinate sellers and ultimately to the consumer. It has been distributed, therefore, all over the country. If this refund is to be made, it cannot go back to the payers of the enhanced duty. It will go to the middleman who has already profited by the enhanced duty and has passed it on to other people. I think, therefore, it is just and fair that the State should not lose and the middleman should not gain what would be an unearned return and I therefore submit that, while coming to the aid of the State, we are also looking to what is intrinsic justice. And I, therefore, Sir, move that my amendment should be accepted by the House, I move it.

The motion was adopted.

Mr. President: The question is that clause 2, as amended, stand part of the Bill.

Sir Montagu Webb: Sir, the effect of the Resolution to keep the salt tax at Rs. 1-4 will deprive Government of the anticipated revenue which they expected to derive from that source. I therefore take this opportunity of inviting the Honourable the Finance Member's attention once again to the scope for further taxation which is afforded to him by a replacement of the import duty on silver. I had on the agenda paper a motion for the reimposition of this old tax, but the Honourable the Finance Member referred to this briefly as unacceptable to Government. But I would seriously ask Government to reconsider this matter because, in my opinion, Government are simply throwing away quite unnecessarily at least a crore and a half of rupees a year. Now, this tax of four annas on silver which was on silver for several years, and yielded Government very substantial revenues, was removed not under any pressure from this House, not under any pressure from the public, but was taken off in response to what I can only call the theoretical disquisitions of the Babington Smith Committee that it was undesirable to tax the precious

[Sir Montagu Webb.]

metals. Now, Sir, silver coming into this country is imported by the public mainly for the arts.

Dr. H. S. Gour: Sir, I rise to a point of order. I ask you, Sir, whether, in view of your ruling given yesterday that it was not open to any Honourable Member to propose a new form of taxation, the Honourable Member is in order in proposing a new form of taxation.

Mr. President: As far as I am aware, he is not proposing and could not propose a new form of taxation under this clause or any other.

Sir Montagu Webb: What I mean, Sir, to suggest for the consideration of the Treasury Benches is the re-imposition by them of this tax. Silver is imported into this country by private persons solely for ornaments. It is a luxury import pure and simple,—and I see no reason whatever,—no sound economic reason whatever, why this tax should not be relieved. The only objection, Sir, that has been made on this occasion comes from the Bombay bullion merchants themselves; in other words, from the traders who deal in silver. Just as the man who deals in boots naturally objects to a tax on boots, so the trader who deals in silver naturally objects to a tax on silver. Now, the Honourable the Finance Member said that at any rate this tax without a rebate on export was unacceptable to him, because it would interfere with trade in silver. I am a merchant myself. I know perfectly well that cotton goods are imported into this country, that they pay substantial duties, and are re-exported in the ordinary course of trade. I import sugar into this country, Sir, which pays a very substantial duty and is exported again in the ordinary course of trade and I see no reason whatever why silver should not come into this country and pay its four annas duty and be exported when the market suited in the ordinary course of trade with or without a rebate. Why, Sir, in the course of the last few days, the price of silver has risen over three pence per ounce. That is, in the last few days, the variations in the sterling price have been almost as much as this proposed duty. The duty was paid before without any difficulty. No body objected to it. Government got their crores. If unfortunately they had not removed their tax, I think they would have received Rs. 2 or 3 crores a year on the average in revenue to this day. I therefore appeal to the Treasury Benches and to the Finance Member to reconsider the probable revenue which could be derived from a re-imposition of this 4 annas tax.

Mr. Manmohandas Ramji (Indian Merchants' Chamber and Bureau: Indian Commerce): Sir, I rise to oppose this suggestion. Sir Montagu Webb says, "Here is an opportunity for Government to fill up their treasury with a crore or more of rupees" and he suggests that silver is an article of luxury. We have traded on this question since the last two years. It was put forward by Mr. Spence in the first year of this Assembly's existence.

Mr. J. P. Cotelingam (Nominated: Indian Christians): Mr. Price.

Mr. Manmohandas Ramji: By Mr. Price from Kârachi and it was thrown out. Now, the Honourable Member from Karachi moved a similar motion last year and that was also negatived. He has made himself bold to make that suggestion again this year. I wonder, Sir, why Karachi is so very persistent in putting this question before this House so persistently. If Karachi thought that there was something in it, I think Bombay and

Calcutta would have thought of it much earlier and they would have come forward. Sir, it is not with the idea of finding sources of revenue to Government to the extent of Rs. 1 crore. There must be something behind it and the question is whether it is going to affect, or tamper with, our exchange policy. Perhaps the latter must be the reason for it. If that is so, I think this House will take into consideration the fact that we should not so easily tamper with an important question like this, affecting the whole policy of this country in the matter of exchange, by a vote here or there. It is a policy which, if accepted, will act to the detriment of this country. Now, Sir, Sir Montagu Webb said that though we are putting duty on piece goods and other articles it is refunded all the same. But he forgets that the duty is refunded only when it can be traced positively to the consignment, as it was when it was imported. If the Customs authorities are satisfied that on a particular parcel or on a particular package duty has been paid, it is refunded. Here, in the case of silver, its identity cannot be traced when it is re-exported. We have lots of silver here lying, which has not paid duty for importation, and if we begin to give a bounty, on export, the question arises on which consignment will this bounty be given. Shall we give a bounty on all the hoards that we have, by sending them to some other country? Who will be benefited by that? I think the argument is totally fallacious. Then, Sir, last year Sir Malcolm Hailey had explored all the arguments that were advanced in favour of this duty and I do not propose to repeat them just now. I am convinced that the attitude taken up last year by the Finance Department and the Members of this House is in itself a guarantee that this suggestion will not be accepted.

Clause 2, as amended, was added to the Bill. ✓

Sir Campbell Rhodes: I beg to move amendment No. 31:

"That for sub-clause (2) of clause 3 the following shall be substituted:

"(2) In Schedule III to the same Act item 3 shall be omitted."

This is in effect to do away with the export hide duty. It has been an unfortunate experience in fiscal reform for which the commercial community are equally responsible with the Government of India. In the unanimous report of the Fiscal Commission it was dealt with in paragraphs 190 and 191:

"This first experiment of the Government of India in protection followed, in our view, a wrong method."

"If the tanning industry requires protection this should be given by an import and not by an export duty."

And again at 191:

"The depression in hides caused by the export duty added to the natural world depression in price has resulted in many cases in making it unprofitable to collect the inferior hides. We have received evidence that the hides are frequently allowed to rot on the carcases and that in consequence of low prices which have undoubtedly been accentuated by the export duty a source of wealth in the aggregate not inconsiderable has naturally been destroyed."

At the meeting of the Associated Chambers of Commerce, Sir, in January last, there was a very animated debate on this subject which ended in the following Resolution being passed by a majority of six Chambers to three:

"That in the opinion of this Association the export duty on hides and skins should be immediately removed on the grounds that, first, it has proved useless for the purpose for which it was imposed: second, it is economically unsound: and third, it has caused undeserved loss and suffering to all concerned and particularly to those working in a small way in the villages throughout India."

[Sir Campbell Rhodes.]

(*Rao Bahadur T. Rangachariar*: "May I have the names of the three Chambers who dissented?") It does not give the names. Speaking from recollection, one was Madras. (*Rao Bahadur T. Rangachariar*: "Madras, Bombay and United Provinces?") I am not sure. Now, Sir, turning to the figures of actual experience to bear out the remarks contained in the Fiscal Commission's report and in the Resolution I have just read out, in 1900 to 1914 the average exports of hides from Calcutta was 90 lakhs per annum; in 1921-22, it was only 45 lakhs. You have therefore, Sir, a value which I roughly estimate at 2½ crores either tanned locally or, as the Fiscal Commission's report says, rotting on the fields. Now, we know that though the local tanning industry has increased, it has not increased to anything like that extent. Speaking to hide experts in Calcutta I was told that on the first immediately after this reduction was made there was a revival in trade; and taking up last week's *Capital* I find the market report says that there are eager buyers and a good demand and that hides are now coming down from up-country stations which owing to their distance and the high railway rates were unable to dispose of their hides previously.

Chaudhri Shahab-ud-Din: I rise to a point of order. The reference in the amendment proposed appears to be to the Tariff Act of 1894 as only in that Act is there a Schedule III; but item 3 of that Schedule relates to rice and not to skins or hides. (*A Voice*: "That has been amended.")

Mr. President: Sir Campbell Rhodes is perfectly in order. He has moved the omission of item 3 in Schedule III to the Indian Tariff Act. Item 3 is—"Raw hides and skins *ad valorem* 15 per cent., etc." What is the Honourable Member's point?

Chaudhri Shahab-ud-Din: Sir, my point is that in item 3 of Schedule III to the Indian Tariff Act rice is mentioned.

Mr. President: You have the wrong Act.

Sir Campbell Rhodes: Sir, I was just finishing and all that the Honourable Member has done is to spoil the effect of my peroration. What I wish to point out is—I do not want to over-state my case—that owing to world conditions which have been aggravated by this duty, there is an enormous wealth in India being actually destroyed, as was pointed out in the Fiscal Commission. That wealth, I estimate, for Bengal and the surrounding districts only, at two crores of rupees. We have there a loss of wealth, which is probably the case elsewhere in India, as large as the provincial contributions and certainly larger than the salt tax. In the Fiscal Committee's Report we denounced practically all forms of export duty. We pointed out how the country loses in its competition with the world by imposing such duties, and it is in order to benefit, not the hide merchants, not the local tanners, but the people of the country that I move my amendment.

Mr. President: Amendment moved:

"For sub-clause (2) of clause 3 the following shall be substituted:

"(2) In Schedule III to the same Act item 3 shall be omitted."

Rao Bahadur T. Rangachariar: Sir, I beg most emphatically to oppose this motion of my Honourable friend, Sir Campbell Rhodes. Sir, this was the one duty which was avowedly imposed by the Government of India to protect an indigeneous industry in this country. All other duties were imposed for the purpose of revenue,—this was the first duty which was imposed on the ground of protection. Sir, the tanning industry in South

India, in the Madras Presidency, in the Bombay Presidency, in the United Provinces, it was for the protection of the tanning industry in these provinces that this duty was imposed. Sir, as the Fiscal Commission themselves recognized, of which my Honourable friend, Sir Campbell Rhodes, was a most distinguished Member—my only regret is that no Member from Madras representing this industry sat on that Commission (*Mr. Jamnadas Dwarkadas*: “Mr. Seshagiri Ayyar was there.” *Rao Bahadur T. Rangachariar*: “But he does not represent the tanning industry.”) I am sorry also that Sir Logie Watson happens to be absent from this Assembly to-day—this duty was welcomed on all hands; in fact public opinion was behind it unanimously; the Chambers of Commerce, including the Bengal Chamber of Commerce, supported the imposition of this duty at the time it was imposed in 1919. Sir, it was rather unfortunate that the time chosen was inopportune. As the Fiscal Commission themselves recognized in paragraph 190 referred to by my Honourable friend, they say, ‘we are aware that the experiment was introduced at a most unfavourable moment, and that the export duty was not the main cause of the depression that has overtaken the export trade.’ They say that their objection to it is based upon principle. Sir, we cannot sacrifice what we have already done merely on the ground of principle. My complaint is that this experiment has not been tried sufficiently long. Sir, no experiment can be pronounced a failure or a success unless you give it a fair trial. You have not given this experiment a fair trial; that is the point which I ask the House to remember in this connection. In an earlier part of the Report I think the Fiscal Commission recognize that a period of 20 to 30 years is necessary in order to find out really whether any proposed duty will act to the betterment or detriment of an existing industry. Sir, three

5 P.M. years, and three years, most inopportune years, is too soon to judge of the result of this experiment on which the Government of India embarked. Sir, the depression in the hides and skins trade is—I will not say entirely—is mostly due to the condition in Central Europe. Sir, Germany and Austria were our main customers. We know how those countries have failed. The depression in the trade is not due to the export duty at all. You may remove the export duty as much as you like, but I do not think that the depression is going to improve. The condition will remain there so long as our customers are unable to buy. That is the real secret of the depression in the hides and skins trade. Sir, this is not the first time that Bengal is attempting to remove (*Mr. J. Chaudhri*: “No, no.”)—I am thankful to my Honourable friend, *Mr. Chaudhri*,—I mean this is not the first time that the representative of the Bengal Chamber of Commerce tries to remove this duty. His predecessor in office tried to do it in 1921, I mean Sir Frank Carter, and he failed miserably. I hope, Sir, the same result will await my Honourable friend’s motion. It is true he said he invoked the authoritative pronouncement of the Fiscal Commission, of which my Honourable friend, as I have already said, was a distinguished member, and how far he contributed to the result is rather difficult to estimate. Sir, I have here in my hands a telegram showing that the Madras Chamber of Commerce, the Southern India Chamber of Commerce and the Hides and Skins Merchants’ Association—and I lay emphasis on this—the *Hides and Skins Merchants’ Association*, strongly protest against the reduction of export duty on raw hides and skins, and at a joint meeting held on the 5th of March, it was unanimously resolved to suggest that no rebate be allowed. That is again another point on which I have got a separate motion about the proviso contained in that clause; so that, Sir, they object to any reduction, and, therefore,

[Rao Bahadur T. Rangachariar.]

they object much more to the removal of this from the schedule altogether which my Honourable friend aims at. Sir Logie Watson, Sir, told this Assembly in 1921 how for 25 years as a man in the trade he had been agitating for the imposition of this duty, but the Government of India only accepted it in times of war, because they were forced to do it on account of war conditions, because Germany took all our raw hides and converted them into boots. Sir, he pointed out most forcibly that whereas these countries which he enumerated were willing to take all our raw products without any duty, they imposed a heavy duty on manufactured articles. "They do not want our manufactured articles. What they want from us is our raw material." Sir, we are playing into the hands of such countries which are wanting our raw products but do not want our manufactured articles. Sir, he suggested that "it would have done a great deal of help if conditions had been normal, and it would accomplish a good deal more if Government will take into consideration what I have urged upon them many years ago, namely, to make the duty into Germany, France, Italy, etc., commensurate with the duty which they impose upon our manufactured articles." Sir, if the Government of India had done that, this duty might have helped us, helped the trade considerably. The Honourable Mr. Innes speaking on behalf of the Government on that occasion also pointed out that it was not right to judge of the effects of this export duty by the abnormal conditions which prevailed, and those abnormal conditions have not ceased to exist as men in the trade will tell us. It is not necessary that they should be in the particular trade. Everywhere we hear cries that on account of the exchange and on account of other difficulties trade suffers enormously and we know it to our detriment, as our revenue returns show. In fact, the Honourable Mr. Innes in meeting the argument which has just been advanced by my Honourable friend, Sir Campbell Rhodes, said this: "The export duty is accused of being the cause of all the troubles under which the trade is labouring." Now, Sir, in this particular case nobody is able to say, or indeed has said, that our export duty is the cause of the stagnation of the hides and skins trade. If that was so in 1921, that opinion is also endorsed by the passage which I have read from paragraph 190 of the Fiscal Commission's report. Therefore, Sir, I submit that the tanning industry is a very important industry in South India and also in other provinces, I do not know what other Members from Bombay and the United Provinces have got to say about this. I know this, Sir, that, when this duty was put on in 1919, it was welcomed with both hands and with all heart, and, if this duty is removed or reduced, the news will be received with great pain in my province. In fact I am going to oppose the original motion of Government for reducing this duty. But of this, Sir, there can be no doubt that we should reject this motion of Sir Campbell Rhodes.

The Honourable Mr. C. A. Innes: Sir, I think I am correct in saying that the real battle over this hides and skins duty will come on when the motion is made to restore the duty to its original figure. All I will say, therefore, with regard to Sir Campbell Rhodes' amendment is this. The Government, having regard to the present financial situation, have gone as far as they think it right to go to relieve what they know to be a very real burden on a very important export trade. That being so, Sir, I am afraid I must oppose Sir Campbell Rhodes' amendment.

The motion was negatived.

Khan Bahadur Sarfaraz Hussain Khan (Tirhut Division: Muhammadan): Sir, the motion that I have to move is:

"That in clause 3 (2) for the figure and words '5 per cent.' substitute the figures and words '12 per cent.'"

I do not understand, Sir, why the duty on this has been proposed to be reduced from 15 to 5 per cent. In the statement which I have got of the Sea-borne Trade it appears that in 1920-21 the total export was 164 tons; in 1921-22 the total export was 133 tons; so that exports fell by only 31 tons last year. Whereas, export to Germany in 1920-21 was *nil*, in 1921-22 it rose to 18 tons, and we are not aware whether it has risen this year or not. So, in the circumstances, I do not see any justification for reducing the duty from 15 to 5 per cent. Further, I say that the market which was totally upset for the last few years on account of the war is now gradually and slowly settling down, and thus it may well be expected that exports will probably increase in the coming year. Thus I do not see any justification, as I have said, for reducing the tax from 15 to 5 per cent.; but, simply with a view to test the reduction, I propose that it should be reduced from 15 to 12 per cent. and not to 5 per cent. I move the amendment.

The motion was negatived.

Rao Bahadur T. Rangachariar: Sir, I beg to move the last portion of my amendment No. 30, that in Schedule III to the said Act in the fourth column of item 3, Raw Hides and Skins, the proviso shall be omitted.

This export duty was fixed by the Act of 1919, and at the same time a proviso was added so as to give, to use short language, Imperial Preference. The proviso, as Honourable Members will remember, runs as follows:

"Provided that, subject to such conditions as the Governor General in Council may by notification in the Gazette of India prescribe, a rebate shall be granted to the exporter of two-thirds of the duty levied on hides or skins exported to any part of His Majesty's Dominions or of the territories of any Indian Prince or Chief under the suzerainty of His Majesty or of any territories under the protection of His Majesty or in respect of which a mandate of the League of Nations is exercised by the Government of any part of His Majesty's dominions."

This has been carefully examined by the Fiscal Commission and in paragraph 198 of their Report they say this:

"It follows from the general principles which we have stated above that we are opposed to the use of preferential tariff for the purpose of granting The existing duty contains a preferential provision. The duty is at the rate of 15 per cent. *ad valorem* with a rebate on hides and skins within the Empire. We have no hesitation in condemning this provision."

The Honourable Mr. C. A. Innes: May I rise to a point of order, Sir? I understand the Honourable Member is discussing clause 3 (2) of the Indian Finance Bill. Clause 3 (2) makes a proposal that for the whole of the entry in the fourth column of the Schedule the words "five per cent." shall be substituted. That is to say, the amendment before the House abolishes this preference altogether. The Honourable Member is now proposing that the preference should be dropped. I wish to explain that in our amendment we do drop it.

Mr. President: In that case the Honourable Member from Madras and the Chair have fallen into the same error in assuming that the amendment was only to change the 15 per cent. to 5 per cent.

The Honourable Mr. C. A. Innes: It states explicitly that 5 per cent. be substituted.

Rao Bahadur T. Rangachariar: The proviso will be there all the same.

The Honourable Mr. C. A. Innes: No, Sir.

Rao Bahadur T. Rangachariar: If the Chair rules it is already comprised—if that is the intention, then I need not proceed.

The Honourable Mr. C. A. Innes: That is the intention. That is how the draft was drawn in accordance with our instructions to the Legislative Department.

Rao Bahadur T. Rangachariar: The language is not happy. The proviso will be there still.

Mr. President: The Honourable Member may make quite certain of excluding it by a negative vote now.

Rao Bahadur T. Rangachariar: Then I need not argue it out.

Mr. President: What has the Legislative Secretary to say?

Sir Henry Moncrieff Smith (Secretary, Legislative Department): I am asking for a copy of the Tariff Act.

Mr. President. I am just putting the question now.

The Honourable Mr. C. A. Innes: I should explain that if the House is going to restore the 15 per cent. then I do not think that the proviso ought to be omitted, because I do not think the House should vote on a question of this kind on a side issue. Our instructions clearly were that for the whole of this entry in column 4, simply 5 per cent. should be substituted. There should be no preference of any sort.

Rao Bahadur T. Rangachariar: Then I do not think there is any language here to show. You do not remove the proviso unfortunately.

Sir Henry Moncrieff Smith: The proviso is part of the entry in column 4. If the Bill removes the whole entry in column 4 and substitutes something else for it, the proviso has necessarily gone.

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

Mr. President: The question is that Clause 3 stand part of the Bill. ✓

Rao Bahadur T. Rangachariar Sir, I beg to oppose this motion. Sir, as I have stated already, it is too soon to interfere with this duty. It was introduced with a deliberate purpose; it has not been given a fair trial and, I do not see, Sir, why the Government, when they are going to await the constitution of the Tariff Board in order to carry out the recommendations of the Fiscal Commission, are in a hurry to carry out this recommendation. I fail to see it. The matter may well be allowed to remain as it is. I hope, Sir, that normal conditions will return in a year or two, in which case it will be of great advantage to the tanning industry if we retain this export duty at 15 per cent. In fact, but for the tanning industry in this country, during war time I am sure the Government would have been put to considerable strain. This industry came to the help of Government, in fact placed the whole of their materials at the disposal of Government and they were able to use the industry very largely in carrying

on the war. So it will not do to allow this industry to die out. On the other hand I appeal to the Government to use every effort in their power to put this industry on a proper basis. I do think, Sir, that the supposed loss in other parts of the country is fanciful. I do not think there is really any demand for hides and skins from the rest of the world. That is the real cause of the depression in the trade. When the time comes it will be very difficult to re-impose this duty. Let the Statute remain as it is now, and let us try it for another year or two and then see really whether it has had any noxious effect on the trade. Then it may be time enough to remove it. I therefore appeal to Government not to press this motion.

Sir Montagu Webb : Sir, I support the motion now before the House. Mr. Rangachariar has expressed a hope that the 15 per cent. duty will remain on as a form of protection to the Madras tanning industry. Well, Sir, the Indian Fiscal Commission has carefully considered this very point; the Fiscal Commission has made a report in favour of discriminating protection be it remembered. Now, let us hear what it says about this duty :

“ We hold, therefore, that so far as the export duty on hides and skins is intended to be *protective*, it cannot be justified.” (Paragraph 193).

I think, Sir, that disposes of the subject.

The Honourable Mr. C. A. Innes : Sir, this morning the House determined to do justice to the poor man. This afternoon I hope that they will do justice to a poor trade. Let me remind the House of the history of this unfortunate export duty. It is one of the worst mistakes that the Government of India ever made. At the end of 1919 at the height of the post-war boom, when neither the Government of India nor the trade were in a condition, I think, of real sanity, the Government of India arrived at the conclusion that they were in a position to dictate the form in which their raw materials, these raw hides, should leave the country. Consequently they put on this extremely heavy export duty, an export duty of 15 per cent. *ad valorem*; and they put it on raw hides and skins with two objects: one of their objects was, as Mr. Rangachariar has rightly said, to encourage the tanning industry in India, and the other object was to try to retain within the Empire a key industry. That was the reason why this proviso to which Mr. Rangachariar has just drawn attention was inserted in the Schedule—the proviso which allows a rebate of 2/3rds. of the duty on all hides and skins exported from India provided that they are tanned within the Empire. Now, Sir, these are the two objects with which the Government of India imposed this duty. And I say without fear of contradiction that both those two objects have not been attained. We have not by this very questionable means of an export duty succeeded in encouraging the tanning industry in India or other leather industries, nor have we succeeded in keeping this key industry in the Empire. On the contrary, as before the war, so now, England has almost dropped now from the market in regard to raw hides. We discovered our mistake not very long ago when we imposed this duty. As I said, we imposed this export duty when the trade was at the top of the boom. Hardly had the ink dried on our notification before the slump began. Since then until very recently there has been a progressive decline in trade. I do not for a moment say that it was the mere fact that we had put on this export duty that ruined

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the trade. Mr. Rangachariar is correct there; the trade was ruined not by the export duty, but by a general worldwide slump and by the inability of Germany and other countries which used to buy hides to purchase our hides. I admit that fully. But you have got to remember that you have got here one of the most important export lines which is in the position of the greatest possible depression. They are having the greatest possible difficulty in selling their hides, in getting any export demand for their hides, and the Government of India by their own action have placed them in greater difficulties by imposing this 15 per cent. export duty upon these hides and skins. An export duty is always a dangerous thing. I have heard it described as an economic horror, because you can never be sure where the incidence of that duty is going to fall. If you have a monopoly you pass that duty on to the foreign consumer; if you have not got a monopoly, your purchaser has to pay the world's price and he has to bear the brunt of your own export duty; that is to say your tax recoils upon your own men. Now we have long known that this tax was a failure having regard to the object with which it was imposed. We are now keeping it on purely for revenue purposes. Now, I want to know, is it right that the general tax-payer should benefit at the expense of our traders in hides and skins? Is it right that when this hides and skins trade is in this depressed condition we should continue to place upon it an export duty of 15 per cent? It is the heaviest export duty we have, a heavier duty than on tea, a flourishing industry at the moment, a heavier duty than on rice—another flourishing industry and very much heavier than the export duty on jute. It is the hides and skins trade that we have selected for the heaviest of all export duties. That is the reason why the Government at last decided, whatever their financial condition may be, that the time has come when in justice to this trade they must reduce this duty.

Mr. Rangachariar said that we must keep on this duty because we must protect the Madras tanning industry. Now, Sir, I come from Madras. I used to take a very great interest in that industry, in fact I used to run a school for the benefit of that industry. But, Sir, though I come from Madras, I protest most strongly against sectional interests like the interests of Madras and Cawnpore in a House like this, a House which is representative of all India, being allowed to override the general interests of the country. Sir, what is the Madras tanning industry? I do not wish to decry it, but is it an industry which makes things which are used in this country? No. The Madras tanned hide is merely a half-tanned hide. It is a very useful industry in that it employs a certain number of tanners, but the product is exported, just like the raw hides are exported, to England. It is not an industry which produces anything for use in India. And if you want protection for industries of that kind, take protection by all means after you go to your Tariff Board, but protect them by means of an import duty, do not go protecting them by means of an export duty of this kind. Mr. Rangachariar says we have done nothing in the way of protecting these tanning industries. We have. I do not say that we did it intentionally, but Mr. Rangachariar knows, as well as I do, that the import duty on leather goods since this export tax was put on has been raised from 7½ per cent. to 15 per cent. The leather industries are not only behind a tariff wall of 15 per cent. but they are getting the benefit of this export duty of 15 per cent. I do not think I need set out to prove how much this hides trade has suffered. As I

have said, the mere fact of the export duty being put on has not been the cause why the trade is in such depression. It is due to other causes but the fact that the depression exists is beyond all argument. In 1911-12, in 1912-13, in 1913-14, the average export of raw hides in India was over 50,000 tons a year. In 1920-21 they had dropped to 18,000 tons; in 1921-22 they rose slightly to 25,000 tons. Now, that brings me to another point. Here we see signs of a revival of trade. It is just when the trade is beginning to revive that your export duty becomes most burdensome because it is just this additional burden, where the demand is beginning to arise, it is just this additional burden of the 15 per cent. that turns the scale against India. I deal with another point—not a point raised by Mr Rangachariar but a point raised by Sir Gordon Fraser. Sir Gordon Fraser is one of our leading tanners in Madras. Therefore, like Mr Rangachariar, he is interested in the maintenance of this unfortunate duty. Sir Gordon Fraser said that we have a monopoly of these light hides that the world must buy from India because they cannot get them anywhere else. (Mr. Rangachariar: "Especially of buffaloes.") That is not correct. India has not got the monopoly of these light hides. You get these light hides from other places, particularly China. And that is one of the mistakes we made when we thought in 1919 that we were in a position to dictate the form in which our material should leave India. Now, there is one other point I wish to make and I hope the House will agree with me that it is absolutely decisive. As I say, we have here a sick trade. And, as I say, we have a trade that is just beginning to show some slight signs of recovery. Now, it is not merely a question of the 15 per cent. We have also to take into account the various valuations. As the House knows, I think, we don't fix the prices of each consignment when it leaves the country. We base our valuation on the prices usually of the previous year. They are fixed in December; they usually remain in force for the following year. Now, Sir, when the trade in 1921 was slumping away, those valuations were reduced and when they were fixed in December 1921, the prices were still low. In 1922, there was some recovery in prices and in December, this last December, when the question of revising the tariff valuation of hides came up, I was faced with the problem whether I should raise the tariff valuations to their appropriate figure although at that particular moment I had actually circulated a file to the Government of India proposing either the reduction or the removal of the duty or whether I should temporarily extend the existing valuations. Well, I temporarily extended the existing valuations. I may have been wrong in doing so. At any rate, I took the responsibility on myself of doing it,—the reason being, as I have said, that the trade was just showing signs of reviving, and, if we were about to reduce the duty, I did not think it right that we should stop the revival by suddenly raising the valuations. Now, Sir, if the House puts this duty back to 15 per cent. I must warn the House that I must raise the valuations. The Government of India in the Commerce Department cannot evade the duty, imposed by the Legislature, by allowing artificially low valuations, and therefore, whatever happens, whether this duty goes back to 15 per cent., or whether the House accepts my proposal and keeps it at 5 per cent., these valuations must be raised after giving the usual notice to the trade. If the House accepts Mr. Rangachariar's motion and puts this duty back at 15 per cent. then I can only assure the House that we shall deal one more staggering blow at this wretched trade. If you accept my motion to reduce this duty to 5 per cent. you lose very little revenue, because the tariff valuations, as I say,

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must go up. In fact, you may lose no revenue at all. The mere fact that we are going to reduce this duty to 5 per cent., has already induced a briskness in trade. Let me read from a Cawnpore letter in this week's Indian Trade Journal:

"News about the reduction of the export duty on hides has had a very salutary effect upon the market and has led to increase of business."

Sir, if you accept my proposal, you lose very little revenue, but on the other hand, you will encourage a revival, and in fact you might get more revenue than you expect. If the House on the other hand is led away by Mr. Rangachariar from Madras, if the House is led away by these Madras interests, to keep the duty at 15 per cent., then let the House take the responsibility. I have warned them. I say that we shall be doing one more injustice to a very hard hit trade. Remember Burma too. In Burma the effect of this export duty has been—I say it with sorrow—very disastrous indeed. All efforts to encourage tanning in Burma have failed, the trade has been gravely injured. Let me end on the note with which I began. The House this morning did justice, as they thought, to the poor man. Let me appeal to the House again to do justice to a poor trade.

Mr. Harchandrai Vishindas: Sir, I might inform the Honourable Member for Commerce and Industry that he need not entertain any serious apprehension that the House is going to follow Mr. Rangachariar. I come from a province in which there are a number of Muhammadan traders in hides and skins,—and here, with apologies to Mr. Shahab-ud-Din who, I was informed,—I myself being then absent—had sounded a certain note that Hindu Members of the House had no sympathy with the Muhammadan traders of hides and skins, I as a Hindu want to assure my Muhammadan brethren that we do not observe any sectarian distinction in this regard but want to do justice to people to whom justice is due. Now, these hide traders have suffered considerably since the imposition of this higher export duty and wherever this hide trade is in existence, I think the Honourable Member for Commerce and Industry must have received complaints from there that these traders have been ruined. In my part of the country those men who were rolling in lakhs have now become heavily indebted. Not only that. I expected the Honourable Mr. Innes to lay the greatest stress upon one point—greater than he has actually done. My own impression has been—of course I am speaking on this point without any expert knowledge, but subject to correction from the Government Benches—that as a matter of fact, even from the point of view which we had at the time when we imposed this heavier duty, it has not been a success: in other words, that it has not produced the income which we expected it to bring. Is that so?

The Honourable Mr. C. A. Innes: Yes.

Mr. Harchandrai Vishindas: If that is so, then we are defeating the very object we have in view. On all sides, in all directions, we are going on wrong lines. We are acting very foolishly. You do not get the revenue for which you impose taxes; your trade is ruined; your traders have become considerably indebted. And I think the only effect of continuing this heavy export duty will be that one or two tanners in the Madras Presidency will be benefited. I think that it is a most inequitable procedure altogether. To ruin numbers of traders and producers for the

Mr. President: Amendment moved:

"In Schedule I in proposed amendment No. 7, for the word and figures 'rupees 20', wherever they occur, the word and figure 'rupees 5' be substituted."

The Honourable Mr. C. A. Innes: Sir, when I explain this matter to the House, I do not think that they will accept Sir Montagu Webb's amendment. The fact of the matter is that saccharine is ordinarily 550 times as sweet as sugar. The present price of saccharine is about Rs. 3-12 a pound, and at present it bears the same rate of duty as sugar, namely, 25 per cent. The result is that you get in a pound of saccharine on payment of a customs duty of about 15 annas. That pound of saccharine is equivalent in sweetening power to 550 lbs. of sugar, and the result of course is perfectly obvious. It is not peculiar to India; every other country almost in the world, most countries in the world, have had to adopt special prohibitive import duties on saccharine in order to protect their sugar revenue. We have already had signs of its coming into India; the imports of saccharine in the last three years have been rising very much indeed, and therefore we have had to adopt this method of imposing a very heavy duty on saccharine in order to equalize the duty on saccharine to the duty on sugar and to protect our sugar revenue. We hope that in this way we shall save at least 19 lakhs in our revenue, and that being so, I hope the House will agree that we must do this. France has a prohibitive duty, England has a duty of 576 times the duty on sugar. This being so, I hope the House will not accept this amendment.

Mr. President: The question is that that amendment be made.

The motion was negatived.

Sir Campbell Rhodes: Sir, my amendment is No. 68:

"In Schedule I to the Bill omit amendments Nos. 10 and 11 and re-number the subsequent amendments accordingly."

My Honourable friend, Mr. Rangachariar, and I made our attacks on the Honourable the Commerce Member single-handed, with no result, and I hope we shall be more fortunate if we attack in company. This question of tea boxes and tea lead is a most interesting study in fiscal problems. It is evidence of an industry started under the protection of revenue duties or rather the haphazard protection produced by the war. There is here, Sir, a conflict of interest, and on this subject, this book to which frequent reference has been made, the Fiscal Report says: "In all such cases the most essential reform is that the utmost publicity should be given to the inquiry of the Tariff Board, so that all interests concerned may have a full opportunity of representing their point of view." It is thought in Calcutta that the action of Government has been influenced by direct pressure from a certain quarter in Calcutta.

The Honourable Mr. C. A. Innes: I should like to contradict that statement at once, Sir. I should like to explain that this proposal was first put up in 1920 and was turned down by myself because the tea industry in that year was in a very bad state.

Sir Campbell Rhodes: I am very glad, Sir, to have that disclaimer. It is of course one which I accept and which the House I know will accept, and it will remove the wrong impression which has been formed in

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Calcutta. On this question of fixing correct valuations for different purposes, a distinguished free trade journalist said recently in Calcutta, and in criticism of the Fiscal Report, that he would rather a hundred times have a revenue tariff formed in honest ignorance by Government officials—the words are his, and not mine—than a scientific tariff drawn up by a number of men who knew all about it. Well, Sir, that journalist takes one view, the Fiscal Commission and the tea trade take another. I should just like to state the problem as it would be put before the Tariff Board; and in this connection during our debate on the Finance Bill both the Honourable Sir Basil Blackett and the Honourable Mr. Innes have told us under different circumstances to wait for the decision of the Tariff Board. That is what I wish Government to do in this case before making this important alteration. Well, Sir, on the one side we have this new tea box making industry in India fulfilling many of the requirements laid down in the Fiscal Commission's report, raw material and home market. So far from being protected at the moment, the protection is rather the other way. Tea boxes are made of three ply wood in which expensive glue of cement is used. If it comes in the form of a tea box, it comes in at 2½ per cent. If it comes in the form of cement for local industry, then it comes in at 15 per cent. We have, therefore, an industry which might well look for protection from the new tariff board. But take the other side of the question. The tea industry claims that this is their raw material and doubtless the Commerce Member will tell me that packing material does not usually come in free or at a nominal rate. I must point out that packing material in the case of tea is a very large item on the production of the finished article. We have also, Sir, in the case of the tea industry an export duty put on in 1916 and condemned by the Fiscal Commission. The tea industry is being constantly chased both by the Honourable the Finance Member and the Honourable the Commerce Member. The Commerce Member has put on the export duty. The Finance Member has made the discovery that tea is not an agricultural industry, because it has to undergo certain processes before being packed. He has also discovered that the tea planter occupies a bungalow. There is, therefore, a case to be put before the tariff board, and I do not think the case can be adequately discussed in this House or decided by a stroke of the pen by the Government of India. The decision of the tariff board, if I may anticipate it, would probably be that this duty would be justified if the tea industry were not handicapped by export duty. But, I submit to the House that it is not fair to leave off all the handicaps and then put on this protective tariff.

Mr. George Bridge (Assam: European): Sir, I rise to support the amendment moved by my Honourable friend, Sir Campbell Rhodes. It would seem on a point of administration it is proposed by Government to raise the import tax on tea boxes and tea lead from 2½ to 15 per cent., or seven times the former tax. This means making the tea industry pay some lakhs of rupees more. Sir, the tea industry is just emerging from the waves of depression which overtook it in 1920, when tea was selling in open market for less than the price of the boxes it was packed in. Just as the planter is raising his head above these waves of depression there comes another wave of taxation to overwhelm him. It may be said to have had a prosperous year, but it will only allow many gardens to put back to their reserve what they had to take out in 1920. I would point out to the Honourable Assembly that there are also other taxes on tea which Government in its solicitude for the industry has imposed on it. What about the

export tax on tea which was put on as a war tax? The export tax is undoubtedly a dangerous tax, as the Member for Commerce said in referring to the export tax on petrol. Therefore I say that the export duty on tea is a dangerous duty and it interferes with our trade. The Honourable the Commerce Member would not put an export duty on jute or on petrol and the reasons that he adduced for this have double force in the matter of tea. The reason why the Honourable the Finance Member would not put an export tax on petrol applies equally, if not with greater force, to tea which has to compete in the open markets of the world against Java, Sumatra, China and Ceylon. It is well known that petrol throughout the world is marketed by the closest possible trust methods and there is actually no competition in its sales. Again, we have a new tax put on this year. After aeons of time the Government has discovered that we are three-fourths agricultural and one-fourth manufacturing. By this conjuring tricks we have now to pay another new tax on tea. The British Government last year took off some of the tax on tea considering the wants of the poor who universally drink it, but the Government of India though professing their desire to reduce the consumption of liquor, opium, *ganja*, overtax the only article which may lead to their disuse. Every tax put on by Government increases the price to the consumer. Tea has been making good strides in India, but I am afraid the high price it is fetching now partly due to the high taxation will put it out of the reach of the poor to buy.

(At this stage Sir Jamsetjee Jejeebhoy, the Deputy President, took the Chair.)

As India is taking more tea yearly, it is greatly to the benefit of this country that they should take tea instead of *ganja*, opium and liquor. If more tea was drunk in India the people would be healthier. Seeing that 'Planter' has converted the jungle of Assam into smiling Edens where the only snake in the grass was the non-co-operation movement which has been scotched and driven to its hole, where we hope a firm Government will keep it, seeing the planter has helped Government by importing thousands of coolies who ultimately become Government raiyats and pay Government rent, seeing that without the labour imported at the cost of the planter Assam was decreasing in population, we must ask the Government not to put a higher tax on our boxes and tea lead, as these are just as essential as machinery which pays 2½ per cent. I would, therefore, ask Government not to press for this increase, but to encourage the cup that cheers but does not inebriate. I would therefore ask the House to vote for Sir Campbell Rhodes' amendment.

Rao Bahadur T. Rangachariar: I wish to give my support to this motion. It appears to me that this is an indigenous industry, though in the hands of Europeans, and I think we ought to do everything for it. We should treat this as part of machinery. When the trade grows, we could go after them in the shape of income-tax and super-tax. I think about 50 lakhs are spent in importing these tea chests, and they are imported mainly from Great Britain. If we had a local industry to produce these tea chests, then I would be the first to enhance the duty. But as we have not got the necessary raw material for making the tea chests in this country, I do think, Sir, it will work as a hardship on this industry if this duty is enhanced.

6 P.M.

The Honourable Mr. C. A. Innes: Sir, I do not wish to take up Mr. Rangachariar in what he just said, because I do not admit that in any way we have raised this duty on tea chests and tea lead for protective purposes. But Mr. Rangachariar was wrong—there are firms making these chests in Calcutta and naturally if we raise this duty as I have proposed these firms which are making these things in the country will be assisted. But this is the point I want to make. It is not for that reason that we propose this increase in the duty on tea chests and tea lead. Let me explain the whole matter. For the last three years, as the House can imagine we have been searching through our tariff schedules with a microscope in order to try and find items on which we can legitimately raise the duty; and we have as the House knows raised the duty on practically every item. Now in 1920, when the tariff schedule was coming under this usual examination, the proposal was put up to me, as I have said, that we should no longer allow this special concession to the tea industry, that its tea boxes and tea lead should come in at a special concession rate. But we decided that as the tea industry at that time was in an extremely depressed state the time was not opportune for raising the duty. Now, this year, as the House knows, I felt compelled to make various proposals to the Finance Department which involved a loss of revenue, and I was called upon to try and make up in any legitimate way I could the revenue which we were sacrificing. And so again we resuscitated this proposal regarding tea chests and tea lead. I do admit that there would have been enormous force in what Sir Campbell Rhodes said, had there been any question of a protective duty; had I been proposing a protective duty on tea chests and tea lead for the benefit of an industry in India, had I been proposing that without awaiting the careful investigation of the Tariff Board, I should have been in an absolutely indefensible position, but I am not doing anything of that sort. What are the facts? What is the duty upon tea chests and tea lead? A special concession rate of $2\frac{1}{2}$ per cent

Rao Bahadur T. Rangachariar: You want to raise it to 15 per cent.

The Honourable Mr. C. A. Innes: We are merely raising it to the general *ad valorem* rate. Ordinary lead coming into the country pays 15 per cent.; the position now is that if it comes in for the purpose of being made up into tea chests, it pays only $2\frac{1}{2}$ per cent.; similarly ordinary wood coming into the country pays 15 per cent.; but if you bring three-ply wood because it is for tea chests it comes in under the $2\frac{1}{2}$ per cent. item. I admit that the tea industry does suffer from the disability of the export duty, but the question before the House is whether in these days of financial stringency there is any reason why we should continue to allow tea chests and tea lead to come in at a special concession rate of $2\frac{1}{2}$ per cent. or whether they should come in at the ordinary rate of 15 per cent. That is the whole question before the House.

Mr. Darcy Lindsay: There is one important point, Sir, that I would like to put to the House, that these tea chests are brought into the country only for the purpose of export; the tea is filled into the chests and the chests leave the country again. I therefore ask the House, is it fair to impose so heavy an import duty as 15 per cent?

The amendment* was negatived.

Sir Montagu Webb: Sir, I beg to move:

"That in Schedule I in proposed amendment No. 16 (Item No. 87) after the words 'conveyances including' the words 'motor cars of fifteen-horse power or less' be substituted."

The object of this amendment, Sir, is to make a distinction between motor cars of high power and motor cars of low power. At present all motor cars pay an import duty of 30 per cent. *ad valorem*. If my amendment be accepted by Government and by this House, then motor cars of less than 15-horse power would come in on the 15 per cent. scale duty. I daresay this House is well aware that it has been a great grievance and source of complaint from the motor car industry that motor cars that are now used for business purposes and are an important part of the machinery of trade and commerce should be taxed so heavily as 30 per cent. The problem also has another aspect. Nearly all the cars of over 15-horse power are of foreign manufacture, whereas British manufacturers give particular attention to cars of less than 15-horse power. The effect of the present taxation is to give a direct encouragement to foreign cars and to correspondingly check the importations of British cars. I do not think, Sir, that that was the intention of the Legislature when the present duty was introduced. In making this proposal, I do so with confidence and in the belief that with the difference in the duty there will probably be no difference in the amount of revenue collected by Government. I think probably the chief American cars can afford to bear a few rupees more duty, and I expect the British cars will be able better to compete by the aid of the difference in duty.

I recognise that the introduction of the expression 'Horse power' may perhaps present a technical difficulty to Government, and I suggest therefore for the consideration of Government, if there be any trouble in accepting 15-horse power, that some of the formulæ that are in use in other parts of the world may perhaps be adopted. I notice that in Calcutta the Municipal Corporation have introduced a formula based upon the area which the wheel base of a car covers. In France the classification is by the combined cubic contents of the combustion chambers of the cylinders. The British Government determine the horse power by a well known formula: Horse power equals $\cdot 4 \times 2 D \times N$ where D is the diameter of each cylinder, and N the number of the cylinders. I mention this in case the expression 'horse power' presents any technical difficulty. I confidently commend this amendment to the acceptance of the House.

The Honourable Mr. O. A. Innes: Sir, if Sir Montagu Webb wishes to make any proposal for Imperial preference, I suggest that he should make an open proposal and not try to introduce it in this way. As I understand his amendment, it is an amendment to get into India the low power English car, cheaper than the high power Canadian or American car. It is very much better, Sir, I think that we should discuss this question of motor cars on Mr. Spence's proposal which is a proposal to deal with motor cars as a whole. The advantage of our present rate of tariff duty is that it is 30 per cent. *ad valorem*, and therefore the cheaper the car the less the duty you pay. I have got one other objection to Sir Montagu Webb's proposal to tax motor cars on horse power and so on. I will just read an extract from the "Autocar" of the 16th February:

"Nothing is more arbitrary than the present method of determining horse power. A 15-horse power Italian car drops to 10-horse power when it reaches France and climbs to 13.9-horse power when it lands on British territory."

[Mr. C. A. Innes.]

Similarly, the American method of calculating the horse power is, I believe, different from the English method. I say, Sir, that this proposal is not sound. Moreover, I do not believe that it would fulfil the objects which some people have in view, namely, of bringing in the cheap car, cheaper than the dearer or luxury car. But if we are to deal with motor cars properly we must deal with the question on Mr. Spence's amendment.

The amendment was negatived.

Mr. R. A. Spence: Sir, I think we have already

Rao Bahadur T. Rangachariar: Sir, I think it would be better if you would call out the number of the amendment because there are so many amendments.

Mr. Deputy President: It is No. 82.

Mr. R. A. Spence: Sir, I think we have already had a good deal of discussion in this Assembly as to whether a motor car is a luxury or not, and I think we must be very nearly as united on the point that a motor car is not a luxury as we were on the point that salt is a necessity of life. But it is a fact, Sir, that motor cars are not imported into this country for purposes of serving as luxuries. We do not go for joy rides in this country. We use our motor cars for means of getting about the country. The cases of people who go for joy rides in this country are very few and far between. A motor car is used in this country as a help to one's business, as a help to those living on estates in the country. Think, Sir, of the people who live on estates in the Madras Presidency, for instance, in Travancore and Mysore. Think of the tremendous distances that they have to cover. Do you think, Sir, that these people buy motor cars merely for the sake of luxury? No, they are an absolute necessity to them. Sir Montagu Webb had, I think, in his previous amendment really not the idea of introducing a preferential tariff by the back door, but by meeting the views of some of those who say "Oh, look at the Rolls Royce Car, that is a luxury," and therefore, he proposed that a car of small horse power only should be exempt, but as the Honourable the Commerce Member has pointed out to us the difficulties there are in regard to differentiating cars on horse power, I think that we may disregard the few cars that come into this country which might be called luxuries. The Honourable the Commerce Member will probably be able to tell us how many Rolls Royce cars came into India last year. I know the Rolls Royce Manager in Bombay told me that business is very bad. But, Sir, that is my argument. I do not want to detain the House this evening. Motor cars are necessities, and therefore I do ask this House to support me in my amendment asking that necessities should not be classified and charged as luxuries. There are other speakers here, Sir, who can carry on this argument better than I can but I do not believe that the reduction in the duty will cost Government as much as it looks on paper. With these words, Sir, I move my amendment which runs as follows:

"In Schedule I to the Bill, after amendment No. 16 insert the following amendment:

'16A. After item 87, the following item shall be inserted, namely:

'87A. Motor cars, motor cycles, motor scooters, bicycles and tricycles and articles adapted for use as parts and accessories thereof: provided that such articles as are ordinarily also used for purposes other than as parts and accessories of motor vehicles included in this item or in No. 87 or of bicycles or tricycles shall be dutiable at the rate of duty specified for such articles'."

Rao Bahadur T. Rangachariar: But what does your amendment mean?

Mr. W. S. J. Willson (Bengal: European): Sir, I beg to support the amendment of Mr. Spence. I touched lightly on the subject in the general debate on the budget and I don't think it is one that requires dealing with at any length. It appears to me to be so perfectly obvious. There is one point I would like to have touched upon and that is the enormous lack of employment that has been caused by the heavy handicap to the motor industry, and I don't think, Sir, that any long speech is necessary in any way to support this amendment which speaks for itself.

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

The Honourable Mr. C. A. Innes: Sir, I feel that it is rather an ungrateful task to be getting up time after time to defend high import duties upon what I recognise to be important trades. I don't do it with any liking for the task, I can assure the House. But deliberately, two years ago, in view of our financial needs, we raised the duty on motor cars from 7½ to 20 per cent. Again, last year, we had to raise it for the same reason to 30 per cent. We did it quite deliberately and we did it solely for the reason that we might get as much revenue as we could out of the imports of this article. I don't think that anybody says that motor cars are a luxury. Some motor cars of course are a luxury. It depends on the type of cars you have. Other motor cars, of course, are very necessary for the purposes of trade, commerce, transport, etc., but the whole theory of the tax is that a man who can afford to keep a motor car can afford to pay a heavy tax upon that car. After all, the House must remember that we have been driven in the last two years to great expedients to get revenue. Why, even to-day, the Government came forward with this proposal for the salt tax. Now, as I have explained, we have no desire at all to injure this trade. All we are out for is to get revenue and, if we could see that by reducing the tax on motor cars from 30 per cent. to 15 per cent. or 20 per cent., if we could see that by such a reduction of the tax we should so stimulate the trade as to get more revenue, we should not hesitate to do so. The whole reason why we are putting this tax on the trade is the need for revenue. Now, we have examined this question not once but a dozen times from that point of view, from the point of view whether by reducing the tax we should get more revenue, and we are unable to get a satisfactory answer to that question. We are unable to see that a reduction in the tax would stimulate the import of motor cars and would thereby give us more revenue. What is the reason why the import trade in motor cars is not more flourishing at present? Mr. Spence, Sir Montagu Webb, Mr. Willson, will no doubt say that it is due to this heavy rate of import duty. But I don't think that is correct. I have the figures here. The real reason why the motor trade is in a stagnant condition now is that during the two years 1919-20 and 1920-21, there were enormous imports of motor cars into India. The average imports before that time had been somewhere between three and four thousand cars a year. In these two years, there were imported into India over 25,000 cars, far more cars than were necessary to replace the short imports of the previous years and it is these heavy stocks of cars which have been hanging over the import trade. Is Mr. Spence sure that he has got the whole of the trade behind him in this demand for a reduction of the import tax?

Mr. R. A. Spence: I have the Motor Trade Association behind me.

The Honourable Mr. C. A. Innes: My information is that there are many firms which have still got large stocks of cars and that these firms are by no means anxious to see the rate of duty reduced. However, that is my information and Mr. Spence, I may admit, has the authority which must attach to the Motor Trade Association. What I say to the House is this, that the reason why the trade is stagnant at present is, as far as we can see, the very large imports in 1920 and 1921 and the stocks which still hang over the trade owing to these imports. That view is confirmed by the well known fact that it is very difficult in India now to sell a second-hand car. A further reason why the trade is stagnant is the general fact that trade in India is not very prosperous at present and people have not got money to spend on motor cars. That, Sir, is our reading of the situation. I can assure Mr. Spence and everybody else in this House that the operation of this rate of duty—a heavy rate of duty, I admit it to be—is being carefully watched and that as soon as we are satisfied that a reduction in the rate of duty will give us an increase in revenue, we shall not hesitate to reduce the rate. At present we have got no assurance to that effect.

Mr. President: The question is that that amendment be inserted.

The motion was negatived.

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

Mr. R. A. Spence: I do not know whether I can move my other amendment. It is such a very small one. I mean No. 88.* It has got the merit of not affecting the revenue of the Government of India. That is one of the greatest merits about it.

Mr. President: So far as I can see, the Honourable Member could discuss it on the Schedule though it is beyond the scope of the Schedule as drawn up.

The question is that Schedule I stand part of the Bill.

Mr. R. A. Spence: Sir, might I draw the attention of the Honourable the Commerce Member to one small matter? For years, Sir, at least until quite recently, prints which were imported into this country for binding in books published in this country were imported free of charge. At the present time, according to the Act, you can bring into this country maps for inserting in books printed in this country free of charge. You can bring into this country covers for those books free of charge. But for some reason, prints cannot be brought into this country free but have got to pay 30 per cent. duty. The prints I am especially interested in are what might be called scientific prints. They are coloured illustrations brought in for the Journal of the Bombay Natural History Society, a Society, Sir, which Government has supported in the past. Perhaps, if the Honourable Member could by some executive action allow those

* " In Schedule I to the Bill after amendment No. 21 insert the following amendment :

' 21A. To item 137 the following shall be added, namely :—'excepting prints included in item 24'."

prints which are certified as intended for publication in Scientific Journals to be imported free, it would serve my purpose. -I may point out that if I wished to swindle—a thing which I don't wish to do—I believe I could do it by binding all these prints up together in a book and then bringing them into this country as a book, in which case I could get them in free. But that, of course, is a thing that I should not dream of doing and I hope Government will save me from the temptation to do it.

Sir Montagu Webb : May I draw the attention of the Government to the fact that the present import tariff contains no item for Wireless Telegraph Apparatus. Wireless telegraphy is, after all, in the process of development and I submit that it is highly desirable in the general interests that every encouragement should be given to the public to experiment further and develop this new and most amazing invention. I tabled an amendment suggesting that such wireless telegraph apparatus might be allowed to be imported under a certificate from the Director-General of Posts and Telegraphs, at the low rate of 2½ per cent. duty, in that way protecting the revenue as far as was necessary. I think that if Government could give consideration to this fact it might assist the development of this most important industry.

The Honourable Mr. C. A. Innes : The wireless telegraphy question is under separate consideration and the Director-General of Posts and Telegraphs is dealing with that subject. As regards Mr. Spence's proposal, of course, we have considered a similar proposal though it was not the particular proposal which Mr. Spence has made. The trouble is that his proposal raises rather an important question of principle. One of the fundamental principles of our customs administration and of tariff is that we do not take into account in assessing an article the use to which it is intended to be put. That is the trouble which Mr. Spence's proposal involves. However, it will be considered.

Schedule I was added to the Bill.

Dr. Nand Lal : May I ask the Honourable Member in charge whether there has been some increase in the revenue on account of making the weight 2½ tolas? My moving the first part of the amendment No. 93 rests on the reply given.

The Honourable Mr. B. N. Sarma (Revenue and Agriculture Member) : There has been an increase of about Rs. 60 lakhs under Stamps generally.

Dr. Nand Lal : Then I do not move (i). I move clause (ii) :

“ In Schedule II to the Bill :

Under the heading ' Postcards ', for the existing entries substitute the following :

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

My submission before the House is that my information is that the Postal Department has not gained much on account of dropping the old system and resorting to the new one, that is, making single post card half an anna instead of quarter an anna, and making the reply post card one anna instead of half an anna. If my information is correct, that there has not

[Dr. Nand Lal.]

been an appreciable increase in the revenue, then I submit that it is not desirable that this rate should be adopted for the year 1923-24. There has been considerable inconvenience to the public on account of this increase which was sanctioned last year. And my submission is that the Government of India will be able to give due consideration to this inconvenience of the public in face of the fact that there has not been much increase in the revenue.

Mr. K. C. Neogy (Dacca Division: Non-Muhammadan Rural): Sir, I quite recognize that this late hour is not quite appropriate for discussing the financial policy of the post office. But regard being had to the fact that the Postal Department is handing over to the general exchequer this year the large amount of one crore and forty-seven lakhs of rupees, I do not think I should let this occasion pass without some comments. Sir, the other day we heard Dr. Gour say that the Postal Department was a commercial Department and he wanted his pound of flesh from this Department. Now, the question is, is the Postal Department a revenue-earning Department at all? I will not refer in detail to what the position is in other countries, but I believe it is generally agreed that the Postal Department is regarded all over the world as a public utility department, subject to the condition that if there is any surplus revenue left in the hands of the Postal Department after meeting the requirements of the expansion of postal facilities, that surplus revenue belongs to the general exchequer. I remember to have read a speech of Mr. Gladstone while he was Chancellor of the Exchequer in England in which he expressed his gratification that Parliament had surrendered 1½ million pounds of revenue which the general exchequer used to derive from the post office, and he said that a wiser measure was never adopted.

Mr. President: I am afraid I cannot allow the Honourable Member to take up the general question whether this is a public utility or commercial department. He is entitled to use that incidentally but not as the main part of his argument.

Mr. K. C. Neogy: Sir, connected with the question of the proposed reduction of the rates is the question how far the finances of the Department will be affected by the proposal and how far the Department is justified in handing over to the general exchequer the large surplus of 1.47 crores, without providing cheaper and larger postal facilities. That is how I bring it in. Now, Sir, if Honourable Members will refer to the interesting publication of Mr. Geoffrey Clarke on the history of the Indian Post Office, they will find that when the Postal Commission was appointed in 1850 they based their reforms throughout on the principle that the post office is to be maintained for the benefit of the people of India and not for the purpose of swelling the revenues of India. Mr. Clarke on this observes that:

"It is greatly to the credit of the Government of India that in all times of stress and strain as well as in times of prosperity they have loyally observed this principle although there have been many temptations to go contrary to it."

Now, Sir, if we come to the year 1866 we find that the then Finance Member stated that the Post Office is so potent an engine of civilization that no Government could be justified in allowing fiscal considerations to stand in the way of any improvement. Again we find when we come to the year 1905 when, as a result

Mr. President: The Honourable Member had better come to the year 1923-24.

Mr. K. C. Neogy: I am coming presently to the present year. In 1905 when certain concessions were announced in regard to postal rates, Mr. Gokhale expressed his gratification that this announcement was accompanied by another announcement that the Government did not intend to regard the Post Office as a revenue earning Department at all. And Mr. Gokhale expressed his hope that in future the surplus revenue of the Post Office would be devoted towards the expansion and cheapening of postal facilities more and more. That was in 1905. If we look into the figures of that period, we will find that between 1905-06 and 1909-10 the increase in the number of extra-departmental agents was 15 per cent., but during the next 12 years, that is to say, between 1910-11

Mr. President: Order, order. If I allow the Honourable Member to go on, I shall have to allow the Honourable Member to roam over the whole administration of the Post Office on a post card.

Mr. K. C. Neogy: Sir, I am referring to the fact that the Postal Department has really curtailed their programme of expansion, and I was illustrating this from the figures, because I find that, whereas in five years the expansion in the rural postal facilities was 15 per cent., during the last 12 years that expansion has progressed by only 2.9 per cent., and during the present Budget it is proposed further to curtail that programme, much to the detriment of the rural population in India.

Khan Bahadur Sarfaraz Hussain Khan: Is the gentleman in order? We are dealing with the question of the post card, and at this late hour he is going over the whole administration.

Mr. President: I have been trying to point out to the Honourable Member that he is going so far out of order that I shall soon have to ask him to resume his seat. He is entitled to argue the question on the basis no doubt of a public utility, but only in so far as it affects post cards. •

Mr. K. C. Neogy: Sir, it is very difficult to separate the question of the general expansion of postal facilities from

Mr. President: On the contrary it is quite easy, and it has to be done!

Mr. K. C. Neogy: I shall try to be in order now. What I object to is the handing over by the Postal Department of its surplus revenues without looking to the convenience of the public in the matter of cheaper postal facilities. That is the main point which I want to advance before this Honourable House.

There is another point to which I wanted to refer in this connection, but I do not know whether I will be in order,—it is as regards the absence of commercial accounts in the Postal Department.

Mr. President: Order, order. The Honourable Member is very ingenious and very persistent; I must rule him out of order.

(Voice: "I move that the question may now be put.")

Mr. President: The question is that the question be put.

The motion was adopted.

Mr. President: Amendment moved:

"In Schedule II, for the existing entries under the heading 'Postcards' substitute the following:

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

The motion was negatived.

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

The motion was adopted.

Mr. President: Schedule III.

Mr. M. G. Mukundaraja Ayyangar (Madura and Ramnad cum Tinnevely: Non-Muhammadan Rural): Sir, I gave notice of two* amendments, and the second is an alternative to the first; but since I sent notice of these amendments, I have been informed by a responsible gentleman that the effect of my first amendment would be to reduce income of the Central Government by a very large amount. If that should be the effect of my first amendment, I do not desire that the Government should lose such a huge sum, especially in these days of financial stringency. I would, therefore, with your permission, withdraw the first amendment, and I will move only the second amendment. The object of this second amendment is to remove the great hardship to which the Mutual Benefit Societies and the Fund Offices which are a real boon to the poor in the country are subjected by being asked to pay a flat rate of 1½ annas in the rupee whatever their income. Honourable Members will see that in the case of ordinary individuals, the taxable minimum under the Act is Rs. 2,000, that is, those whose total income is less than Rs. 2,000 are not liable to tax and even in the case of these persons, there is a graded scale of income-tax ranging from 5 pies to 1½ annas in the rupee of their income. But in the case of these Mutual Benefit Societies and Fund Offices which come under the definition of Companies under the Income-tax Act, 1922, they have to pay at a flat rate of 1½ annas in the rupee even if their income be very much below Rs. 2,000, which, as I said, is the taxable minimum in the case of others. These societies pay at the end of the stipulated period to the shareholders the amount they had paid and the interest on the amount they had paid. But yet these societies and fund offices are taxed under the Act. There are a great number of such societies and fund offices in the Madras Presidency whose annual total income may not be Rs. 2,000 but very much less than that amount. But all these are liable to be taxed at the rate of 1½ annas in the rupee. I do not think it is necessary for me to invite the attention of the House to the fact that this change was introduced for the first time in the Finance Act of 1922. Under the Income Tax Acts of 1917 and 1918, companies as well as individuals were not liable to pay any income-tax upon incomes below the taxable minimum. But in the year 1922 under the Finance Act, the

* "In Part I, A of Schedule III, Rates of Income Tax, after the word 'individual' in the first line, insert the words 'Every Company' and in Part I, B, omit the words 'Every Company, and'."

minimum taxable income in the case of companies was taken away and all companies were made to pay at the flat rate of 1½ annas in the rupee irrespective of their income and the result is that the smaller companies which deserve our sympathy and encouragement are very severely dealt with. The several Local Governments pointed out this anomaly of taxing small companies without reference to their income even before the Income-tax Act was passed. Our Honourable friend, Mr. Moir, as Secretary to the Government of Madras, has, in his letter to the Secretary to the Government of India, No. 322, dated the 12th of December, 1921, stated as follows :

"The clause (referring to clause 17 of the Income-tax Bill) proposes to tax companies and firms on their income even though it does not amount to the taxable minimum as fixed from time to time. The Governor in Council is unable to understand the difficulty which led to the necessity for this amendment, and whatever it is, he is of opinion that some other way should be found of meeting it. To tax a firm whose income is less than the minimum would be going against the main principles of the Act."

Mr. Sim, the then Joint Secretary, Finance Department of the Government of India, said in this House during the discussions on the Income-tax Bill :

"At the same time, there is a certain amount of hardship in connection with some of these societies, owing to the fact that the members of these societies in some cases are not personally liable to Income-tax. Clause 60 of the Bill gives the Government of India power to reduce taxation or to make any concessions they please in favour of any particular class of income. The Government of India are quite prepared to consider the case of these societies when the full facts are placed before them, to consider whether any special concession is required or whether any special arrangements are necessary in order to secure an equitable assessment of Income-tax."

Since then representations have been made and full facts have been placed before the Government of India by very many societies and fund offices of the Madras Presidency and, yet, Sir, nothing has been done in the matter as promised. I, therefore, think, Sir, that there is no use of placing any reliance on the assurances given by the Government in this matter and submit that the amendment I have proposed should be made in the Finance Bill. Sir, I move my amendment.

The Honourable Sir Basil Blackett: Sir, the question of how certain mutual benefit societies should be treated in Madras, and in fact in India, was raised in connection with the Income-Tax Act last year. On behalf of the Government of India Mr. Sim, I think it was, offered during the debate to make arrangements for special treatment of such societies under section 60 of the Act or otherwise by issuing executive instructions. But this proposal was rejected by the Assembly which inserted an explanation under the Act, under which recurring subscriptions paid periodically by shareholders or subscribers of mutual benefit societies as may be prescribed shall be deemed to be capital borrowed. The result of that would be that the interest payable thereon would have been allowed as business expenses. The Income Tax Department, immediately the Act was passed, took steps with a view to taking action under this explanation. But meanwhile one of the leading societies in Madras applied for a reference to the High Court on the question whether the income of such societies is liable to tax at all. Since then, Sir, we have been awaiting a decision on this point from the Madras High Court. We recognise that if the decision is much longer delayed it is necessary that we should attempt to take action and we are prepared to consider whether we can use our powers to issue executive instructions that if a society and its subscribers agree in cases

[Sir Basil Blackett.]

where the income is small, say Rs. 2,000 or less,—we might possibly consider going even above the Rs. 2,000—instead of taxing the society at the maximum rate, we should get a list from the principal officer of the company or society of the amounts paid out to subscribers showing the original subscription and the interest thereon. And the income-tax officer of that locality would go through the list and ascertain from his registers or from his own knowledge of the locality which particular recipients are liable to income-tax. He would then be able to add the amount of interest they had received to the income on which they would otherwise have been assessed and the effect would be that he would assess the individual where he was liable direct instead of assessing the company. I think that, if the decision of the High Court is not received soon, we can meet the difficulty in which the Honourable Member is interested in that way, and I would suggest that, in those circumstances, he should withdraw his amendment.

The motion was negatived.

Dr. Nand Lal: Sir, my amendment runs as follows :

“ In Part I, A of Schedule III to the Bill in items Nos. (4) to (7) the following amendments be made :

- (i) Against item No. (4), for the word ‘ nine ’ substitute the word ‘ eight ’.
- (ii) Against item No. (5), for the words ‘ one anna ’ substitute the words ‘ ten pies ’.
- (iii) Against item No. (6), for the words ‘ one anna and three pies ’ substitute the words ‘ one anna ’.
- (iv) Against item No. (7) for the words ‘ one anna and six pies ’ substitute the words ‘ one anna and three pies ’.

Sir, the income-tax payers are so hard hit and it is pity that some of us have no sympathy with them. The income-tax payer (*Cries of “ Withdraw, withdraw.”*) I cannot understand whether these gentlemen who say “ withdraw, withdraw ” understand their duty or not. It is a pity. If they want to take rest they may please themselves by leaving the House. Well, Sir, I am sitting here to do my duty. These Income-tax payers are, as I submitted above, very hard hit and allow me to say, though perhaps the Government Benches may not like to receive that message, that there is a great amount of discontent in regard to the present excessive rates of income-tax that is being levied. Now, last year, there was an enhancement in the rate of income-tax. Well, there was a general complaint against us and on most occasions, we, the representatives of the people, especially some of the elected Members, were taken to task by our constituents. The reply which we gave to them, with a view to redress their grievances, was “ It is perhaps only for one year, and we shall in our humble way try to see that next year there may be some sort of decrease, if possible in the rates.” But this year also

The Honourable Sir Malcolm Hailey: Might I ask who gave that undertaking?

Dr. Nand Lal: We, some of the elected Members, gave an oral reply to some of those who asked us on that point, namely, some of us, in that manner gave a moral consolation to our constituents; they will not come to you, Sir, they will send us to you, and that is the guiding principle upon which the whole representation is based. Therefore, Sir, at least we, the elected Members, feel bound to invite the attention of this Assembly to

this real grievance of these honest men who work very hard and, after having worked very hard, they earn money, and they have to give a very big slice of it to the Government.

The second phase of the question is, what measure has been adopted in fixing this rate of income-tax. The measure which seems ostensibly to have been adopted is that for each Rs. 5,000 there will be an increase of one pie. Sir, will you please see item No. 2. There it is given that when the total income is Rs. 2,000 or upwards but is less than Rs. 5,000, the tax is 5 pies in the rupee. Then you will be pleased to see item 3. When the total income is Rs. 5,000 or upwards but is less than Rs. 10,000—6 pies in the rupee. Now, when we compare these two items and the rates at which the income-tax is assessed, we are driven to this conclusion, that for each sum of Rs. 5,000 there will be an additional charge of 1 pie. Now, Sir, will you be pleased to see item 4 where it is given when the total income is Rs. 10,000 and upwards but is less than Rs. 20,000—9 pies in the rupee. Now according to that measure, according to that criterion, this ought to have been 8 pies, because there is an addition of Rs. 10,000. For every additional Rs. 5,000 there will be an addition of 1 pie; so by an arithmetical calculation the result arrived at is that the rate ought to have been 8 pies, not 9 pies. Then, Sir, I may invite your attention to item 5, where it is given, when the total income is not less than Rs. 20,000 and upwards but is less than Rs. 30,000—1 anna in the rupee. Now according to that criterion, according to that measure which was adopted with reference to items 2 and 3, it ought to have been only 10 pies; but we find that the result at which last year this Assembly arrived seems to be wrong. Whether it was right or wrong, we must accept it so far as last year is concerned; but for the next year I am raising this point before this Legislative Assembly that there is a mistake. There should be some fixity of standards.

Mr. E. A. Spence: According to how much a man can afford to pay?

Dr. Nand Lal: Whether you can afford to pay or not is a different question. Now I am discussing the arithmetical error which has been made.

Then, Sir, you will be pleased to see that there is a mistake due to an arithmetical error in item No. 6, and the same mistake has recurred in item No. 7.

Mr. E. A. Spence: No mistake.

Dr. Nand Lal: I submit there is the mistake and this mistake may be removed, and if this House will appreciate this contention of mine, then the rates will be as follows:

So far as item 4 is concerned, the rate will be only 8 pies. Again, so far as item No. 5 goes, the rate will be 10 pies. So far as item No. 6 goes, the rate will be 1 anna; and concerning item No. 7 the rate will be 1 anna 3 pies. The Schedule of last year with reference to these items does not seem to be based on an accurate arithmetical measure and criterion, and this Assembly should like to see that whatever is being passed for the next year, it should be based on accuracy. We have to avoid inaccurate arithmetical calculation. Sometimes bankers and merchants and income-tax payers—I mean ~~assesses~~ generally—laugh at our this arithmetical inaccuracy. Is this House prepared to accept that charge? (*Cries of "No."*)

[Dr. Nand Lal.]

Of course, Sir, I believe that some of you would like to have rest instead of doing duty.

The third point to which I wish to invite the attention of the court, I beg pardon, of the House—we lawyers are used to use that word—is this; there is a great amount of sensation and feeling and the merchant classes are feeling it very deeply. Therefore, I submit that to put an end to that grievance the House will be pleased to, at least, reduce the rates so that they may be relieved of this onerous charge to a certain extent.

Mr. Darcy Lindsay: I move, Sir, that the question be put.

The amendment was negatived.

Schedule III was added to the Bill.

Clause 1 was added to the Bill.

The Title and Preamble were added to the Bill. ✓

The Honourable Sir Basil Blackett: Sir, I beg to move that the Bill be passed.

Mr. President: The question is that the Bill be passed.

Mr. W. S. J. Willson: Sir, I am extremely sorry to intrude myself upon the House at this very late hour, but I am in a position of considerable difficulty. When Dr. Gour moved his amendment No. 47, the House had already had a great deal of talk about salt and I think it had had more than enough of it: so it happened that when you read his amendment the House shouted 'Aye' at once and although I rose to address you at the time, I unfortunately failed to catch your eye. Now, Sir, had the amendment, which Dr. Gour moved, the effect which he claimed for it, I should myself have voted for it. But it does not have that effect at all; and the consequences of it are so far-reaching that I do not want to allow this Bill to be passed without lodging my protest. I, Sir, am supposed to be an authority on the salt procedure in Calcutta, and it would be strange indeed if a representative of the trade, here in this House, allowed this to pass without lodging his protest. The position aimed at was, as Dr. Gour's amendment showed, that those who have sold their salt at a rate covering high duty should not get a refund; so far so good; but what happens in effect is this. The salt is landed in the Government bonded
7 P.M. golahs in Calcutta. You have to go to the Government and pay your duty day by day. There is such a block of deliveries at the Custom House and the golahs that you do not get delivery of the salt on the day you pay the duty. A merchant finds it necessary to pay some duty every day so that his chalans which are put in at the bottom of the file come gradually to the top. Now, Sir, I have every desire to be brief, so I do not want to go into the details at any great length, but it happened that 12 months ago we had exactly the same position. A firm in Calcutta had actually paid duty at the old rate of Rs. 1-4-0 on the 26th November, yet on the 2nd of March could not get delivery of that same salt. The Government refused to deliver that salt unless the excess was paid. Now in this year's case we have it that since the 1st of March the Government have refused to take any duty under the rate of Rs. 2-8-0. and in order that the merchants may come up to the top chalans, they had to pay Rs. 2-8-0, and we heard to-day on official authority that no less than thirty lakhs of rupees

duty have been paid on that basis. Now, Sir, if we are going to steal half of that duty, I think really it is a robbery of fifteen lakhs of rupees. These chalans are at the bottom, and they will not come to the top—I cannot tell you at the moment for how long; but it is some weeks, but by that time everybody knows that the salt duty has not been raised and the merchant who has, on the good faith of the Government, deposited his duty at Rs. 2-8-0 will not now be able to get it back. That, Sir, is a position which I cannot accept, and I cannot allow this Bill to pass without lodging protest against it. I do not know what further course is open to me except either to advocate the restoring of the duty to Rs. 2-8-0 so that it may be the same for everybody, or to oppose the passing of this Bill.

Sir Montagu Webb: I understand, Sir, that the motion now before the House is that the Bill, as amended, be passed. The result of the amendment is to leave us where we were before with a deficit, I understand, of 3 crores 68 lakhs of rupees. The efforts to provide alternative taxation in the form of a surtax on customs revenue have failed and I should like to make it known officially that I have received a large number of telegrams both from Bombay and Karachi most strongly protesting against any such increase of Customs Duties. The Honourable the Home Member in his very impressive speech advocating the doubling of the salt tax said that there was no alternative tax. I submit, Sir, that there is at least one alternative tax to which I have already referred, namely, the silver tax. In that connection the Honourable the Finance Member speaking on the subject of rebates remarked that in one year upon which quite casually he had to put his finger, the exports of silver from India were greater than the imports; and that consequently Government in that year instead of collecting money would have lost money. Now, Sir, I have the figures here of the last fifty years, and I cannot find any year except that very one year in which the exports of silver have exceeded the imports. So I think that Government need have no fear that even if they re-impose the silver duty and give a rebate on exports, they are likely to lose money.

Further, Sir, in making his appeal for the doubling of the salt duty, the Honourable the Home Member stated that although we have made our retrenchments, yet we cannot meet our expenditure, and therefore he advocated the imposition of a double salt tax. Now, Sir, I suggest the position is really this. The Inchaape Committee have made certain recommendations for retrenchments amounting to over nineteen crores of rupees. It has been impossible, naturally quite impossible, to bring into effect all those recommendations for this coming year. But we take it that Government are going to endeavour to bring into effect the whole of those retrenchments later on. So that the real position, as I see it, is not that we have made our retrenchments and cannot meet our expenditure, but that we have made as many retrenchments as are practicable during the forthcoming year and that we cannot meet our expenditure during the forthcoming year. But, I presume that the year after, when all these retrenchments are made, we shall be able to meet our expenditure. Therefore, Sir, the difficulty, the crisis, if I may so put it,—which we have now to overcome is this 3-68 crores deficit which has to be covered in some way during this coming year.

Now, Sir, I submit that there is an alternative to further taxation which we have not yet discussed, and which we have not yet considered. There is lying at this moment in London to the credit of the Secretary of State

[Sir Montagu Webb.]

for India over sixty crores of rupees—inoperative and doing nothing. The Honourable the Finance Member towards the end of his budget speech, paragraph 49, proposed to make use of a portion of that Reserve towards covering the deficit. I estimate that portion to be somewhere about a crore of rupees. This sum he proposes to utilise from that Reserve towards covering the deficit. (*The Honourable Sir Basil Blackett*: “The interest only.”). Now, why should we limit that appropriation to one crore? By appropriating 3 or 4 crores, say, our temporary difficulty for 1923-24 could be overcome. (*The Honourable Sir Malcolm Hailey*”: “Why have any revenue; why not take that?”) Now, Sir, that reserve to which I am referring is the Gold Standard Reserve and I would ask your permission and the indulgence of this House to devote three or four minutes to an explanation of what that Gold Standard Reserve is. It was formed, in the first instance—built up of the profits on the coinage of rupees with the object of providing a means of remittance to England in case exchange fell below 1s. 4d. On every rupee that is coined at the present day from new silver, Government makes about 3 pence or 4 pence profit. Originally, it was intended that that profit should be held in India in the form of gold so that when the balance of trade turned against India, the gold could be remitted if necessary to London. Owing to a whole list of incidents and circumstances into which I need not go now, and against many of which I have often protested, the whole of that Reserve has been transferred to London, and it is now kept, *not* in gold but in securities.

The particular point to which I wish to invite attention this evening is the magnitude of that reserve,—over sixty crores of rupees. I believe every authority at this moment is agreed that this reserve is unnecessarily swollen,—unnecessarily big, and that we might very well utilise some portion of it for other purposes. A couple of years ago, the Bengal Chamber of Commerce gave evidence before the Babington Smith Committee in this connection. They said that, in their opinion, if the Reserve was large enough to meet a two years' balance of trade against India, that was all that was necessary. What exactly a two years' adverse balance of trade might be was not defined. It was often thought in pre-war days to be about eight million sterling per annum. Even if it were taken at ten million sterling, that would make the Reserve only twenty million sterling. Well, from the balance of trade point of view—and I am supposed in some quarters to be an authority in these matters—I myself have often urged that thirty million sterling was sufficient. But let me recall to the House for a moment the opinion of the late Sir Lionel Abrahams. Sir Lionel Abrahams was undoubtedly one of the greatest financial authorities that the India Office has ever sheltered. Now, Sir Lionel Abrahams only two years ago expressed the opinion that twenty-five million sterling would be quite sufficient; but he added that it would be better perhaps not to lay down any hard and fast rule at the moment. Now, Sir, note that figure, from the greatest expert—25 million sterling. I am prepared personally to make it 30 million sterling. But suppose even you make it 35 million sterling. There is, I submit, Sir, in that Reserve a considerable surplus of which we might very well take advantage in the present crisis. I should be very surprised indeed to learn from the Honourable the Finance Member that he considered forty million sterling, that is to say, sixty crores, was necessary at the present day in London. I feel convinced that he will—I should be very surprised if he

does not—admit that that is a very substantial reserve, and larger perhaps than there is any necessity for.

Now, Sir, the problem which is before us at this moment is whether or not it is expedient to make use of any portion of the Gold Standard Reserve. We have before us this crisis of a deficit, and the possibility of the Governor General in Council being asked to double the salt tax in face of the opposition of this House. Personally I should regard that as a crisis, a very grave crisis indeed. I fear that it would be treated by the public as a general breakdown of the Reform Scheme. It would be said, "Here is a general, and practically unanimous opinion of the people as far as we can see, against any doubling of the salt-tax and yet, for the third year in succession, we are called upon to vote more taxation, and that too at the last moment, just when the Parliament is dissolving, just when the Members are returning to their constituents asking for re-election,—just when the feelings of hostility against the Government are dying down,—at that very moment, Government ignoring public opinion, doubles the salt tax. I think, Sir, that such a course would be a calamity; and it is for that reason I would urge upon the Government to weigh very carefully the possibility of utilising from the Gold Standard Reserve not merely the one crore which the Honourable the Finance Member himself proposes to take from the Reserve but a further three or four crores, and all our difficulties vanish without any financial mishap, and without any political disaster.

The Honourable Sir Malcolm Hailey: What a pity we retrenched!

Sir Montagu Webb: Well, Sir, I do not think it is a pity. It is a pity we did not retrench two years ago. The more we retrench the better. I put it for the serious consideration of Government that in a grave political crisis of this kind, with this Reserve of money at their disposal which can be utilised,—I suggest they should give this alternative way out of the present difficulty their very serious consideration.

Mr. Jamnadas Dwarkadas: Sir, I have no desire to detain the House at this late hour, but I do believe that while we are at the final stage of the Finance Bill, it is necessary that the constitutional aspect dealt with, with his characteristic skill by the Honourable the Home Member should also be considered by us. The Honourable the Home Member, it must be said to his credit, has not minced matters. He has told us—and there, I think, we are in agreement with him—that we are on the verge of a crisis, that for the last three years in the life of this Assembly, to use the words of the Honourable the Finance Member, we have somehow or other pulled together, that in this very Session we had various controversial questions which came up before the House and that by the efforts, the most laudable efforts, both of the Government as well as of the House, even on those controversial questions we have come to an unanimous conclusion, and it is a pity that on this question of the Finance Bill, there should exist between the Members of the Government and the Members of this House a difference which is not merely in the nature of an ordinary difference, but which is likely to assume the shape of a crisis, threatening to endanger, if I may say so, the bona fides of the Government of India, threatening to embitter more the already embittered feelings of a certain section of the people against the Government. It would be nothing short of a calamity. It would be nothing short of a calamity if the Government in spite of the almost unanimous opinion of the country and the opinion expressed here by a large

[Mr. Jainnada Dwarkadas.]

majority of the House (*A Voice*: "Not very large") were to get certified the tax which the House has rejected. I want to say in answer to the remarks made by the Honourable the Home Member and other Members that the Government must take it from us when we say that it is not merely for the purpose of getting ourselves re-elected that we have voted against the enhancement of the salt duty. No.

The Honourable Sir Malcolm Hailey: The Honourable Member would do me the credit to say that I did not suggest that.

Mr. Jainnadas Dwarkadas: I did not mean that the Honourable the Home Member suggested that, but it has been suggested by some Members that the reason that has guided many of the Honourable Members of this House to take up the attitude that they have taken against the enhancement of the salt duty is political and sentimental. Now as regards the reason being political, I want at once to say to the Government that I do not think that most of the Members of the House, at any rate, are actuated by the feeling that they would not be returned at the next elections if they voted in favour of the enhancement of the salt duty. The reason is neither altogether sentimental, but it is the conviction of many of us that it is a most unpopular tax, that it is a tax which will embitter the feelings of the poorest people of this country, that it is a tax which will weigh heavily on the shoulders of the poorest people of this country. (*A Voice*: "No") It is that reason, it is that conviction, right or wrong (*A Voice*: "Wrong") which has led many of us to take up the position that we have taken. The Honourable the Home Member spoke on the necessity of having the courage on this question to support the enhancement of the salt duty and avert a difficult situation. Now, Sir, I need hardly give an assurance both to this House and to the Government that there are Members in this Assembly who by their past record can claim that the personal consideration of election or any consideration of that character has never stood in their way of doing their duty even by displeasing a large section of the people by their support of Government when they thought it necessary to do so, and if speaking for myself I had thought that it was necessary to support Government, that it was right to support Government, I would have done so at any cost. I know many Members of this House would have done so at any cost, but I repeat that it is this feeling that we should be doing something wrong, that we should be doing something that is detrimental to the interests of the people of this country,—nay, more than that, it is the feeling that we shall have dis-served the Government itself which asks for our support—it is that feeling that has guided us in coming to the decision that we have come to. What, then, is the Government to do? Two ways are open to the Government. The Government might yield to the wish expressed by this House, or the Governor General may use the extraordinary power vested in him in order to certify the enhancement of the salt duty which the House has rejected. I do not want to mince matters. I want to imitate the good example set by the Honourable the Leader of the House. I do not want to mince matters. I want to tell the Government very frankly that the consequences of certifying this enhanced tax over the heads not only of the Members of this House but against the expressed opinion of the people of this country—that the Government's restoring the tax against the almost unanimous vote of the people of this country will be very grave. In the past before the Reforms came into existence, many a time it fell to the lot

of the Members of this House and public bodies outside this House to warn the Government of the danger of ignoring public opinion in many matters. The Government on most questions paid no heed to public opinion and this obstinate attitude on the part of Government became the parent of many a disaster to this country. I stand here to repeat the warning that has been given in this House and outside this House in the past on many measures; it may be in a small measure, but it seems to me that the situation is similar to what it has been in the past. It is perhaps, more serious, because you are on the eve of undoing the great work that in the first three years of its existence the reformed Legislature has done for this country. I therefore warn the Government, whatever may be the result of the House's attitude, let them stand by the constitution, let them respect the wishes of this House. It might mean temporary injury or it may not. I am not sure that it will. But in the end by respecting the wishes of this Legislature, by carrying out even against its own pet theories the desire expressed by a large majority of this House, the Government, I am sure, will ensure the solid foundation on which the Reforms have been built. I appeal to the Government to lay aside all other considerations. The credit of the Government of this country will not suffer. Sir Montagu Webb has suggested one remedy. I am not prepared to say that I am in agreement with that remedy, but I do feel that many a remedy can be suggested, that further retrenchment, if necessary, may be effected; other steps may be taken; a small deficit may be left uncovered; it is not likely to imperil the credit of this country in the eyes of the world; but the restoration of the salt tax in the teeth of the opposition of the people is going to imperil the credit, the bona fides of this Government in the eyes of the people of this country, a consideration which is more important than any other consideration. Only last year we were on the verge of chaos in this country. This House stood by the Government like one man then. But for the support of this House the Government would not have been able to put down a movement which threatened to bring disaster to this country, which threatened to transform this country into a place of chaos and anarchy. That fortunately has disappeared from this country. Let not Government, by any unwise action, bring about in this country again a situation which they might at a future date have to repent, and which will not be conducive to the good and the welfare either of this country or of its relations with Great Britain. I appeal to the Government once more. Exercise patience, exercise commonsense, do not suffer, as Lord Curzon pointed out, from the fault of not looking ahead sufficiently. Take a long view of things. Try to pacify the people of this country on every reasonable question. I say that this is one of the most reasonable demands that the House has made, and I trust, that the Government will not propose an enhancement of the tax on salt against the wishes of the people. It is not too much to demand from the Government to carry out in this respect the wishes of this House. Sir, I appeal to the Government to respect the wishes of the people.

The Honourable Sir Basil Blackett: Sir, I do not wish to detain the House at this late hour, but there are one or two points which it is necessary that I should not leave completely unanswered. I do not propose to follow Mr. Jamnadas Dwarkadas in his very eloquent appeal; all I would like to say on that subject is that, speaking here, I regret exceedingly that the House has missed what seems to me a unique opportunity for confounding for ever any questioners outside this country of the reforms scheme. But I will say no more on that subject; I will deal with the two other points raised. As regards the point raised by Mr. Willson in

[Sir Basil Blackett.]

regard to salt, the Government will be prepared to consider the point which he has raised and will, if necessary, consider whether any action need be taken in another place. The Honourable Member from Karachi seems to founder deeper and deeper in sentimental finance, as it has been called to-day, with every stage of the crisis; the more he is driven to face the necessity of adopting sound methods of dealing with the difficulty, the more unsound are the expedients which he tries to find to slip out of it. He has again repeated that this is a temporary crisis, it is a temporary financial stringency. I have stated more than once, and it has been said by others, that that is a view which cannot be put forward with any certainty, I would like just to make this point. He said that the cuts suggested by the Retrenchment Committee are something over 19 crores, and though we cannot put them all into force this year, we ought to put them in to force next year. I hope we shall put into force next year every possible retrenchment, but I must point out that at least 6 crores out of those 19 crores are non-recurrent savings: non-recurrent—there is the lag and terminal charges this year, which make our total actual savings, I think, about 12 out of the 19 recommended by the Retrenchment Committee. But of those 12, I think I am right in saying that at least six are non-recurrent; they do not recur next year; so that we cannot take too rosy a view of next year's situation.

Sir Montagu Webb has a rather indistinct idea as to where the line is to be drawn between capital and revenue. He says we are using part of the Gold Standard Reserve this year; I would point out that we are only using the interest on the Gold Standard Reserve, which is recurrent. If we do not touch the total reserve this year, that interest is a recurring item—it is a recurring interest item we are using, we are not using the principal. I will not be diverted at this moment into discussing whether or not the gold standard reserve is sufficient or insufficient for its purpose or enter into other arguments as to its use. Obviously the gold standard is needed and required for the purpose of dealing with our exchange and stabilising our exchange when the moment comes for doing it. That would be the moment to consider how finally to dispose of our available resources for stabilising exchange. If we were simply to use them for the purpose of meeting our current outgoings, we should be spending Capital on Revenue purposes, but I think it is a little beyond. (*A Voice*: "Use it for deflation.") If we use it for deflation, it is not revenue. I think Sir Montagu Webb said that 8 million pounds was about the maximum needed to cover any two years' adverse balance of exchange. (*Sir Montagu Webb*: "Eight millions a year.") In 1920-21 we had an adverse balance of 48½ crores, and in 1921-22 a total adverse balance of 32 crores, or a total adverse balance of 80 crores in two years. (*Sir Montagu Webb*: "Surely, Sir, not the balance of trade.") I am sorry to hear at the last moment a suggestion, which might mislead public opinion, put forward that there is a possibility of covering the deficit by a sound means and it would be very unfortunate if that went out to the world as a possibility, when I believe, as even Sir Montagu Webb must know, that it is not in any sense a suggestion for balancing the budget. It is a suggestion for devising ways and means which we need not discuss, it is not in any sense a suggestion for making the Budget balance.

Mr. President: The question is :

"That the Bill to fix the duty on salt manufactured in, or imported by land into, certain parts of British India, to vary the duty leviable on certain articles under the

Indian Tariff Act, 1894, to fix maximum rates of postage under the Indian Post Office Act, 1898, to amend the Indian Paper Currency Act, 1923, and to fix rates of income-tax, as amended, be passed."

The motion was adopted. ✓

STATEMENT OF BUSINESS.

The Honourable Sir Malcolm Hailey: I should like to make a statement, Sir, regarding business. Lists of business for Wednesday and Thursday have been distributed. It is not proposed to hold a meeting on Friday. On Saturday we propose to take any business that may be left over from Thursday, and after that to devote, what I hope will only prove to be half a day, to private business. For that purpose we propose to ballot for two Resolutions. We propose to keep the list open from 10 to 1 P.M. to-morrow and have an informal ballot at lunch time. On Monday we propose to take Government business and on Tuesday there may be a little Government business remaining over to be taken, and after that is finished, we propose to proceed to complete as far as possible the list of private business which was down for Thursday next and some of which will no doubt be remaining over for completion. (*Munshi Iswar Saran*: "Is that the last day"?) I hope, Sir, that we shall be able to inform you that we have no further business after Tuesday.

The Assembly then adjourned till eleven of the Clock on Wednesday, the 21st March, 1923.
