

5th March, 1924

THE
LEGISLATIVE ASSEMBLY DEBATES
(Official Report)

FIRST SESSION
OF THE
SECOND LEGISLATIVE ASSEMBLY, 1924



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LEGISLATIVE ASSEMBLY.

Wednesday, 5th March, 1924.

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

MEMBER SWORN:

SH. M. C. T. M. Chettiyar, Kt., M.L.A. (Madras: Indian Commerce).

GENERAL DISCUSSION ON THE BUDGET.

FIRST STAGE.

Mr. Deputy President: The Assembly will now proceed to the First Stage of the Budget—General Discussion.

Khan Bahadur Sarfaraz Hussain Khan (Patna and Chota Nagpur *cum* Orissa: Muhammadan): Sir, instead of going into the figures of the Budget, I would like to say a few words on the system of taxation in India. In other countries, taxes are generally levied on some sufficient data, chief amongst them being the *per capita* income and the taxable capacity of the people. In those places, as far as possible, Government try to levy direct taxation on the people; but when sufficient revenue cannot be derived thereby, they resort to indirect taxation by way of tariff and other duties. In the levy of such duties, the Government keep in their mind primarily two considerations, the first and foremost amongst them is the protection of national industries and the increase of national wealth, the second one being the increase of revenue to the State.

Sir, it will sound like a dogmatic assertion when I say that there are very few countries in the world which levy excise duties, such as the cotton excise duty prevailing in India, to stifle their important national industries. But, Sir, however it may be, it is a fact. I am sorry to bring this sorrowful and gloomy picture of Indian taxation just by their side, by way of comparison.

The Indian Government, being run by an irresponsible executive, raise taxation in India for the purposes of keeping a huge standing army to overawe the Indians to subjection, so that foreign exploitation may be continued unhampered. The Government of India have practically got no data on which they can base their taxation. The "steel frame" administration of this country, even after their continuance for nearly one hundred and fifty years, cannot state even in this House that they are aware of the *per capita* income of the people of India, and if we quote any figures from private authorities, Government ignore them as without

[Khan Bahadur Sarfaraz Hussain Khan.]

foundation and baseless. But, Sir, without the knowledge of the average income per head of the people of a State, no Government can definitely say that they know the taxable capacity of the people; and the Government of India, being armed with no such figures, are as ignorant as ever of the capacity of the people to bear taxation.

In coming to the existing taxation, we find that the majority of the taxes borne by us are indirect, and only a very few, such as income-tax, super-tax, etc., are direct. Even in subjecting Indians to indirect taxation no consideration or regard is paid to the fact, whether the tariff duties levied will increase revenue, as well as work like a protective tariff wall for the furtherance of indigenous industries and increase of national wealth. If we scrutinise the taxation, we find that we have taxed the poor man's food, his clothing, his salt, his kerosene, his matches, and other articles which are necessities of life for his existence. On the one hand, his income is meagre and on the other his bill of taxation is heavy. The resultant of these two is that the number of beggars and destitute classes in India are higher than are to be found in any other country under any civilized Government. But Government levy taxes in order to meet their present needs. The executive, being responsible to no one in India, do not care for the future increase of the national wealth of India. And naturally so, as a foreign Government cannot but be influenced by extraneous circumstances prevailing at places outside India; and the only satisfactory manner in which the present difficulties can be removed is by replacing the irresponsible executive by a responsible Government; and the matter is very plain and simple. A foreign Government cannot but look to matters in which Indians are not interested, while a Government responsible to India dare not look to any other interests than those of India. This much about taxation.

Now, about military expenditure. I regret Government have not been able to reduce the established charges of military expenditure to 58½ crores as against 59·88 crores, as recommended by the Retrenchment Committee. Sir, the main broad principle laid down by the Retrenchment Committee was that military expenditure should be brought down to 50 crores at an early date; but from what we see, we are unable to predict the time when this recommendation will be given effect to. Nay, on the contrary, the Finance Member has stated that the expenditure may be raised by 65 lakhs if the exchange goes down to 16d., instead of 16½, which has been taken for the Budget of 1924-25. Sir, may I ask, is this the way of making retrenchment? Is this the manner in which the public mind can be reassured? Even the suggestion of reducing the standing army by providing for a large territorial force has not been accepted, at least this has not been undertaken in right earnest. The standing army can be reduced without considerable difficulty by the process of having a larger number of men trained and equipped for the second line of defence. But here also comes in the Fogy of Afghanistan and Russia, and for the matter of that foreign aggression. But, I submit, with due deference to the opinion of the authorities, that the Akali unrest, due to the tactless handling of the situation, and the general discontent due to heavy taxation, and the withholding of further reforms, and to go further, the practical denying to the people of India their inherent right of self-determination, are a much greater imminent danger than the far-off and more or less imaginary danger of foreign invasion. I say, Sir, let us once for all have a peaceful and

contented India, and fear no bogey. A friendly and grateful India will, I am sure, prove more than a match for all bogeys. This much for military expenditure.

One or two minor points and I have done, as I do not wish in this general discussion of the Budget to enter into details.

In paragraph 22 of the Honourable the Finance Member's speech, we find that he has provided 2 crores for the repayment to Railways of customs duty on imported railway materials, if the case goes against the Government of India in the Privy Council. But it is not clear whether the 2 crores includes the cost of the suit pending before the Privy Council, and, if it does not include this, may I ask what will be the cost of the suit? This amount should also have been reserved from the surplus realised as a windfall, otherwise it will have to be met again from the current year's Budget.

In coming to paragraph 28 of the speech we find that the total of 228.45 crores has been shown as unproductive debt. But this House may like to know whether any scheme has been framed as to how this unproductive debt may be brought down gradually. A large amount of unproductive debt in a country is surely not a good sign of the prosperity of the country.

But before I conclude, I must draw the attention of the House to the point raised by the Honourable the Finance Member regarding the provincial contributions and the salt tax dealt with in paragraphs 62 to 71 of his speech, and hope that Honourable Members will not neglect the needs and requirements of the general tax-payers in their excess of provincial patriotism. I agree with the Finance Member when in paragraph 71 of his speech he says:

"I do not wish to appeal to provincial particularism. We here represent the whole of India. As I said a few weeks ago, borrowing the words of the Honourable Pandit Madan Mohan Malaviya, this is a national question and should be looked at from a national standpoint."

Now, if Madras, the Punjab, the United Provinces and Burma—the four provinces named by the Honourable the Finance Member in paragraph 70 of his speech as those whose contributions will be reduced, if the salt tax remains at Rs. 2 per maund—vote for the salt tax at Rs. 2 per maund and not Rs. 1-4-0 per maund, I say with all respect to them that they will be doing a disservice to the poor tax-payers of India; and if they do so, I may again be permitted to declare from the floor of this House that they will be looking more to their provincial interests than the general well-being, happiness and contentment of the Indian public at large; and I am sure Honourable Members of this House, which represents the whole of India, will protect the national interests of the country.

Mr. R. K. Shanmukham Chetty (Salem and Coimbatore *cum* North Arcot: Non-Muhammudan Rural): Mr. Deputy President, before I proceed to make my observations on the Financial Statement presented to us, I wish to congratulate my Honourable friend, Sir Basil Blackett, for the admirable lucidity with which he has presented that Statement to us. Last year he claimed the indulgence of this House as a new comer and, I am sure, Honourable Members will agree with me when I say that this year he has more than repaid that obligation. With his mind saturated with the best traditions of the English financial system, with which, I believe, he was closely associated for some time, he has, at last, succeeded in bringing some sort of order out of the chaos in which the Indian financial

[Mr. R. K. Shanmukham Chetty.]

system was plunged, and he deserves our congratulations for this achievement of his. It was some one that observed that a surplus like charity covers many sins and the Honourable Member must be congratulated on having succeeded in getting into this garb which will cover his many sins. But what is more gratifying is the fact that this surplus is not merely a temporary windfall, but a real surplus; because, as he has himself observed, "we are justified in regarding the surplus of 3.36 crores of rupees as a real surplus". I sincerely hope that my Honourable friend will succeed in inaugurating an era of surpluses. But under the present conditions I am sure my Honourable friend will agree with me when I say that the problem of disposing of the surplus is even more embarrassing than the problem of meeting a deficit. He enumerated some of the numerous claimants that are clamouring for consideration and after enumerating some of them, he has fixed his attention on two of the most predominant claimants, namely, the salt tax and provincial contributions.

In spite of my Honourable friend's attempts to give some relief in the measure of the salt tax, I hope he will excuse me when I say that he is still under the influence of orthodox official opinions and prejudices on this matter. In his remarks I find a lingering feeling of regret that he should give up this fruitful source of revenue, which according to the official standpoint does not impose any great burden upon the tax-payers of this country. Sir, the controversy over this matter has been so recent and all the arguments for and against this tax have been so well threshed out that I do not propose to weary the House with a repetition of all these arguments. In the year 1908, when the salt duty was only Re. 1 per maund, the late Mr. Gokhale made some comparisons between India and some countries of Europe about the salt duty in terms of a day's income per head of the population; and according to his estimate, in France the salt duty amounted to half a day's income; in Germany to 1 day's income, in Italy to 4 days' income, in Austria to $1\frac{1}{2}$ days' income, in the Netherlands to one-third of a day's income, and in India to two days' income. So judged, it seems that, even when the salt duty was at its lowest level, this tax pressed more heavily on the people of India than on any other people than those of Italy. I am prepared to concede, Sir, that as the Finance Member said, in considering this question many Honourable Members of this House are moved by considerations other than purely economic. Whatever might be the merits of this consideration, whether political or economic, this House cannot but give its verdict in favour of bringing the salt tax to its old level, because, Sir, as the Fiscal Commission remarked with reference to another matter:

"It is useless to ignore the part that sentiment plays in human affairs even in such material matters as taxation. Bacon drew attention to this characteristic when he wrote:

'Taxes levied by consent of the estate do abate men's courage less.'"

and so long as this enhancement of the salt duty is not by the consent of the estate, it must revert to its old level.

Having considered the claim of the first and the greatest claimant for our surplus, I would now say a word about the question of provincial contributions. Coming as I do from the province of Madras, I might be accused for bringing a parochial standpoint to bear upon this question. The Finance Member observed that "the existence of this liability is a

constant source of bitterness in the relations between the different Provincial Governments, and between the Government of India and the Provincial Governments." Apart from this bitterness, whether you look at this question of provincial contributions from the standpoint of placing your Central finances on a sounder and more stable basis, or whether you look at this question from the point of view of giving real and substantial autonomy to the finances of the provinces, the inevitable conclusion is that you can achieve neither the one nor the other result without in the first instance wiping away this iniquitous impost on the provinces. So long as the Central revenues have an amount of 9½ crores between their resources and a budget that balances without aid from the provinces, so long as you have this state of affairs in the Central finances, the Central finances cannot be said to be on a stable basis. And so long as the Provincial contribution forms the first charge on the revenues of the provinces, you cannot have substantial and real provincial autonomy in the provinces. It cannot, therefore, be denied, Sir, that both from the national and the provincial point of view this House and the Finance Member must take the earliest opportunity of wiping out these contributions.

Apart from these two claimants on our surplus there is a third claimant, a claimant who has been waiting for the last 28 years—I mean, Sir, our cotton excise duty. When this duty was levied 28 years ago, it was objected to on three grounds. Firstly, that the Indian Mill industry at that time was in a very precarious condition; secondly, that this duty was imposed not because the Government of India wanted it but because Lancashire wanted that it should be imposed upon India; and, thirdly,—and most important of all—the imposition of this duty was looked upon as an example of political domination being used for purposes of economic domination. After the lapse of 28 years all these arguments stand to-day with the same, if not with greater, force. I need not remind the Honourable Members of this House that after a brief period of prosperity, the mill industry in India is to-day in a precarious condition. I do not want to go into the question, Sir, whether the excise cotton duty is in violation of the principles of free trade or of protection, or whether this duty falls really on the producer or on the consumer. But the real Indian feeling on this matter was admirably put in a nutshell by my Honourable friend Sir Purshotamdas Thakurdas in the evidence that he gave before the Indian Fiscal Commission when he said that "only if this tax is abolished can India begin with a clean slate". If for nothing else, at least to enable us to begin with a clean slate, I think we must take the earliest opportunity of abolishing this duty. The Fiscal Commission remarked:

"But we shall have written this Chapter in vain if we have not made it clear that the Indian cotton excise duty cannot be dealt with purely on economic grounds. The whole question is permeated with suspicion and resentment and these feelings have been kept alive by the action taken by the representatives of the Lancashire cotton industry in 1917, in 1921 and again within the last few months to try to secure through the Secretary of State a reversion to the system which their influence had for so many years imposed upon India."

Under these circumstances, the Finance Member and this House cannot afford to ignore for any length of time the paramount claim of this claimant on our surplus. But under the present circumstances, Sir, I am prepared to leave the question there and revert to the two claimants that I mentioned before.

[Mr. R. K. Shanmukham Chetty.]

I have no doubt that this House would desire to satisfy both the claimants—the salt tax and the Provincial contributions. But the problem is: How to find the money to satisfy both these claimants? If the duty on salt is reduced to Rs. 1/4, the estimated revenue for 1924-25 would fall from Rs. 1,237.39 lakhs to Rs. 905 lakhs; thus it will take away 332 lakhs and swallow up practically our whole surplus. And in addition to this we must be prepared to start the year 1925-26 with an initial deficiency of 2.16 crores. The problem therefore is how to find the one and a half crores to reduce the provincial contributions this year and how to meet the initial deficiency of Rs. 2.16 crores in our budget for 1925-26. I shall venture to suggest a solution for this problem. But before I proceed to give my solution, I would just like to make one or two observations upon our Debt position and our Debt policy. Excluding Treasury Bills, loans to Provincial Governments, etc., our net debt position to-day is this. We have 578.39 crores as productive debt and 228.45 crores as unproductive debt. Even in this latter category, to estimate our real debt position, we must, in my opinion, exclude the 120.60 crores, which represents our War Debt; so that our real unproductive debt for which we must make provision is 107.85 crores. To provide for the amortization of this debt, a provision of nearly 4 crores of rupees is made in the budget for 1924-25. It is well known to this House that Government have launched on a huge programme of railway capital expenditure costing about 150 crores of rupees and extending over a period of 5 years. So long as we are incurring a huge expenditure upon productive capital enterprises, it cannot be denied that any provision that we may make for sinking funds practically amounts to taking money from revenue and spending it on productive capital enterprises. I am glad my Honourable friend, the Finance Member, has frankly admitted this in paragraph 29 of his speech, where he says:

"So long as we have a considerable annual programme of new productive capital expenditure, any provision for sinking funds operates, not to reduce the net total of our debt, but to reduce the amount of it which is unproductive, and the amount provided becomes in effect a contribution out of revenue towards productive capital expenditure."

My contention is, Sir, that at a time when there are most urgent and pressing national demands on the resources of the State, it is unjust to charge to revenue the capital portion of railway enterprise; it is unwise to spend any portion of your current revenues towards productive capital expenditure. Even as early as 1910 the late Mr. Gokhale warmly pleaded that:

"Government should confine the outlay on railway construction only to such sums as can be raised in the market out of borrowings and any sums remaining out of current revenues should be used for other more pressing objects."

(At this stage Mr. President took the Chair.)

After the lapse of 14 years, the observation holds good in every detail. The Finance Member has admitted in his speech in paragraph 32:

"It appears on examination that the present provision is largely the result of accident."

I grant, Sir, that Government having, rightly or wrongly, entered into a contract with their subscribers to the 5 per cent. War Loan to provide for a sinking fund, must make such a provision, but I ask what justification is there to charge to revenues the capital portion of railway annuities?

I see a provision of 2·30 crores is made for the capital portion of railway annuities and sinking funds. Taking 50 lakhs of rupees from this for sinking fund, it gives a sum of 1·80 crores of rupees, which may justifiably be charged to capital account, and the credit which is thus obtained on the revenue side may be utilized in giving the much-needed relief to the Provinces. Sir, I do not propose to offer any opinions on the various periods suggested by the Finance Member for the redemption of our debt, nor do I question the soundness of his theory that the fact that borrowing may be needed for an emergency such as war makes it most undesirable for a Government such as the Government of India to borrow for non-productive purposes in times of peace, and that it should manage to provide in peace time for the gradual amortisation of its debts. But my point is that this theory can be put into practice only when taxation is at a reasonably low level, and when the other and more pressing national demands have been satisfied; and, so long as we have not reached that position, I contend that we are not justified in taking from revenue money to spend on productive capital enterprises. My present proposal therefore is that, out of 1·80 crores charged to revenue as the capital portion of railway annuities, 1½ crores may be utilized for reducing a portion of the Provincial contributions. That meets our problem for this year. The next problem is, how to make up the initial deficit of 2·16 crores in the budget for 1925-26. I see, Sir, in the Military Budget an item of Rs. 1·63 crores for special terminal charges, and, if my information is correct, this amount will cease to be a burden on our revenues by the year 1925.

The Honourable Sir Basil Blackett (Finance Member): No. The Honourable Member will find that I stated in my Budget speech that unfortunately we had to look forward to its being larger in 1925-26 than in 1924-25. We expect it to cease after 1925, that is, in 1926-27 there should be no provision for it.

Mr. R. K. Shanmukham Chetty: It will be closed in 1926-27; we will have the charge in 1925-26. If this charge of Rs. 1·63 crores is to stand for 1925-26, we must certainly be prepared to face a deficit of 2·16 crores in the next year's budget.

But then, Sir, this naturally brings us to the inevitable question of military expenditure, which overshadows the whole field of our Indian financial system. Responsible Indian public opinion has complained for years that the whole military policy in India is based, firstly, upon a policy of mistrust, and secondly, upon a policy which has for its object, not primarily the requirements of the defence of India but the defence of the Empire at the cost of the Indian taxpayer. Sir, our representative public men have very often pleaded that to reduce our military expenditure, we must have recourse to short service in the Indian Army, the creation of an Indian reserve, and the gradual extension of the privileges of citizen soldiery. If only a bold military policy can be adopted in this direction, I am perfectly confident that the burden of military expenditure can be borne with greater ease by the taxpayer. I have made, Sir, a rough estimate of the amount spent by some countries on their military Budget and taken a percentage of military expenditure with reference to their revenues. My figures are very rough. South Africa spends 4½ per cent. of its revenues on military expenditure, Canada spends 12 per cent. of its revenues for the military, New Zealand spends 4½ per cent., even the United States spends only 1½ per cent. of its revenue on military expenditure, France spends 18 per cent. and India in that period, 1922, spent 52 per cent. of its revenues on military expenditure

The Honourable Sir Basil Blackett: Does that include Provincial revenues?

Mr. R. K. Shanmukham Oshetty: Even if we include Provincial revenues, the difference is striking. If I am not mistaken, the aggregate revenue of the Provinces is about 90 crores of rupees, so that, even if you include that, it will come to 32 per cent. of the revenues of India. (*The Honourable Sir Basil Blackett:* "Under 30 per cent.") But I must inform my friend that in taking the figures of the other countries, I have taken only the Central revenues for the purposes of comparison, not the State revenues. The latest verdict upon the burden of military expenditure in India is by the Inchcape Committee itself:

"We do not however consider that the Government of India should be satisfied with a military budget of 57 crores of rupees, and we recommend that a close watch be kept on the details of military expenditure with the object of bringing about a progressive reduction in the future. Should a further fall in prices take place, we consider it may be possible, after a few years, to reduce the military budget to a sum not exceeding Rs. 50 crores, although the Commander-in-Chief does not subscribe to this opinion. Even this 50 crores is more, in our opinion, than the tax-payer in India should be called upon to pay, and though revenue may increase through a revival of trade, there would be no justification for not keeping a strict eye on military expenditure with a view to its further reduction."

That is the verdict of the Inchcape Committee on our military expenditure, and, in its opinion, even an expenditure of 50 crores upon military purposes in India would not be justifiable, and yet, Sir, with a military expenditure of Rs. 60 crores, my Honourable friend, Sir Malcolm Hailey, said that, as an honest man, he would look into the face of the Indian taxpayer.

Sir, reviewing the financial position of India about 12 years ago, the late Mr. Gokhale observed:

"There are three outstanding features of the position: a top-heavy system of administration, much too costly for our resources, a crushing weight of military burdens, and a scheme of taxation which, though not much more burdensome in its total incidence than in other countries, presses much more heavily on the poorer than on the middle and upper classes. These are the three outstanding features of our financial position."

And, in the year 1924, these features are more outstanding than ever. Sir, we are passing through anxious and critical times. In this great crisis in our national history it is easy for our critics to say that we are impatient, but every day things are happening which swell the ranks of the impatient. What the situation requires is not Lewis guns and machine guns but the insight, wisdom and above all the courage of statesmanship. In every chapter of the reforms granted to us I see written as bold headlines the tragic words "Too Late". Even as Hamlet, while Government stand contemplating, meditating, hesitating, arguing within themselves "To grant or not to grant, that is the question"—even as they are employed in this tragic meditation, opportunities rush on which once allowed to pass can never be recalled; and all the while "the moving finger writes and having writ moves on."

Sir Chimanlal Setalvad (Bombay: Nominated Non-Official): Sir, the Honourable the Finance Member has been fortunate in being able to present much better results for the year 1923-24 than the Budget gave hope for, and also in being able to present a very hopeful Budget for the ensuing year. With regard to the Budget for the last year, 1923-24, a net deficit of 4.26 crores was anticipated and the expedient resorted to was to meet that deficit by an enhanced salt duty which was expected to bring in

about 4½ crores. The actual figures show that instead of 4½ crores only 1½ crores has been recovered, and still the Budget for the last year has been nearly balanced, and that is done by a saving in expenditure in various directions including a saving of expenditure under Military of 2·26 crores. The Honourable the Finance Member is further reinforced by being able to fall back upon what he described as the windfall which India has recently had in connection with the enemy ships worked by the India Office

Now, the fall in the estimated salt revenue is accounted for by the large issues of salt in January and February 1923, in anticipation of the enhancement of the salt duty and by the reduction of stocks in the present year in the hope of a reduction in the salt duty. Now these are circumstances which, as the Honourable the Finance Member has himself admitted, are not unfamiliar and could have been, and ought to have been foreseen. It is therefore strange that last year it was insisted upon that the salt duty would cover the whole deficit of 4½ crores. It was then said that any further curtailment of expenditure during 1923-24 was impossible, and that the only way to save the situation was to enhance the salt duty so as to bring in 4½ crores. Then, Sir, with regard to the windfall and the use of the enemy ships, even that cannot be a new thing at all. The enemy ships have been so worked under the India Office from the year 1915 and the Auditor of the accounts of the Secretary of State has drawn attention to this matter for the last three or four years. What I wish to emphasise, Sir, is that by a little foresight, by a little more confidence in the situation, the political crisis that was created last year by the certification of the Salt Tax could have been avoided. But we were then told that the ship of State was going to sink unless the salt duty was enhanced by 4½ crores. I do not wish, Sir, to go into the controversies of last year. I would fain draw a curtain on that unpleasant episode in the annals of this Assembly; but, Sir, there is one aspect of that controversy which has a direct bearing on the situation to-day, which has a direct bearing on the Budget of this year, to which I feel compelled to draw attention. Honourable Members will remember that in the year 1919, when the new Reforms Act was passed, although all parties were united in the opinion that the reforms were inadequate, the Liberals and the Independents agreed to work the reforms loyally and some of them at considerable sacrifice accepted office because they believed that it was their patriotic duty to work the reforms in right earnest. And still, Sir, how were these Liberals and Independents, who co-operated with Government in working the reforms to the best advantage, treated last year? These people, in spite of public opprobrium, had agreed to do what they thought was right and in the best interest of the country,—but everything was done by creating the political crisis of last year—everything was done by the Government, it may be however unwittingly, to discredit that party that was standing by constitutional reform, by constitutional means. The action of Government materially tended to discredit them in the eyes of the country and to strengthen the party that was against constitutional progress and constitutional methods. The Government did everything—however unwittingly—to increase the feeling of hostility against and distrust in the good faith and sincerity of Government throughout the country. And that again, Sir, has brought its result. And what is that? The result is that you are now face to face in this very Assembly with a party that has come avowedly to wreck the reforms if they can. This, I say Sir, is the result of the policy that Government adopted last year of not heeding the voice of those who were their friends, of those who wanted to stand by the constitution, of those who wanted to work the reforms honestly and in right earnest. You

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threw them to the wolves. You discredited them with the country, and you are now reaping the results of your mistaken policy. Here you are, as I said, face to face with a party that wants to obstruct; you are here face to face with the possibility of your whole Budget being thrown out. (Hear, hear.)

Mr. V. J. Patel (Bombay City: Non-Muhammadian Urban): And yet you will help them!

Sir Chimanlal Setalvad: I am told by a prominent member of that party "And yet you will help them". Yes, I am not ashamed of owning that. Sir, I and those who think with me, are prepared to help the Government in the progress of constitutional reform in this country, whatever the opprobrium they may have to bear from other parties who may differ from them. My party, Sir, is not a party of the supporters of Government—it is a party of those who are prepared to oppose and will oppose Government when they think Government are in the wrong, as vehemently as any Swarajist in this Assembly; but they will also support Government when they believe the action of Government is necessary in the best interests of the country; and that is what I, Sir, and those who think with me of the Liberal and Independent Parties stand for in this Assembly. All that I was pointing out for the moment was this, that Government by their action last year did everything to weaken the hands of that constitutional party, did everything to give strength to the other party and I hope, Sir, that Government will take to heart the lesson of what happened last year and the effects of it and will not blunder again into doing anything to weaken the hands of the constitutional party in this country.

The position in the present Budget is that there is a surplus of 336 lakhs and the Honourable the Finance Member has said that Government are prepared to leave the choice to this Assembly as to how this surplus is to be utilised. He placed before the House two alternatives, first, the reduction of the salt duty to Rs. 1-4, which would absorb very nearly the whole surplus, and secondly, the reduction of the salt duty to Rs. 2 and remission of provincial contributions to a certain extent. This is certainly very clever. A bait is held out to Madras, the United Provinces and the Punjab to accept Rs. 2 on salt, because it is said that that is the only way in which you can get any remission of the Provincial contributions. But I am sure that the Members of this Assembly will rise above all provincial advantages to be gained by such a method, and I am sure that the answer of the Assembly between these two alternatives will only be one and that is that the salt duty should be reduced to Rs. 1-4. (Mr. Jamnadas Mehta: "It should be abolished".) The reduction of the salt duty or the maintenance of as small a duty as possible on salt has been an article of faith with the Indian public for many a generation, and, I am sure, that this Assembly is not going to depart from that principle, more especially in view of the events of last year. It is not going back. I take it, on the deliberate view expressed on the floor of this House that we were not prepared to have the salt duty enhanced beyond Rs. 1-4.

Then, Sir, with regard to Provincial contributions, the Honourable the Finance Member observed that that was a constant source of bitterness between the Provinces and the Central Government. Now, I may

assure him, and I am sure, all thinking persons will agree with me, that the bitterness is not going to be removed, even if you wipe out all the Provincial contributions to-morrow. The bitterness, at any rate as regards Bombay and Bengal, is not going to be removed by the wiping out of the Provincial contributions. The Honourable the Finance Member asked this Assembly to look at this question from the national point of view; I entirely agree with him that the question must be looked at from the national point of view and you will never attain a real national point of view unless you remove all causes of complaint, not as regards some provinces only, but as regards all provinces including my province of Bombay, and Bengal. (*The Honourable Sir Basil Blackett*: "Why not make a beginning?") The grievance of Bombay and Bengal, I submit, needs repetition again on this occasion. The great mistake under the Meston Award was the adoption of a common formula for all provinces, industrial and agricultural, with the result that while agricultural provinces like Madras, the United Provinces and the Punjab profited by that arrangement . . . (*Diwan Bahadur T. Rangachariar*: "Did they?") Yes, they did, because the facts are those, as stated by me on a previous occasion, that while Madras got a windfall in land revenue of 576 lakhs. (*Mr. A. Rangaswami Iyengar*: "Why windfall?")—windfall in this way, that land revenue was provincialised altogether instead of being a divided head—you may call it a windfall or anything you like, or an increase in your spending power by 576 lakhs (*Mr. A. Rangaswami Iyengar*: "So in Bombay?"). No, nothing of that kind. (*The Honourable Sir Basil Blackett*: "Is this the national point of view?") After deducting the 348 lakhs that you were asked to pay as your provincial contribution, you still had to the good 228 lakhs, in Madras, as against 699 lakhs of all the provinces put together. Therefore Madras has done very well—I am not grudging Madras its good fortune. What I am pointing out is that Bombay has suffered the most. It got no increase really of any appreciable sort in its spending power, because it being an industrial province like Bengal, its greatest elastic source of revenue, income-tax, was taken away wholly by the Government of India. The Assembly will remember that the income-tax in Bombay has risen from 40 lakhs, which it was at one time, to nearly 6 to 8 crores in a period of 10 years (*Diwan Bahadur T. Rangachariar*: "And your wealth also") and all that has gone to the Government of India and Bombay has been deprived of its one elastic source of revenue. (*Mr. V. J. Patel*: "The result of co-operation.") No, it is not the result of co-operation. It is the result of the iniquitous basis on which the Meston settlement was made. Co-operation or no co-operation, such mistakes are bound to occur in the administration of any country. Therefore, I deny the suggestion that it was owing to the co-operation of the Liberals that this result was achieved. (Laughter.) But the fact remains that the Meston Award must be re-opened if justice is to be done to all the provinces and if bitterness is to be removed as desired by the Honourable the Finance Member. As I said, that can never be done till you re-open the Meston settlement and do away with the adoption of one formula absolutely unsuited to the varying conditions of different provinces. I do hope, Sir, in this connection that the terms of reference to the new Taxation Enquiry Committee and the methods to be adopted by that Committee will be elastic enough to enable the provinces to place this question of provincial contributions before the Committee and that it will be possible in course of time to remedy the great injustice done both to Bombay and Bengal.

[Sir Chimanlal Setalvad.]

Then, Sir, I have a word to say with regard to certain reflections that arise in connection with the windfall that my Honourable friend the Finance Member referred to, namely, the large amounts made available on account of the working of enemy ships by the India Office. The observation that I have to make about this is, firstly, that the Home Accounts of the Secretary of State are never reviewed either by the Public Accounts Committee in India or by any independent authority in England. The fact remains that, while the accounts of the High Commissioner are investigated by the Public Accounts Committee in India, the accounts of the Secretary of State, which involve a much larger expenditure than that by the High Commissioner, come under no independent review in either country at all. It is a very unsatisfactory state of things and measures must be taken by the Government of India to remedy that. The importance of this may be judged from a few facts to which I beg leave to draw attention. I do not know whether members have seen the report of the Auditor, Home Accounts, for 1923-24, which I happened to see the other day. By reason of this working of the enemy ships employed under the India Office, £3 millions and odd were earned from 1915 to 1920; and from 1920 to January 1922 another £328,000 and odd was earned; and there is a reserve fund, the Auditor tells us, of £124,000 and odd.

Then he also draws attention to the fact that £13 millions were paid to the War Office in 1919 as a contribution towards military operations beyond the frontiers of India, and a further £200,000 were paid in 1921 for the same purpose, and that no sanction for either of these payments was obtained from Parliament which is obligatory under the Government of India Act. This shows, Sir, that, if these accounts came within the purview of the Public Accounts Committee in India, you would not have this state of things, that expenditure incurred to the extent of £13 millions and more ever since 1919 has really never been put on a legal basis at all, the sanction of the Parliament having never been obtained. You further find, Sir, that the outstanding war liabilities of the Government of India were settled for a lump sum of £900,000 by the Imperial Government. Then you further find that £7 millions were sent to Iraq for military expenditure from 1918-1921. Though repayment was subsequently made, no interest was paid to the Government of India, and the Auditor points out that the interest charges themselves amount to between £400,000 and £500,000. Now, who is responsible, Sir, for this loss to India? That again shows that if these accounts came within the purview of the Public Accounts Committee, it would be possible to have some control over these matters.

Then, again, you had payments by the India Office to the Imperial Government for surplus revenue of Iraq, and on that again the Auditor points out that there has been loss of interest to the extent of £100,000. This illustrates, Sir, how urgently necessary it is for the Government of India to take measures to insist upon the Secretary of State to bring these accounts under some control either in this country or in England, more preferably under the control of the Public Accounts Committee in India. This is all I have to say in connection with the Budget.

Rai Sahib M. Harbilas Sarda (Ajmer-Merwara: General): Sir, while the Budget is under discussion and before it is finally passed I wish to

invite the attention of Government and of this House to the very unsatisfactory state of affairs in Ajmer-Merwara, so far as its judicial administration is concerned, owing to the stingy attitude of Government towards that much neglected province and owing to the niggardly grants that are made for the administration of that province by Government.

Ajmer, Sir, was one of the earliest possessions of the East India Company. It became a part of British India long before the Punjab, the United Provinces of Agra and Oudh and Sindh did so. Its great strategical importance and its situation, lying as it does surrounded on all sides by ancient and important Rajput States, inhabited by a brave and warlike people who have played a part in history second to none, give it a position at once unique and important. It is the place from which light radiates throughout Rajputana, a place from which vital impulses flow on all sides enriching life and stimulating activity in that great province which more than any other is representative of Indian chivalry and Indian culture. The administration of Ajmer-Merwara, Sir, is looked up to by the surrounding States of Rajputana and is regarded as a standard by which to measure progress. Ajmer-Merwara is moreover the place to which pilgrims from all parts of India went their way at all times of the year. The two most sacred places of the Hindus and the Mussalmans are situated in Ajmer-Merwara. Such is the importance of this province. Yet its judicial administration in some respects is in a very backward condition. Instead of making progress onwards, it progresses backwards, owing to the almost culpable indifference Government show towards the judicial requirements of its people. This is due more to the shop-keeping tendencies of British policy in regard to minor administrations.

Sir, the town of Ajmer, which has a population of about a lakh of people and includes a large European population, owing to its being the headquarters of the metre gauge section of the B. B. and C. I. Railway and the location of the large workshops there, has all its original civil work disposed of by a Subordinate Judge of the 1st Class who draws the magnificent salary of Rs. 200 rising in five years to Rs. 300. Till last year the salary of this officer used to be Rs. 400 to 500 but the ever memorable Incheape Committee, evidently finding its attack repelled elsewhere, made the judicial administration of this district the target for its arrows, and ordered the abolition of the Court of Small Causes at Ajmer, thinking that that Court was a recent excrescence and an unnecessary superfluity in Ajmer-Merwara. When the Local Government of Ajmer pointed out that the Small Causes Court had been co-existing with the Small Causes Courts Act since its very enactment, the Government of India, baulked of their prey, acting like the wolf in the story of the wolf and the lamb, with which we are all so familiar, insisted that some other court should be abolished, or a general reduction in the expenditure should be made. Shylock like, they insisted on their pound of flesh, without even the semblance of a Shylock's title to it, and the result was the reduction of the salary of the Sub-Judge at Ajmer from Rs. 400 rising to Rs. 500 to Rs. 200 rising to Rs. 300 and that of the Curator of the Rajputana Museum, one of the most important Archaeological institutions in India and so useful for a proper elucidation of Rajput history, and presided over by an officer probably the most eminent expounder of Indian Paleography in the country, from Rs. 400 to Rs. 200 rising to Rs. 300.

Government, Sir, must be aware that nowhere in India is the original civil work of a city of the size and importance of Ajmer entrusted to an

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officer whose work is so highly valued by Government as to make them loosen their purse strings and generously give him a salary of Rs. 200 rising to Rs. 300 in five years.

Sir, there is another feature of that administration that cries aloud for reform, and the only and usual reply of Government to that cry is 'no money'. Sir, Ajmer-Merwara is a Chief Commissionership and the Agent to the Governor General for Rajputana is the *ex-officio* Chief Commissioner of Ajmer. He is also the High Court of that province. This High Court sometimes finds itself completely innocent of law. Sir, it is I believe the poet Goldsmith, who says that a great man struggling with adversity is a sight worthy of the gods, and the spectacle of one of the highest political officers of Government, a master of his craft, but utterly innocent of law, struggling with huge files involving intricate points of law, is, I believe, a rare delight for the human gods who preside over the destinies of India. Sir, not very long ago there was an officer, a very estimable and gallant officer, who was so hard pressed for time and so overwhelmed with political work that he was seen disposing of applications for revision seated on horseback on the polo ground during the intervals between *chakkars*. Happy was the man, people thought—and these people were irreverent scoffers and always in the wrong of course—happy was the man whose application came up for disposal after the gallant officer had achieved a goal, and woe betided the litigant whose application came up after the other side had achieved the same thing. Happily, Sir, we have in our present Chief Commissioner a very popular, considerate and capable officer, but even he is so hard pressed with work and his political duties are so heavy that all the important judicial work of the High Court is entrusted to a political officer accredited to one of the Indian States. Thus the judicial work of the highest judicial court is being made a football, and the litigants go from pillar to post till they receive their final quietus at the hands of officers who, however conscientious and honest, have received little judicial training and are hardly fitted to perform the duties entrusted to them. All this, Sir, is due to the fact that Government do not provide sufficient money for the proper administration of justice in that province. If Government were to provide money, appoint a Judicial Commissioner and properly paid Subordinate Judges, there would be no difficulties and no deficiencies, and people would be happier there. It is only because of the niggardly grant in the Budget to which I wish to draw the attention of this House that I relate the grievances of that province.

The Honourable the Finance Member is promising relief to the province represented by that solid phalanx opposite, headed by the Deputy President of the Assembly. He is promising relief to the province represented by the redoubtable champions of good causes, the Honourable Pandit Motilal Nehru and the Honourable Pandit Madan Mohan Malaviya. He is promising relief to the province which is regarded as the sword-arm of India, the Punjab. Will then Ajmer-Merwara alone look in vain to the Government of India for the redress of its wrongs, when Ajmer-Merwara has given probably the largest assistances in the late war, because it furnished the army with the largest percentage of fighting men of any province in India? Merwara stands first in that respect in India. I therefore appeal to the Government and to the House, Sir, to allot sufficient money for the proper administration of this important province so that some of the glaring deficiencies may be removed.

Mr. Darcy Lindsay (Bengal: European): Sir, I wish to join my Honourable friend, Mr. Chetty, in offering congratulations to Sir Basil Blackett on the very admirable Budget he has presented to this House, and I think the House will also agree with me that our thanks and congratulations are due in like measure to His Excellency the Commander-in-Chief, the heads of all departments and their staff, who have so ably carried out what we all desire, retrenchment. Without their work, Sir, the Budget would not be what it is. I sympathise with the Honourable the Finance Member in his keen desire to give relief to the provinces by way of the reduction of provincial contributions, but I can assure him that relief is also overdue in certain cases of customs duty, which, as he frankly admits, is undoubtedly hampering trade. Included in this are some of Sir Malcolm Hailey's misnamed luxuries. I have before me an urgent appeal from the Bombay Glass Bangles Merchants' Association, who point out the grave hardship of glass bangles being taxed as luxuries and a 30 per cent. duty being charged thereon. It is pointed out that they are not articles of luxury such as soap, etc., (Laughter), but articles of prime necessity to all Indian women. The motor trade also repeat their tale of woe, and I fear they will hardly be satisfied with the crumb offered by way of one and a half annas reduction in the excise duty on petrol. This duty was, as the House is aware, introduced purely as a War measure and has remained as a tax for revenue. In his reference to this tax in his Budget speech of 1917, the then Finance Member, the late Sir William Meyer, said:

"The imposition of an excise duty of six annas a gallon with a like addition to the customs duty on imports were taken at the request of His Majesty's Government in order to conserve the supply as far as possible for war purposes and economize freight."

That was the sole reason for the imposition of this tax. There can be no doubt that it is a most harmful tax, and instead of by the force of bad example encouraging the oil ring to inflate prices, the Government should remove the duty entirely and thus allow of the use of motor transport becoming more general throughout India. I do not know whether my Honourable friend is a member of the Society for the Prevention of Cruelty to Animals, but I am sure he must be sympathetic to the suffering of the poor animals who have to draw heavy burdens through the streets at all seasons of the year. Let him come to Calcutta and witness the heart-breaking scene of cattle struggling to drag along overloaded carts in the intense heat of the day, prodded and beaten unmercifully by men and boys who appear to have no feeling for the sufferings of the dumb and patient beasts, and I prophesy that it will be his first aim at all costs to entirely remove the excise duty on petrol and also to appeal to the oil companies to show some consideration to India, the country that gives them their oil, so that it may be possible to successfully organize and work motor transport of goods on an extended scale, which at the high price of petrol is not now a paying proposition and in fact shows a loss. I particularly mention goods, but there is large scope for the expansion of motor transport in other directions to the great benefit of the country. And here again the high price of petrol stands in the way.

I regard with extreme satisfaction the proposal to reduce provincial contributions and, I wish the advocates of cheap salt would rest content, for this year at any rate, with the eight annas reduction and allow the provinces the great benefit which the distribution of one and a half crores will give them. The House is being told in season and out of season that works of real value to the people are held up owing to want of funds, and

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here is the opportunity at hand to make a start. I venture to think that, if it were put to the people, even the very poorest would gladly pay the extra four annas per head for their annual consumption of salt with the knowledge that their sacrifice is benefiting the community at large. I congratulate Madras and the other provinces on the windfall that is within their grasp and I hope their Members and the Members of other provinces will not allow sentiment or party politics to stand in the way of accepting the Honourable the Finance Member's offer. While on this subject of Provincial contributions, I wish to ask the Honourable Member to correct—I hope—the erroneous impression and natural alarm created in the minds of my fellow Members from Bengal that it is the avowed intention of Government to call upon Bengal to contribute the 68 lakhs from 1925-26 onwards. The Honourable Member appeared to make some such reference in his speech, but I am satisfied he did not mean it in the serious light in which it has been taken, and I ask him now to give the assurance that Bengal will be regarded as sharing in the surplus which, from my point of view, really amounts to Rs. 2,18,00,000 for distribution, and be permanently relieved of the contribution under the Meston award as allotted to her under an admitted miscalculation of revenue and expenditure. The House is aware that the Government of India, recognizing the injustice that has been done to Bengal, accepted the special recommendation of the Joint Parliamentary Committee, which reads:

“The Committee desire to add their recognition of the peculiar financial difficulties of the Presidency of Bengal, which they accordingly commend to the special consideration of the Government of India.”

At the Simla Session of 1921, Sir Malcolm Hailey, who was then the Finance Member, moved and successfully carried a Resolution recommending that the contribution be waived for three years. Sir Malcolm argued the case for Bengal so convincingly that he carried the House with him. And, when you consider the great financial difficulties of the Government of India at that time, the action of the Finance Member in foregoing his pound of flesh is proof positive that Bengal had a just cause for immediate relief. My submission is that the finding of the Committee and the subsequent action of the Government thereon places Bengal first of all the provinces to be accorded a permanent remission of the contributions. Unlike my friend, Sir Chimanlal Setalvad, I do not propose to go into the further grievances of Bengal or even Bombay as compared with other provinces. But knowing the justice of our case, we are quite ready, and I may say anxious, for a re-examination of the award, and we feel certain of further relief. I can only hope the Taxation Committee which will shortly be appointed will be allowed to include the hardships of the Lord Meston's settlement in the scope of their inquiry.

One other matter, Sir, I wish to refer to is fixing the rate of exchange on the basis of 1'4½d. But for the great desire to assist the provinces, I doubt if the Finance Member would have taken this gambler's chance, and personally I prefer a lower rate, even down to 1s. 4d. which has the advantage of possibly creating a small reserve to meet unforeseen mishaps. The difference of three farthings is approximately Rs. 1,32,00,000, which is nearly the amount that it is proposed to allot to the provinces. But if this anticipated surplus is diverted to salt, Sir Basil will, I imagine, repent his gamble. I, however, wish our optimist the best of luck, and he most certainly deserves the full support of the House both in the granting of Demands and the acceptance of his Finance Bill.

His Excellency the Commander-in-Chief: Sir, I am intervening at this early stage in the debate because, I think, Honourable Members, many of whom I know are anxious to speak, will desire to have my views with regard to the Budget for military expenditure. I do not desire to detain the House for any great length of time, for I know that there are many others who wish to take part in this debate; and it will not be necessary for me to go into the details of the military expenditure either of 1923-24 or of 1924-25. What I think Honourable Members will probably want to know, and what they will think to be the most interesting, is the results of the Committee, the Retrenchment Committee, under the presidency of Lord Inchcape which sat this time last year, and whether the reductions and economies that have been recommended by that Committee have really been carried into effect. I may perhaps remind Honourable Members that that Committee was composed of a very distinguished President and a number of illustrious business men, one of whom is a Member of this House, and that they examined, in the greatest detail, all the departments of the military hierarchy with a view to effecting what economies they considered possible or desirable. The recommendations of that Committee were accepted both by the Government of India and by myself in their entirety, and I think the House will be pleased to hear that, in the short space of 12 months, we have been able to carry into effect the economies that they recommended. Now I wish to be quite frank with the House. I wish to place them in full possession of all the information that they may require with regard to our military expenditure, and I think I may claim that I have made some endeavour to do this in the past few months. First of all, they have the full Report of the Inchcape Committee in their hands. I hope that they have read it; it is a voluminous document, and I hope they have studied it with care. In addition to that, we have given them a good deal of further information in connection with the questions which have been answered recently, and I think amply, both in this House and in the Council of State. In addition to that, they have the army estimates now in their possession, which have been drawn up in what I may call the more illuminating manner which was recommended by the Standing Finance Committee, and in which are certain amplifications and notes which are tantamount to a Budget memorandum. Then, again, I have also caused to be drawn up and published a book on the evolution of the army, which gives a complete description of every department of the military machine and in which Honourable Members will, I am sure, find a great deal of information which they are anxious to acquire. That book is available to all Honourable Members here in the Library, and I hope that with this information that I have produced Honourable Members will no longer, when they are discussing military affairs, feel at a loss because sufficient information is not available. I further hope that they will appreciate my frankness in putting all the information at their disposal, because I do want to take them completely into our confidence and to let them have every possible information that they desire in regard to military expenditure and to military policy. Now, Honourable Members will, I hope, have gathered—in fact I am sure they have gathered—from the statements which the Finance Member has made in his speech, that the savings which we all hoped would accrue from the recommendations of the Inchcape Committee have not only been actually attained, but that we have done even better than that Report recommends. I hope they will agree with me that having carried this into effect is a matter for complete satisfaction. I can assure them that it has been no easy task. When you come to consider the reductions in establishment, the re-arrangements and

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the revisions of the various departments involved, the disbandment, perhaps I might say the turning out of employment, of a very large number of our staff, these have been matters which in the short space of 12 months have given me and others who are working with me a very great deal of serious and not congenial work. It could only have been accomplished by the entire good-will of my subordinates and the assistance that they have given me in carrying this through, and I desire to take this opportunity of paying a well deserved tribute to my Financial Adviser, Sir Bhupendra Nath Mitra, and to my Army Secretary, the Honourable Mr. Burdon, for the most valuable and whole-hearted co-operation that I have received from them, for the resource, hard-work and unstinted labour that they have given in order to reach the goal that we all wanted. His Majesty the King-Emperor has bestowed upon Sir Bhupendra Nath Mitra a really well deserved honour and I take this opportunity of very heartily congratulating him. Now, I am fully aware that there is a considerable body of opinion both in this House and outside who may not be wholly content with the reductions that have been made. I would point out to them that the Incheape Committee in making their recommendations did not contemplate that the whole of the economies that they recommended would be forthcoming in the immediate future. A paragraph of the report has already been quoted by one speaker, but I should like to repeat it. The report says:

"We believe that the adoption of our recommendations will enable the estimates in subsequent years to be reduced to about 57 crores, irrespective of any savings due to further economies or fall in prices."

Now, the Committee obviously had in mind automatic savings which they hoped would accrue without further specific reductions in army services, and I would draw particular attention to the fact that they mentioned subsequent years as a period over which such economies as might be possible would be spread out; and their idea was in the nature of a prophecy with regard to several years and not one specific one. Therefore, I think in making a reduction in the first year of no less than 2.20 crores I am justified in claiming a very satisfactory beginning. Later on in another paragraph of the report they said:

"Should a fall in prices take place we consider that it may be possible after a few years to reduce the military budget to a sum not exceeding 50 crores, although the Commander-in-Chief does not subscribe to this opinion."

Now, I am not sufficiently optimistic, even when I envisage the possible improvement, the likely improvement, in the financial arrangements and status of India in the future, to think that it will be possible, owing to a fall in prices only, to envisage an economy of as much as a further 7 crores in our military budget. I think the Finance Member will agree with me that such a state of things, which would be very much welcomed by all, is not possible in the near future. So much for the financial aspect of the case. Now let me repeat for the benefit of Honourable Members who were not in this Assembly last year what I said last year with reference to the combatant troops and the fighting services of the Army. These were my words:

"In giving my support to the proposals of the Retrenchment Committee for the reduction of the combatant troops I made it clear that my acquiescence must not be construed as meaning that I reject once and for all as unnecessarily high the standard of defence which had previously been adopted in the post-war organisation of the army. I held and still maintain that the reductions have been determined primarily by

financial considerations and I accepted them in order to balance the budget. I have from the first advised that if and when the resources at the disposal of the Government of India increase, the Government of India, as they will aim at making more liberal provision for schemes of social and material betterment, should also be prepared to allot funds for increasing the strength of the fighting troops. His Majesty's Government have signified that they attach special importance to these views and they have sanctioned the reductions on the understanding that the Government of India will do their utmost to give effect to my advice when the financial situation improves."

Now, nothing has occurred in the last year which could in any way justify me in modifying the opinion that I then expressed, and I hold, as I held then, that no reduction can be made in the fighting troops of the army of to-day. And I could not and I am not prepared, as your adviser and as Commander-in-Chief here, to be responsible for the safety of India with a less number of fighting soldiers than we have at present. I do not know whether any Members of this House were present at the Delhi University the other day. I hope at least the Vice-Chancellor and the Treasurer of that University, who are both Members of this House, were present at a lecture that was given by one of my staff officers in which he described—and described very graphically—the problem of Indian defence. If Honourable Members would care to have a copy of that lecture I should be only too glad to supply them with it, for I do not know of anything else where you will have in so concise a form a really good description of the difficulties—geographical, technical and so forth—of the defence of India as a whole. Before leaving this subject, I would just like to point out that we had already carried out even before the Inchcape Committee made their recommendations a very large reduction in the number of fighting troops that we have in India. Let me give you the total figures. In 1914 there were 75,367 British soldiers in the combatant arms of the army in India. These have now been reduced to 57,080, a reduction of no less than 18,287. Similarly, in 1914 there were roughly 159,000 Indian ranks in the combatant arms of the Army in India and these have now been reduced to 140,000 in round figures, a reduction of some 19,000 troops. The total reduction in all, therefore, is no less than 37,000 fighting men. Now, I have said that I will contemplate no further reduction in the fighting troops and I claim to speak with some authority on this matter. I have made military defence problems a life study. I have had experience of them in many countries both in peace and in war. I have been in very close touch with the problem of India for many years, and for the last three years and more I have had an unrivalled opportunity of studying that problem at first hand with every possible source of information at my disposal, and, as a result, I give it to this House as my considered opinion that no further reduction in the fighting troops is possible, and so long as I am your Commander-in-Chief I shall make no modification of that opinion. Now, that does not mean that economies in other directions, even in the not very distant future, are not possible. In a large spending department such as the army is, economies are always possible. In the administrative departments, in the departmental services and in the auxiliary services I see no reason why some economy should not be effected, and you may be quite certain that I shall use my very best endeavours to find it out and to follow up any possible channel where money may be saved. It is not impossible also that economy may accrue from a further fall in prices. We may hope that the financial position will improve and that things which we require for our daily work in the army will become cheaper. Then, again, we are carrying out a considerable programme in the construction and repair of barracks for our Indian soldiers. I have on several occasions, received complaints from Honourable Members of this

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House of the inadequate accommodation which we give to our Indian soldiers. The programme is going on satisfactorily and it is one that will, I hope, be accomplished at no very distant date. If it is, we shall be able to effect quite a reasonable economy in the Military Works Branch. There are other directions also possibly where economies may be made, and I desire to assure the House that there is no detail into which I am not prepared to go to work out every possible source from which we may be able to produce an economy in our military expenditure.

Now, there is one more point in reference to the Budget figures which I claim to be a matter for congratulation. I refer to the disappearance of the special vote for Waziristan. His Excellency the Viceroy, in addressing this House at the opening of this Session, made reference to Waziristan and pointed out that our policy in that country had the dual purpose of reducing, as far as possible, our military expenditure, and at the same time dominating the recalcitrant Mahsuds. Last autumn I visited Waziristan myself and travelled round the newly constructed circular road from Jandola *via* Razmak to Bannu, and I can personally assure the House that the work that has been done there reflects the highest possible credit on the engineer officers, the troops and the working parties that have made that road and completed it in the short space of only eight months. The work that they have done has been in every respect admirable. Since then we have evacuated the line of the Takki Zain and at the present moment we have no regular soldiers in Mahsud country at all. One further point which will, I am sure, be a source of satisfaction to this House is that on the 1st of April next we shall return to ordinary peace conditions, and not only will there be no longer a special vote for Waziristan appearing in the budget, but Waziristan itself will become one of the normal districts under our original four-Command scheme. It will be necessary still to spend a certain amount of money in completing the barracks which are under construction at Razmak. I noticed from a question of one Honourable Member in this House the other day that he elicited the fact that Razmak, situated as it is at an elevation of 7,000 feet, and dominating as it does the Mahsud country, is not only a strategic point of the first importance, but it is likewise a health resort. It is supplied with most excellent water; it has an admirable climate all the year round, and I can assure you that the money invested in the construction of barracks at Razmak is an investment of a really valuable and productive kind.

Now, I would claim the indulgence of this House, which is generally granted during the Budget debate, to say one word upon another subject which I know is very near to the hearts of most Members of this House. It is one that is of the highest importance, and it is a subject of special interest to the Assembly at the present time. I refer to the Indianisation of the Army. (*An Honourable Member*: "Hear, hear.") I hear "Hear, hear" over there. Well, the problem is one which, I do not think, is always envisaged from quite the right angle by Members of this House. When they consider Indianisation, they always go to the replacement of British officers by Indians. Now that is only part of the problem; it is a part to which I will refer presently, but it is not by any means the whole problem, and I wish to point out that great changes towards the Indianisation of the army have been carried out in recent years. I am very doubtful whether Honourable Members realise what has been done. Let me give you a few figures. Indians are now largely employed in and are

carefully trained for the technical, the mechanical and the scientific services of the Army. Take, first of all, the Artillery. It is not generally known that, out of a total of 25,200 all ranks employed in the Royal Regiment of Artillery, no less than 12,000 are Indians, namely, more than 50 per cent. of the total personnel, and that Indians are employed as drivers and artificers in the horse and field artillery, and as gunners, drivers and artificers in the pack artillery, and as gunners and artificers in the frontier garrison artillery; they are employed in large numbers in the signal service and in the care, maintenance and operation of mechanical transport. In the last few years, as you all know, Indians have been employed in large numbers in the medical service, and that number is constantly increasing. An increasing number of Indians are also being employed in more responsible duties in the Army Veterinary Service, and in the Indian Army Service Corps, and

Dr. H. S. Gour (Central Provinces Hindi Divisions: Non-Muhammadian): How many Indians are there. Your Excellency, handling machine guns?
1 P.M.

His Excellency the Commander-in-Chief: The Honourable Member has anticipated what I was just going to say. In other departments of the army, also, the replacement of British by Indian personnel has been proceeding and is still proceeding as part of a definite policy, and both in the Indian Cavalry and in the Indian Infantry and also in British battalions, Indians are employed with machine guns.

Mr. Devaki Prasad Sinha (Chota Nagpur Division: Non-Muhammadian): What is the proportion?

His Excellency the Commander-in-Chief: I have got to ask for notice of that question. I do not carry those figures in my head.

Mr. K. C. Roy (Bengal: Nominated Non-Official): Are the Indians in the commissioned ranks?

His Excellency the Commander-in-Chief: In some cases, yes.

Dr. H. S. Gour: How many?

His Excellency the Commander-in-Chief: If you want figures, you must ask questions.

Dr. H. S. Gour: Four or five?

His Excellency the Commander-in-Chief: Oh no, more than that. If the Honourable Member wants more figures, he had better address a question to the Army Secretary. Well now, I claim that this fact of the numbers that we employ now is a complete answer to the suggestion that I have heard made both in this House and outside it that we do not trust the Indian. I contend that that is a complete answer to that suggestion.

I will now come to the commissioned ranks. I have nothing new to announce with regard to the commissioned ranks but I am fully alive to the vital importance that this question has to the future of India. As Commander-in-Chief I have done all I can though I intend to do still more

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(Hear, hear.) to encourage in every possible way the development of the only channel through which you can Indianise the commissioned ranks of the Army. That channel is education. (*An Honourable Member*: "What education?") The only satisfactory solution to this problem is through education and I wish to make that absolutely clear to this House. (*An Honourable Member*: "University education?") Modern warfare has become so complicated a business and so scientific that education is absolutely necessary to any modern commissioned officer. I would remind the House that it takes us from 22 to 25 years to train and educate an officer who is fit to command a battalion or a regiment. That is what we require in the British Army. Is it contended that you can train Indians in a less time? (*Some Honourable Members*: "Yes"; *other Honourable Members*: "No".) It has taken 40 years to make your Commander-in-Chief with all his shortcomings. Can you make an Indian Commander-in-Chief in less time? (*Dr. H. S. Gour*: "Make a beginning!") Very well, and yet in spite of this I hear Honourable Members suggesting that the complete Indianisation of the Army is possible in a decade or less. Now, when I think of this vitally important problem, when I realise the immense importance of it to the future of India, and when I further realise what failure in carrying it out would mean, I confess I am amazed at the way some Honourable Members light-heartedly contemplate rapid Indianisation in quite a short period of time. (*Mr. M. A. Jinnah*: "Shocking!") I say I am amazed. The only channel through which you will succeed in this matter is through education, and I confess that I am grievously disappointed that notwithstanding what I said to this House last Session, I find there is only one Member of it who has yet visited the Dehra Dun College. That Dehra Dun College is of vital importance to the Indianisation of the Army. It has made and is making very good progress. I will read you what the Secretary of State said about it only the other day. His words were these:

"In view of the very short time that has elapsed since the establishment of the College and the difficulties, to which some allusion has been made in the Commandant's reports, that must attend a system of training so far removed from Indian custom, I consider that the measure of success already attained is highly satisfactory and redounds to the credit both of the administration and of the boys themselves; and it has given me much pleasure to submit a copy of your despatch for the information of His Royal Highness the Prince of Wales. I sanction the establishment of the College as a permanent measure."

Well, now, it apparently is not possible to persuade Honourable Members to visit that College notwithstanding its supreme importance, but if the mountain will not come to Mahomed I must take Mahomed to the mountain, and I propose that a party of elected Members of this House shall go (*Sir P. S. Sivaswamy Aiyer*: "Not nominated Members?") at Government expense to visit that College.

Mr. Gaya Prasad Singh (Tirhut Division: Non-Muhammadan): We are all prepared to go.

His Excellency the Commander-in-Chief: Nominated Members will have to pay their own way! And I shall be very glad if Honourable Members will send in their names to Mr. Burdon, who will arrange that they shall visit the College some time next month when this Session is over. Now I

taking a sum of no less than 5 lakhs in this year's estimates for the increase of the Dehra Dun College and I passed only the other day the plans of buildings which will be required to increase that College from the number of 70 up to 100 or more. As you know, when the cadet leaves Dehra Dun College he goes home to Sandhurst for two years. He then comes out here and is attached to a British regiment before he is finally posted to his Indian regiment. We do exactly the same to the Indian as we do to the British officer and the result of our endeavours, I am glad to be able to tell the House, has been on the whole satisfactory. When we increase the numbers at Dehra Dun it may be possible—it may not even be advisable—to take the whole of the output of the College into the Army. There are certain cadets who may not be fit for a military career, but the education that we are supplying them with is of a general character and so general a nature that they will be able to find employment in other Government services, in the Civil Service or even in commercial life. Finally, I shall make every endeavour I can to reduce the cost of the college to those parents who have been connected with or are serving in or who have served in the Army, by the establishment of scholarships; for I know that many of those who would supply some of the best material are unable to afford the expense of a military education.

In conclusion, it may interest the House to know that our reconstructed army in India has now attained a very satisfactory degree of practical efficiency. After the exhaustion of the great war we have had to renew our military establishments to a very large extent, to train new personnel, to absorb and digest the lessons of the war and to strive to reach once more that high standard of efficiency which obtained before the war, and to carry out an intensive training essential to the skilful use of new weapons. I have recently visited and inspected most of the troops of the army during their training both in barracks and in the field; and I am glad to be able to tell the House that I am fully satisfied with the present high standard of efficiency, training and morale which have been attained by all ranks. As their military adviser, I can assure the House that as a fighting machine they possess in the army to-day an instrument which is capable of defending India against external aggression and maintaining law and order within her extensive dominions.

Mr. Bipin Chandra Pal (Calcutta: Non-Muhammadian Urban): May I ask a question of His Excellency the Commander-in-Chief? He says that it takes or ought to take twenty to twenty-five years to educate and train officers for the army

His Excellency the Commander-in-Chief: No, no; not quite that; I said it took us in the British Army twenty-two to twenty-five years to train an officer to command a battalion or regiment, that is, to become a Colonel who commands a thousand men or a regiment of cavalry.

Mr. Bipin Chandra Pal: But how long did it take to officer the very large number of men who were sent from Great Britain to France and Flanders during the war?

His Excellency the Commander-in-Chief: Of course, if you give me a war, then I could train officers much quicker. (Laughter.)

Diwan Bahadur T. Rangachariar (Madras City: Non-Muhammadian Urban): Sir, I have always found it difficult to follow an accomplished

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speaker. I never thought that the gallant soldier before us was also such an accomplished speaker, and I find myself in some difficulty in following such a distinguished soldier and speaker.

Sir, the Honourable the Finance Member last year complained of the manner in which his Financial Statement and Budget proposals were received in this House. I remember to have interjected at once that his manner was perfect but his matter was bad. To-day I may say that his manner was perfect and his matter is not bad, though not good. Sir, there is very little time—I do not know if you will not fix a time limit—I made the mistake of not fixing one and I shall submit to it as the first to suffer under it. I am not going to speak of the accomplishments of the Honourable the Finance Member,—and they are many—for time is short. I am not going to complain of what he has said—rather I propose to criticise what he has not said. Last year, I invited him with all the freshness of his youth, of his energy and of his European experience not merely to place before us the facts and figures, but to take a little more human interest in those facts and figures and instruct the country and this House what inferences he draws from those facts and figures.

Sir, the Central Government have to face this fact fair and square, namely, that the two chief sources of revenue on which it has to depend are Customs and Income-tax. Opium, out of our obligations to the civilised world, must disappear one day or other. Salt must diminish and disappear, if really my Honourable friend is going to claim to be a successful financier in this country. So that the two chief sources of revenue left to this country are Income-tax and Customs; and they will be the two chief sources which will have to be tapped from time to time. I am glad that my Honourable friend, the Commerce Member, is also here. We have been making an experiment for the purpose of revenue, operating on Customs, and we have been imposing income-tax and increasing it in recent years. One would like to know how this experiment has been working for the last three or four years. We are doing it for revenue purposes, but at the same time it is right that we should watch how these rises both in Customs duties and in Income-tax really operate in the country. Take Income-tax for instance; I should like to know how many people in the land really pay the income-tax, how many of them pay between certain amounts, how many are really persons who pay on handsome incomes and how many pay on comparatively poor incomes, and how many of those who pay on handsome incomes are Indians and how many of them are non-Indians. I should like also to know how this increased income-tax bears on the ordinary comforts of life which they have to enjoy as citizens of this country and of this large Empire. I mean to say a few observations here and there inserted in the Notes which accompany the Budget Estimates or in the Finance Member's speech might be of use, although a year or two later my Honourable friend, Mr. Rushbrook Williams, does make those comments in his interesting book—"India in 1922-23," which is the latest that we have got. But one would like to know and follow these things along with the Budget figures, so that the House may interest itself in studying the real effect of these facts and figures in understanding the situation in the country.

Take again the customs duties and export duties which are levied. Last year we made the experiment of reducing the export duty on hides and skins, which operated as a protective measure for the tanning industry.

especially in Madras. I should like the Honourable the Commerce Member to throw some light upon what the effect of that measure has been upon that industry in my province and also in other provinces where the tanning industry is prevalent. I have here a miserable tale told to me by a telegram sent from a responsible association, namely, the Southern India Skins and Hides Merchants' Association, requesting me and other Members of this Assembly as follows:

"That the reduced rate of 5 per cent. export duty on raw skins does not give adequate protection to the tanning industry, helps foreign competitive exploiters to detriment of this important indigenous industry. Already serious losses. Present rate if allowed to continue this industry will be crippled and ultimately ruined. Strongly urge therefore raise export duty to 15 per cent. or at least 10 per cent."

I know, Sir, many Honourable Members have received similar complaints. I should like to know, therefore, from the Honourable the Commerce Member or the Honourable the Finance Member as to what their view in the matter is. Similarly, also, I should like to know how the poor people in the land suffer by this increase of duties on various articles which are being imported for purposes of revenue, how far the consumption of cloth, the buying of cloth by poor people in the country has been affected, whether they are content to go with a less number of yards for wearing or whether they are getting the same quantity of cloth which they used to get. It is a matter, Sir, which must be investigated if really this Assembly is to take an intelligent interest and the Government are to exercise their responsibility to the people at large from whom they really levy these taxes.

Sir, again take the railway rates, the goods rates and the passenger rates. One should like to know how these rates on various classes of goods operate upon traffic, upon local industries; I mean such matters have to be presented to this House in a concise form so that we may follow the various processes which are in operation. Sir, when Honourable Members seek to elicit information on these points in the shape of interpellations, we are accustomed to answers like these: "We have published these returns in voluminous volumes which are available in the library". Sir, we have not got a paid staff with us to summarise, to collect the materials, and place them in a form which can be really studied with effect. Unfortunately, we are not full time people who can bestow all our time to this work alone. People have to leave their distant homes, they have to leave their business and profession and do honorary work. To such people a mere reference to publications contained in numerous volumes will be really of no avail, and I am sorry to notice this year a tendency to give such answers to questions put by Honourable Members in this House. I hope the Government will see their way to give such information as is asked for so that Honourable Members may understand these things easily.

Sir, take again the salt duty. We made a very sad experiment last year, but still the results of that experiment must have been carefully investigated and kept in readiness in case a similar necessity arose later on so that we might profit either by the mistakes of the past or rather by the mistakes of the present. The Honourable the Finance Member tells us that he cannot say that consumption has gone down by virtue of the increase in salt duty. I read the figures differently. I may be wrong, but I should be glad to have his great assistance in investigating this matter. Now, what are the facts, Sir? In the year immediately preceding the enhancement of this duty, namely, in the year 1922-23, salt which

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went out of the factories amounted to 544 lakhs of maunds. It is also stated in the Notes accompanying the Budget figures that if the rate were reduced to Rs. 1-4-0 the issue next year would be 560 lakhs of maunds. That is to say, the Government themselves anticipate that, if the duty on salt were reduced, people would buy more largely and the traders would also take in more largely. The traders are not such fools as to take in more largely merely for the sake of stocking salt, keeping their capital locked up by investing large amounts on buying salt, unless they know that there would be a demand by way of consumption. I can quite understand that they may keep a small stock. Even last year, when the enhanced salt duty was in contemplation, all that the Honourable the Finance Member told us in his Budget statement was that the extra supplies to the traders in January and February 1923 amounted to only 86 lakhs of maunds

The Honourable Sir Basil Blackett: That was merely on speculation as to the probability of an increase.

Diwan Bahadur T. Rangachariar: The extra supply that went out amounted to only 86 lakhs of maunds, and if Honourable Members will carefully study the figures month after month which have been supplied to us and which are printed in our Debates, Volume IV, No. 4, at page 136, they will find very interesting figures for study. Assuming that traders overstocked salt, for how many months would it last? But, if this decreased demand goes on month after month in the whole of 1923, then one must draw the inference that people are taking less salt than they need or at any rate than they would have taken. The Secretary to the Finance Department in his Notes says that the ordinary consumption or rather the ordinary issue to traders amounts to 495 lakhs per annum. Now in the Budget estimate last year, even with the enhanced duty on salt, Government estimated that 500 lakhs of maunds would go out. But how much salt did actually go out? Only 380 lakhs of maunds. That is to say, 495 lakhs of maunds is the ordinary consumption, and people were content to take only 380 lakhs of maunds, or rather they were content to take 115 lakhs of maunds less. Now, how is it that this small addition of a burden to the peoples' family budget has got such a great effect?

The Honourable Sir Basil Blackett: It has not.

Diwan Bahadur T. Rangachariar: You cannot attribute it all to the traders' tricks of overstocking and understocking, overstocking in expectation and understocking at the close of the period. I wish to draw the inference, and I draw the inference—I do not know if it is the correct inference to draw,—that the great poverty of the people really accounts for it. They are not able to stand this burden. Now, my Honourable friend, juvenile as he looks but really he is not, made a statement in this House the other day that one anna per diem is the average income per head of the people of this country. I refuse to believe it. It is too bad to be true, that only one anna is the average income. I am not referring to the Honourable the Finance Member. My honourable friend Mr. Chaman Lal from the Punjab asserted that information or rather wanted information whether that was a correct statement to make, but the Honourable the Finance Member was unable to make a definite statement, and when he was asked whether he would make an investigation,

he said that statistics are always misleading and therefore he would not embark upon any such investigation. But I do say, Sir, that although it may not be most satisfactory, yet it is the duty of the Government to investigate such a matter, especially in the face of the fact that you find that in the year when you raise the duty from Rs. 1-4 to Rs. 2-8 on a commodity like this which is a necessity of life, the people take nearly one-fourth less than they used to take before. (*The Honourable Sir Basil Blackett*: "The traders take".) Well, has my Honourable friend investigated the matter? He says the traders are responsible for this. If that is so, it is the easiest thing to ascertain the facts. A Government which have so many agencies, so many officers, for looking up the speeches made by my Honourable friend, Pandit Madan Mohan Malaviya, in 1909 or 1899, and for looking up whether Mr. Patel made a speech on the sands of Bombay, reproduced in the "Bombay Chronicle", such a Government can really find out whether the traders are responsible for this or the people. It is a matter which is very easily verified.

The Honourable Sir Basil Blackett: It has been verified, Sir, from the traders. They say they are responsible.

Diwan Bahadur T. Rangachariar: Then I ask how is it that the Government say that, if the duty is reduced to Rs. 1-4, 560 lakhs of maunds will go out? What will the traders do with it unless the people take it from them? And why do they say that 500 lakhs of maunds will go out if the duty is reduced to Rs. 2? Therefore, I hope my Honourable friend the Finance Member will not come to a conclusion on this point. I ask him to investigate it. It is a serious matter for investigation and I hope he will take the trouble to do it. If he has already formed a conclusion we shall be glad to have it. But if not, I hope he will investigate the matter. I want an unbiassed judgment on a matter of such supreme importance to the people of this country. I do not want him to think that he is on his defence in this matter. I merely want the question to be studied so that we may not embark on such dangerous experiments hereafter.

Then, again, Sir, last year we heard the Honourable the Finance Member say, and quite rightly, that he wanted to balance the Budget. We all agreed with that desire and considered it a sound thing to do in order to establish the credit of this country, which had always been good in the eyes of the world. Sir, the voice of the people is always likely to be correct, and the people of this country with one voice condemned the imposition of the salt duty and implored the Honourable the Finance Member to find other ways of balancing the Budget. Sir, a Brahman's word in South India is always said to come true. (Laughter.) Sir, I ventured then to suggest that the Commander-in-Chief would be able to save two or three crores in military expenditure, which may be used. His Excellency was able to save nearly three crores and thirty lakhs in this country, although he lost about one crore in England and in other expenditure and the net saving made by the Commander-in-Chief was 2-27 crores. So that 2-27 crores were overestimated in the working expenses of the military services for last year. I do not lay any blame for that; these are after all cases in which one is liable to make mistakes. But I suggested at the time that that saving could be effected. I also suggested that the Government could not spend so much on the working expenses of the railways as they estimated for. I said, "take two or three crores from the Military Services; take one crore from the working

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expenses of railway services; take a crore or so from the civil administration, and you will balance your Budget." Sir, that has also come out true. In the railways the working expenses were reduced by a little over one crore and ninety lakhs. Again in the civil administration they were able to save 50 lakhs. The Budget deficit was only Rs. 4.26 crores, and we find that that has been covered by the savings under over-estimates of expenditure alone.

And again, Sir, the Honourable the Finance Member must have known that there was really this money available to him, which he now speaks of as a legacy or windfall. It was always there. But the Secretary of State commanded the Government of India—"Balance the Budget, otherwise I will not allow you to reduce the military expenditure as recommended by the Incheape Committee". He was quite right about balancing the Budget, but the Budget could have been balanced by laying his own hands on the money which was at his disposal. He had about five or six crores there. Was the Honourable the Finance Member aware of it or not? It was written and printed year after year. In the audit note issued in April or March 1922 reference was made to this five or six crores lying at the Secretary of State's disposal. Why was not the Government of India aware of that sum? If they were aware of it, why did they not inform this House? Why did they then say: "Oh, it is not possible to balance the Budget without imposing this additional burden"? They should have told us that we had a sum sufficient to cover the deficit of Rs. 4.26 crores in the hands of the Secretary of State in England, who directed this imposition of a salt duty against the will of the people, who made the Viceroy exercise his autocratic power, who made the Government unpopular, who made the Government of India ignore all public opinion and created all this trouble. Sir, how can we forget such a fact? Sir, I do not want to blame the Government; all of us are likely to make mistakes, and I do not wish to rub it in. But I do want them to remember this one supreme fact, that the popular will and popular wishes should not be ignored. Popular wishes have been ignored time after time by this Government and they have had to pay dearly for it. They ignored the popular will at the time of the Rowlett Act; they have paid dearly for it. They ignored Indian popular will at the time of the exchange muddle; they have paid dearly in the shape of crores and crores. Again the popular will was asserted in 1921 when we said, "you must cut down your expenditure", and Member after Member for Government stood up and said, "no, it is impossible to cut down expenditure." And so we were forced to adopt the unreasonable method of making a five per cent. cut. Without rhyme or reason we had to do it in order to bring pressure upon Government, and we have been proved right while the official Members have been proved wrong. And again the popular will is now expressing itself. I want the Government of India to learn this lesson and I want the House to remember it, namely, that you ought not lightly to ignore the people's opinions expressed by their representatives in the House. I hope they will not repeat the same mistake this year. Unless the claims of the people of the country are satisfied and unless the people's wishes are respected, Government are bound to blunder, especially as the Members of the Government are not quite in touch with the people, because they are foreigners to this country and because they do not really know the feelings of the people. They

must profit by the advice we give, we honestly give, we sincerely give, not out of any selfish motives; and therefore, when we come forward with suggestions which may be accepted, it is, I submit, a crime to ignore the representations of the people. We have had bitter experience; I hope that that bitter experience, the lessons of that experience, will not be lost in dealing with the demands made by this Assembly in the name of the people.

Sir, there are many satisfactory features in the Budget. We may congratulate ourselves on the fact that these short-term loans, these I. O. Us as they used to be called, have been reduced considerably. We may congratulate ourselves that our Government securities have appreciated in value. We may congratulate ourselves that the Post Office Cash Certificates have also become very popular. There is one question which I should like to ask in that connection, namely, how far these Post Office Cash Certificates really take away capital which may be available for the co-operative credit movement? It is a matter also which I should like the Government to watch in the working of the Post Office Cash Certificate system, because money which might go into the co-operative credit movement is perhaps taken up by these Post Office Cash Certificates; I should like that question to be carefully examined. It encourages saving by the poor, that is, the system of taking these Post Office Cash Certificates. Again, Sir, there are various other matters on which we may congratulate ourselves on a successful financial year, and we hope we will have more successful financial years.

There is one other matter which I wish to mention, namely, the large cash balances with the Secretary of State. I find the amount made last year from interest on these cash balances with the Secretary of State was estimated at 7 lakhs, whereas actually the figures come up to 39 lakhs. That shows that unnecessarily large sums of money are left with the Secretary of State. The Secretary of State can easily contemplate and look forward to what is likely to be his expenses for the next three months. Why should he have more money than is really needed? Why should England have the benefit of this floating money? Why should the Bank of England or any other body there have the benefit? Why should not this country have the benefit of that balance? Why should it lie in England? Moreover, here we are borrowing at a large rate of interest. I do not know what is the rate of interest allowed on these balances—they are invested I find in these short-term bills—but I do want to know what is the rate of interest which they earn in England. Surely they can be better utilized in this country for the benefit of industries, for the advancement of industries, or in making loans, cheap loans to industries, and in various other ways. Again these are matters which require to be investigated.

Sir, coming to the other items, I should like to know how this Kannambadi dam business has been started,—Government made the mistake in the year 1892 of not taking the people into their confidence when they entered into the agreement regarding the Cauvery reservoir; I hope a similar mistake is not going to be made. I see in the papers that the Madras Government have come to an agreement about this. But the real people who will suffer by any mistake made in that agreement will be the people of Trichinopoly and Tanjore. Have they been consulted in this matter? And, again, Sir, I should like to know what action has been taken on the recommendations of the Joint Committee about the

[Diwan Bahadur T. Rangachariar.]

land revenue policy throughout India. Three years have gone by; what are the Government of India doing? Is each Local Government to go on in its own sweet way according to its financial exigencies? Is a re-settlement policy going to be a permanent feature of land-revenue settlement in this country? Are the Government of India going to be silent in a matter of that sort? These are all matters which I ask Government to consider. Government have got remarkable agencies at work; there are various ways in which I am quite sure they can acquaint themselves with the real wants of the people. By all means let sufficient time be spent in hunting down criminals; I do not object to it, but at the same time let them keep their eyes and ears open to these real wants of the people. And what is being done in that direction from time to time? Government must from time to time publish what they are doing in these matters. Sir, let me conclude by wishing for the Finance Member more successful financial years.

One word about Provincial contributions, Sir. Much as the money is needed in Madras, as I said last year when that offer was made on the floor of this House, Madras will not be so selfish as to take a remission or reduction of Provincial contributions at the expense of the salt duty.

The Assembly then adjourned for Lunch till a Quarter to Three of the Clock.

The Assembly re-assembled after Lunch at a Quarter to Three of the Clock, Mr. President in the Chair.

Mr. Kasturbhai Lalbhai (Ahmedabad Millowners' Association: Indian Commerce): Sir, the thanks of the Indian industrial public are due to the Honourable the Finance Member for relieving it from the nightmare of deficit Budgets for the first time after the close of the War. It is just a year that Sir Basil Blackett took charge of Indian Finance and we are the more grateful to him for the achievement in that short period. Let us wish him equally good luck or may I say better luck in the years to follow. For I desire he should show us a surplus not through uncertain windfalls but through certain and real economies in expenditure, civil as well as military. It is, however, a matter of some gratification that a surplus, though it be due to profits from the control of enemy ships, will relieve the country of the heavy impost on salt which Government have now learnt by experience to be beyond the country's power to bear.

In view of the fact however that these profits have arisen out of the working of merchant ships it is but fair that at least a part of them should be set apart for the provision of nautical schools for seamen, nautical colleges for training officers and special engineering courses for training engineers for merchant vessels.

Another feature which is a matter of some satisfaction is the acceptance by Government of the view consistently held by the commercial community that Government stores should be charged customs duty in the same manner as other imported articles. This is a step in the right direction and will encourage Indian industries, but I am afraid if Government are going to refund to the Army and other departments the customs revenue to be recovered from them, the repeal on paper of the proviso to section 20 of the Sea Customs Act might not give the desired result. In fact, I

would not consider the change to be worth the trouble it must have doubtless given to the Honourable Members in charge of Commerce and Finance if the result of all that labour is to end in an addition of certain entries on the debit and credit sides of Departmental Budgets. I hold the view that the Army and other Departments should be made to realise that the legitimate field for purchase of their requirements is in India first and next in countries outside India which can supply the remainder at the cheapest rates. In my opinion the duty charged on Government stores should accordingly benefit the general revenues of India and there is no justification for an addition to the Army expenditure on account of the payment of customs duty on military stores which should always have been purchased after calculating duty on them. I think that the portion of excess customs revenue received on Government stores might then suitably be utilised in reducing Provincial contributions.

Sir, I wish Government would show the same care and anxiety in the removal of inequities in collecting taxes that they have shown in levying the specific duty on empty match boxes and splints. This specific duty, while assuring the Government of what is their legitimate due, will also go a great way to protect the nascent match industry of this country. The imports of dummy match boxes and splints have shown us how foreign suppliers are on the alert to dump their goods in the Indian market through various devices, and it is to be hoped that Government will not hesitate to take action in such circumstances. The progress of the Indian match industry may be greatly accelerated if Government were to make a definite announcement that for a certain number of years the match duties will be maintained.

The cotton textile industry, which I have the honour to represent in this House, has, however, been asked this year, *which is no longer one of deficits*, to rest content only with its bobbins, healds, etc., being admitted at 2½ per cent. customs duty. I claim, Sir, that it deserved a little more consideration in its present depressed condition. His Excellency Lord Hardinge had assured it in 1916 that Government would relieve it from the admittedly inequitable burden of the cotton excise tax as soon as financial considerations permitted. We were then in the throes of the great war which gave us deficit Budgets year after year and, in view of the urgent financial needs of the country, the industry bore the burden of cotton excise during those years. May I mention here however that during the war the financial needs of European countries were far more stringent than those of ours. But I have never known it suggested in any country that an *excise duty* should be imposed on cotton textiles or other necessities of life. Honourable Members are aware that the Fiscal Commission have condemned the tax unanimously and have advised Government to clean the slate. The year and a half that has passed since the Fiscal Commission reported has brought greater depression to this industry and yet the Government of India with their accepted policy of protection for Indian industries have not a word to say in regard to the abolition of the handicap to this Indian industry. The Honourable Finance Member is not moved even by the diminishing returns the industry has been giving in the last three financial years. The excise revenue in 1920-21 amounted to Rs. 2.31 crores. In 1921-22, the yield was Rs. 2.19 crores. In 1922-23, it fell to Rs. 1.87 crores and in the year that has just closed Government could only realise one and a half crores from cotton goods produced in Indian mills.

[Mr. Kasturbhai Lalbhai.]

Is it statesmanship, I ask respectfully, to look with equanimity at such 'diminishing returns' from a national industry? Is it not yet time, Sir, to make good the promises of India's past Viceroys and Finance Members and to show that they really meant what they said? There is no longer a deficit Budget. The Indian textile industry is trying its level best to retain its legitimate Indian market which is practically the only one now left to it against the inroads of Japan and other foreign nations. These countries have already put their own houses in order. Will Government assist the Indian industry in the task of keeping its head above water and remove the handicap to its growth at such a critical period of its existence? The industry waits for an answer, for on that depends its future prosperity or stagnancy.

Mr. Amar Nath Dutt (Burdwan Division: Non-Muhammadan Rural): Sir, I wish I could congratulate the Honourable the Finance Member for his surplus Budget, but in the face of stern facts, I hope to be excused if I am unable to share his optimism, which reminds me of the story of the surgeon who congratulated himself on the success of an operation, although the patient died from the effects of the operation.

The Budget has been prepared without reference to the taxable capacity of the people, by the Finance Member, with the usual text before his eyes, namely, that India must be bled. And India is being bled, in spite of the death-pallor that is apparent to every one of us, except perhaps the Honourable the Finance Member, who is a new-comer to this country, and hence not unlikely to take the present situation as nothing extraordinary, sitting, as he does, by the side of the members of the "steel-frame" whose unselfish devotion to India and her people need not be questioned.

If we compare the figures of the Indian Budgets of the past 40 years, we will find that the expenditure of the Indian administration has increased more than 300 per cent. during that time, and military expenditure has kept pace with this increase, although the bogey of a Russian invasion or a hostile Afghanistan is a thing of the past.

When the Durand line included Waziristan in India, we hardly knew that this bleak and barren country, aptly described as 'No Man's Land', will be a field for pyrotechnic show of our military at the cost of the Indian tax-payers.

I must confess that the North-Western Frontier, through which has passed the wealth of India from the days of Mahmud of Ghazni, is still an outlet for Indian money in the shape of strategic railway lines and other military expenditure, over which the representatives of the Indian taxpayer have no control.

The Brussels Conference, with the full concurrence of the Government of India and the representatives of the India Office, has laid down 20 per cent. of the revenues of a country as the maximum that can be allotted for military expenditure of a country; but, in spite of the Retrenchment Committee and such authoritative canons of military expenditure, it is nearly three times the maximum in India. I believe that the military expenditure can be reduced by at least 50 per cent. with a slight effort on the part of the Government of India, if they are so inclined. We know that the cost of a British soldier is as much as five times that of an Indian soldier, and if the number of British soldiers is reduced to half of its present strength, then we can considerably lower our military expenditure. We also know

that we can easily reduce the number of British officers of the Army, who have very little to do except signing a few letters in a year. (Laughter.) A cursory glance at the posting and respective duties of British officers of the Indian Army will convince you that at least 50 per cent. of the British officers can be dispensed with without the slightest deterioration of the efficiency of the Indian Army. But I am treading on grounds, which the representatives of the Indian people are not yet fit to tread under the Reforms Act, and I shall conclude my observations about the military expenditure by asking for a reduction of the British element in the Army, and of more Indianisation of the Army at once.

I refrain from making any observation on the separation of the Railway Finance from the General Budget, as it is under the consideration of the Select Committee, but I urge the reduction of railway fares by reducing the cost of Railway administration. I also urge the reduction of the salt tax to Rs. 1-4-0 as it affects the poorest section of our community, and I do not share the views of the Honourable the Finance Member, when he says that the claimants to his surplus are only two in number, namely, the Provincial contributions and the salt tax. I would repeat with all the emphasis I can command that the salt tax should be first reduced to its previous level, even at the risk of reducing the surplus if not by reducing the cost of administration. Had this Assembly the power, we would have at once reduced the fabulous salaries of the Indian services by at least 50 per cent. without impairing their efficiency, in order to grant relief to the Indian tax-payers. But apart from that I would urge upon the Government for the reduction of the salt tax still more by economising its expenses in every department of the administration. I should not be misunderstood, that I am not in favour of the reduction of Provincial contributions. On the other hand, I urge the total abolition of the Provincial contributions, and a more equitable adjustment of the revenues of the Central and Provincial Governments, in place of that curious document, the Meston award,

3 P.M. and request the Honourable the Finance Member to find out the ways and means, with a genuine desire, to relieve the Indian tax-payer. (Hear, hear.) I would also urge the reduction of postal rates, which are rather too high for a poor country like India. Lastly, I would urge the stabilisation of the exchange as soon as possible. These are the few observations which I make to show to the world that the representatives of the Indian people do not approve of the Budget brought forward in total disregard of popular sentiments and wishes, and that we cannot allow the dissemination of falsehood with regard to our real position in our own country under the Reforms Act by the acceptance of the Budget and thereby being a party to the exploitation of our country by foreigners. (Hear, hear.) I, therefore, ask the House to throw out the whole Budget which does not aim at any appreciable reduction of the burdens of the Indian tax-payers for the benefit of their foreign exploiters.

I do not wish to take up the time of this House by dealing with figures which can be made to support any theory, and I give utterance to the verdict of the Indian nation, when I say that the Budget which has been presented to us is not only unsatisfactory, but a cruel and heartless document, indicative of callous indifference to the abject poverty of the Indian people in their present helpless state. With these words I oppose the Budget.

Mr. Ahmad Ali Khan (Assam: Muhammadan): While congratulating the Honourable the Finance Member on his good fortune in being able to present a surplus Budget for the first time, after a series of deficit Budgets,

[Mr. Ahmad Ali Khan.]

I cannot help remarking that it is exceedingly disappointing in several important particulars. The disappointing feature of this Budget, as of its predecessors in previous years, is the colossal expenditure on the Army which stands at a figure of over 60 crores out of a national revenue of something over 100 crores of rupees. Sir, I would pertinently ask the Honourable Members on the Government Benches whether they know of any civilised country which is so lavish in its expenditure on the army? Take the case of the United States of America which is perhaps the richest country in the world, or England or Canada, or any other country you like and you will find that the army expenditure does not normally exceed 20 to 25 per cent. of the gross revenues of those countries. In a time of peace when we are in amity with all our neighbours—Japan, Russia and Afghanistan—it is a sad commentary on the British rule in India that the Government should still be spending so lavishly on the maintenance of the army. Sir, in these days of aeroplanes, long range guns, is it not possible to reduce the man-force and thereby reduce the expenditure on the Army? I hear His Excellency the Commander-in-Chief saying "No." Of course, not. His Excellency was pleased to give us an opportunity of hearing his views for which this House is very grateful, although we cannot see eye to eye with him in everything that he has said. It is a very deplorable statement, Sir, that no further reduction in the Army is possible for a considerable time to come, and the only thing we can hope for is economies in small details. I fear very much that will not carry us very far. What we want is not small economies by way of grace; we want a substantial reduction in the strength of the Army.

Sir, I will now pass on to an item of small importance to most of the Members, I mean the revenue from Opium. I will not congratulate the Honourable the Finance Member on having an increase of 88 lakhs in the revenue from Opium unless I am quite certain that it is not at the expense of the health, physical and moral, of the tea garden coolies of Assam, because I have it on reliable authority that the practice of opium smoking and drinking is very largely on the increase in those parts. I am one of those men, Sir, who believe that the most stringent regulations should be placed on the sale of opium. It should be classed with drugs like cocaine and be purchasable only for purely medicinal and industrial purposes.

Sir, I will refer to one very important matter that has been on my mind for a long time, and in regard to which I put a number of questions; I mean our position in regard to sugar production. Many Members in this House may not be aware that half the total acreage under cane in the world is in India itself. Yet what is the position of this country as regards sugar production? We import, year in and year out, no less than Rs. 15 crores worth of sugar,—I think the Honourable the Commerce Member will correct me if I am wrong,—Rs. 15 crores every year for the purchase of sugar from abroad, from Mauritius, Java and other places. In the face of those facts, Sir, I believe the Honourable the Commerce Member will find it very hard to convince us that enough has been done and more cannot be done to improve the cultivation of cane and the production of sugar in this country . . .

The Honourable Mr. A. C. Chatterjee (Industries Member): A Provincial subject.

Mr. Ahmad Ali Khan: I hear the Honourable Member saying 'Provincial subject.' The Pusa Institute is not so.

Now, I will refer to the question of the separation of Railway Finance from General Finances. I think we are all agreed as to the desirability of some such arrangement. It will conduce to a better understanding of the needs of the railways and their finance; but I must utter a word of caution that, in doing so, we may not be relaxing our control over the administration of the Railway Department. Those Honourable Members who will have the privilege of sitting in Select Committees on this subject will carefully bear that warning in mind.

Sir, there is the further question of the salt tax on which perhaps the House will be more united than on any other question that presents itself in the Budget. I make bold to say that no Province has suffered more from the imposition of the enhanced duty on salt as my Province, the Province of Assam, has. We are a purely agricultural people, and I have heard from many that it has been working enormous hardship on the agriculturists in that Province. As the Honourable the Finance Member has not promised us any relief in the matter of Provincial contribution for the simple reason that we are not entitled to it, I feel that I must of necessity ask for a considerable reduction in the salt duty.

Sir, it seems to me, subject to the remarks I have made, that we may well congratulate ourselves on the satisfactory nature of the Budget, in that the Honourable the Finance Member has been able to promise a reduction in Provincial contributions to satisfy my Honourable friends on the opposite Benches in addition to promising a reduction in the salt duty. I do hope he will go far enough and enable us to return to the old level, I mean Rs. 1-4 per maund. I agree with the Honourable Member who preceded me, the Deputy President, Mr. Rangachariar, who said that if the Honourable the Finance Member wishes to establish his reputation as a financier, he must be able to do that, although that presupposes that he has not already established his reputation as a financier . . .

Diwan Bahadur T. Rangachariar: It is far from my intention.

Mr. Ahmad Ali Khan: He says it is very far from his intention. I agree with him. With these remarks I will close.

Sir Purshotamdas Thakurdas (Indian Merchants' Chamber: Indian Commerce): Sir, the general statement of revenue and expenditure shows a total of Rs. 131 crores, but that is not the total amount under the consideration of the House to-day. If you look at the credit side, you will find that instead of the railway receipts being taken in full, that is instead of gross receipts, only net receipts have been credited, and you can safely say that what we are considering to-day exceeds Rs. 200 crores because the railway working charges are covered by the scope of the Budget. Sir, even a Bombay merchant would not mind confessing the heavy responsibility of pronouncing an opinion on a Budget which covers such a huge amount as this. But for the consideration of this huge item of Rs. 200 crores and finally for the disposal of that in the form of demands for grants, let me put before the House the time given to us.

We are barely given four days within which to study the various volumes which I am sure every Member of this House has received. We are given two days of five hours each, I presume, it would be—in which we are expected to express our opinions not only on the various financial items in the Budget but also on several other things without being afraid of being called by you, Sir, to order. And for the voting of demand grants, there are not more than six days which are available to this House under orders

[Sir Purshotamdas Thakurdas.]

from His Excellency the Viceroy. I submit, Sir, that the time thus given by His Excellency the Viceroy is absolutely inadequate, and, if any sort of effective handling of the figures put before us is to be expected, that time should have been at least doubled—especially this year. A reference to the rules shows that there is no reason why we should not have up to a fortnight for the voting of grants. Indeed there is no limit in the rules regarding the number of days that this House may discuss the Budget, and I submit that, if the efforts of some Members in this House to-day do not come up to the expectations that may justifiably be raised in the country owing to the huge amount concerned, owing to the various changes that have been submitted, the responsibility will hardly lie with this House. I fail to understand the reason which could have prompted His Excellency the Viceroy to limit the time—it is 15 days under the rules—to only six for the voting of grants, and to limit the time for the discussion of the Budget to two days. I hope that, if necessary, more time may still be given by His Excellency the Viceroy and that at least next year he certainly will be pleased to see his way to considerably increase the time that is given for this purpose.

This year in particular, Sir, I think this House has a justifiable claim to ask for more time; and before I say anything further I would like the House to forget, whenever I refer to the Retrenchment Committee, that I was a member of that Committee. Those who smile, smile a little prematurely. I ask you to forget it because I have heard some eulogy about its work. Let them forget me as far as that eulogy is concerned. I am ready to give any reply about criticism of the Retrenchment Committee's report; but my point, Sir, is this. The Retrenchment Committee's report last year was—justifiably it was said—issued just in time for the Budget and the Government were not able—the Finance Department particularly was not able—to give that attention to the recommendations of the Retrenchment Committee which they would have liked to give them. They therefore admitted in the Budget last year a reduction in round figures of about Rs. 12·35 crores out of Rs. 19·27 crores recommended by that Committee. If I mistake not, the Honourable the Finance Member said that it was the intention of Government to see that every one of the items recommended by the Retrenchment Committee is, as far as possible, accepted, and the House has heard to-day direct from His Excellency the Commander-in-Chief that he claims that the Military Department have thus included every item of the Retrenchment Committee's recommendations. But, Sir, this House I think would like to know whether the balance of the items on the Civil side have thus been included in the Budget, and whether the figure of Rs. 19·27 crores has been worked up to—barring of course such things as the Finance Department and the various other Departments may have found to be unsuitable or impossible for them to accept. To this end I see in the Honourable the Finance Member's speech that he claims that the Assembly has been given very full information. Sir, I do not know if the Government claim that they have given more information than is contained in these two Volumes that I hold in my hand—one in July 1923 at Simla and the other this month here in this House. In July 1923—and I hold the Council of State Volume because I then had the honour of being there—a Member of the Council of State asked a question and a certain statement was placed on the table. Most of the remarks in the statement were 'The proposal is under discussion with the Secretary of State' and so on. I felt that at that juncture in July those remarks were perhaps justified and one could not hustle the Finance Department. But, Sir, in

February this year my friend Diwan Bahadur Ramachandra Rao asked a question with particular reference to the Military Department. He said "In continuation of the reply given by the Honourable the Finance Member in this House in last July, would the Honourable the Finance Member say what further reductions have been made in the Military Department?" To that the reply was the statement printed here. When I look at the statement in this Volume, I hold in my hand, I find that it contains nothing about the Military Department.

The Honourable Sir Basil Blackett: May I rise, Sir, on a matter of explanation? It has only just been brought to my attention, Sir, that although our intention was that both the Military and Civil parts should be printed, for some reason or other only the Civil part was printed in this statement. The military portion is now being printed and will be available by this evening. The omission was due entirely to accident.

Sir Purshotamdas Thakurdas: I am very glad to have the Honourable the Finance Member's explanation, but I hope he will realise the position in which Members on this side of the House are, regarding making up their minds. I have not the least doubt that when His Excellency the Commander-in-Chief said that they had accepted every item of the Retrenchment Committee's report, he was right; but if this House is expected to pass the Budget on assurances—well, there it is. If you are going to give us the information, it should be made available to us . . .

The Honourable Sir Basil Blackett: You have the figures.

Mr. E. Burdon (Army Secretary): May I explain, Sir, that the information, so far as it relates to military expenditure, is also given in detail in two other places. The information is actually referred to in the "observations" on the Army Estimates.

Sir Purshotamdas Thakurdas: What I said, Sir, was with reference to what the Honourable the Finance Member said in his Financial Statement—that all the information regarding the Retrenchment Committee's cuts had already been supplied to the House. I am sure both the Honourable the Finance Member and the Army Secretary will appreciate that it is not humanly possible for anybody in this House—barring of course those who are accustomed to work more than 12 hours a day—to be able to study the whole thing in the four days we had since the 29th February. The Army Secretary refers me to two big volumes and expects me to go through them all in order to make my observations to-day, whereas there are still four more days and I have put off the study of those volumes till we come to the voting of grants. I know there is an explanation for everything. The Government Bench admitted that there has been an accident; but they must realise one's difficulty in criticising the Budget as one would like to. On the same date, the 1st February, 1924, I had the honour of having a reply to an unstarred question, and with your permission I will read those four lines:

"Will Government be pleased to lay on the table a statement showing in detail:

- (1) their decision regarding those recommendations of the Retrenchment Committee which were said to be under consideration in answer to a question in the Council of State on 16th July 1923.
- (2) whether those reductions proposed by the Retrenchment Committee which had been allowed for in the Budget for 1923-24 have been actually effected; and
- (3) the total amount of reductions made up till now and likely to be made during the present financial year in pursuance of the recommendations of the Retrenchment Committee."

[Sir Purshotamdas Thakurdas.]

The reply I got, Sir, was—it was an unstarred question because I did not want to waste the time of the House—

“The Honourable Member is referred to a statement laid on the table in reply to a similar question by Diwan Bahadur Ramachandra Rao.”

I hope the Honourable the Finance Member will see that that is hardly a reply to the question put by me, and if only I had got the replies to the three queries I put before him, I am sure, I would not have had occasion to waste the time of this House nor would I have had the regret of having to bring up this question before this House to-day as I do. I have heard it said, Sir, that this practice of asking questions is developing into a nuisance. That is perhaps the reason why many other Members do not send in more questions. But if these questions are not to be treated as nuisances, and if they are to be replied to in the same spirit in which they are asked, I certainly hope that there will not be a repetition of the reply that I have got to my unstarred question.

Not having been lucky enough to possess the information which I am told will now be circulated to the House, and not having had the time to study what my friend the Army Secretary so pointedly reminded me was already with me, may I ask whether it would be useful to this House if the Honourable the Finance Member can give the House information in short on the following points. On the civil side, the Retrenchment Committee recommended a cut of Rs. 905 lakhs on the Budget of 1922-23. In the 1923-24 Budget, the Government accepted a cut on the civil side of Rs. 606 lakhs out of Rs. 905 lakhs. The revised figures supplied to the Council of State in July 1923, show that the cut accepted by Government on the civil side is Rs. 757 lakhs. But, Sir, in February 1924, in reply to my friend, Diwan Bahadur M. Ramachandra Rao, the Government said that the cut accepted is Rs. 721 lakhs, which means that between July 1923, and February 1924, the Government have reduced their acceptance of the Retrenchment Committee's cut from Rs. 757 lakhs to Rs. 721 lakhs, while the cut recommended by the Retrenchment Committee on the civil side was Rs. 905 lakhs. I ask again, Sir, whether some more explanation and some more statements—if the Honourable the Finance Member does not mind it—are not due to this House before they are expected either to criticise or to approve of the Budget that is before the House. The questions that I have to ask are, what is the cut accepted by Government in their revised estimates of 1923-24, and what is the cut on the civil side accepted by Government and embodied in the Budget Estimates of the next year?

Regarding the military side, I do not wish to say anything more in view of what His Excellency the Commander-in-Chief has said to the House. I hope His Excellency the Commander-in-Chief will be able to go further than what the Incheape Retrenchment Committee themselves have said, and that he will not rest satisfied with what he has been able to do till now; because I do not think it is a secret and I am sure he will not mind it if I say, that the Retrenchment Committee handled His Excellency's department with very great consideration indeed (Dr. H. S. Gour: “Too great consideration.”)

Sir, the Budget of 1923-24 estimated a surplus of Rs. 81 lakhs. The revised figures of 1923-24 show a deficit of Rs. 38 lakhs. Just as there is a falling off in the item of revenue, similarly there is a corresponding falling

off more or less in the total on the expenditure side. But in the revised figures put before us I see that there is a surplus balance shown of Rs. 206 lakhs. This, as the House knows, is due to what is called a windfall. Now, I thought that a windfall was a thing which came in unexpectedly, which fell as it were from the wind, which you did not know of until you saw it fall, and which took you by surprise. May I ask the Honourable the Finance Member if the item that he classes as a windfall is an item that he did not see in the accounts before now, is an item which has not been there for some time now? If it has been there, I think at any rate windfall is not the name for it; it may be a windfall as far as this House is concerned; certainly it is not one as far as the Finance Department is concerned. (*The Honourable Sir Basil Blackett*: "It is.") Then, I would ask him, why it was that this windfall was not used to avoid what was looked upon as a crisis last year. I do not press this because I am told that an Honourable Member in the other House asked him this same question and he has replied to it. I have not been able to get at the reply so far, but, if, as far as my information goes the Honourable the Finance Member has given a reply to it elsewhere, I am quite prepared to wait for it, because it is not going to make any difference whether we call it a windfall or not; nor would it make the last year's crisis any the better if we get any further explanation from the Honourable the Finance Member to-day. I certainly feel that it is not a windfall inasmuch as the Finance Member knew where it was. The fact appears to me to be this, that till this year he did not want to utilise that amount. This year he has made up his mind; perhaps he has some reasons for it; this year at any rate he wishes that the Indian Budget should be relieved up to that amount.

Now, Sir, the disposal of that appears to me to be rather a new process. He suggests that Rs. two crores of this £8½ millions (which converted at 1—4½d. is about Rs. 4½ crores of rupees) should be retained, awaiting the decision of the Privy Council in connection with that suit about customs duty on imports by railways. There is no question that, if that suit goes against the Government, they will have to refund the duty; but I really wonder, Sir, whether the import duty in various Government departments including the Railways was not more or less in the shape of a transfer entry in the books; for after all do not the Railways mainly already belong to the State? Let us take it that the Government lose the case. Suppose the Railways get these two crores. Are they going to keep it? Is not the Finance Department going to get it out of the Railways? Have you not guaranteed them a minimum interest? I feel and I would very much like to hear from the Honourable the Finance Member if I am wrong,—that most of these two crores ought to come back from the Railways to the Government. When a Government Department or even a Railway pays customs duty, it only means taking from one Government account in the Imperial Bank and putting it into another. Of course I admit there is a little difference in the Railways, where there is a privately owned railway or where there is an Indian State-owned railway. But I feel that most of these two crores should come back to us from the Railway Department. I admit that Rs. 15 or 20 lakhs, subject to any figure that the Finance Member may give us, may be reduced from these two crores; but most of it is coming back to us.

The next item is Rs. 25 lakhs for gratuities. Nobody, I am sure, will grudge these gratuities being given to people who may have suffered, although this House would like to know the category of the claimants to these gratuities.

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The last is the disposal of the balance of Rs. 244 lakhs. With regard to this the Finance Member says in paragraph 22 of his speech :

"The remainder of the surplus, estimated at present at approximately 244 lakhs, will be applied automatically to a reduction or avoidance of new borrowings for capital expenditure."

I should have thought that, even though some of us might like this windfall to be shared by some new industry or by some new institution here, this perhaps is the best method of using the amount which has been there for years. If the Honourable the Finance Member had credited it straightaway under the head of debts, I could have understood it, but he credits it in the current year's accounts and we have a surplus Budget there—and after all, that may be increased or decreased according as the final returns for the current year turn out. I, therefore, feel, Sir, that to say that the current year's revised estimates show a surplus of Rs. 206 lakhs is hardly correct. Let us keep the current year's accounts separately on their own merits. Take all this what you call windfall to the reduction of debt, barring of course the 25 lakhs gratuities, for I feel that with this amount in the Budget what may happen and what is very likely to happen—it all depends ultimately on how the final figures turn out—is that some credit may be taken again out of this amount which has not been earned in the right sense of the word. I would only, in passing, therefore, say that if, as the Honourable the Finance Member says, the balance is to be taken to the account for the reduction or avoidance of new borrowings for capital expenditure, it should be so credited forthwith and the current year's accounts be kept as they are with the result that they show a genuine revenue and expenditure. But when that is done, this amount of Rs. 2.44 crores ought to appear in paragraph 43 of this year's Explanatory Note regarding Reduction of Avoidance of debt.

There is a slight difference in the figures given by the Honourable the Finance Member in paragraph 21 of his speech and in paragraph 3 of the Explanatory Note to the Current Year's Budget. That difference is due to the fact that he is taking the whole amount of £3½ millions at 1s. 4½d. in his speech, while he is taking it in the Explanatory Note or rather his department is taking it in the Explanatory Note partly at 1s. 4½d. and partly at 1s. 4¼d. Now, I do not think that for purposes of the Budget it is necessary to go into fractions of a penny in your exchange rate. Indeed, I know every farthing means a considerable amount; if I remember it rightly, the figure given here is about Rs. 44 lakhs. Similarly you may say that every 1/16th would mean 11 lakhs, and, when the House is anxious to save even a hundred rupees, that would be perhaps a correct way of doing it. I submit that for a Budget which goes into figures of more than Rs. 200 crores a little margin up the sleeve of the Honourable the Finance Member would be the right thing, and not cutting it very fine to the extent of ¼ of a penny here and there. I therefore feel—and I have the authority of my constituency in saying so—that the best method would be to base the Budget on the basis of 1s. 4d. and not to go into fractions of a penny.

Then, Sir, the 1924-25 figures as submitted, look as if the Budget is a balanced Budget. I wish I could have joined the Honourable Members whom I heard this morning and earlier this afternoon in offering my congratulations to the Honourable the Finance Member on the era of deficit

Budgets having gone. I am afraid, even though I should very much like to do the same, I cannot in fact offer my congratulations to the Honourable the Finance Member. But I am sure, he will realise that if there is anybody in this House who sympathises with him very sincerely on the necessity of his again having had to submit a deficit Budget, surely I would not rank next to anybody. It is in this spirit, therefore, that I propose to put before the House my views as to why I consider that the Budget which he has put before the House is not a surplus Budget but is a deficit Budget. It is a deficit Budget inasmuch as it is not a Budget which on the expenditure side is counterbalanced by pure revenue receipts from the revenue side. I submit that the Honourable the Finance Member has again had to use those same emergency receipts for which legislation had to be brought into effect, and I hope that he will agree with me when I say that it is not a surplus Budget, but that it is a deficit Budget.

In the Budget of the coming year, the Honourable the Finance Member has included very nearly 5 crores of rupees as receipts from the Gold Standard Reserve in excess of £40 millions and the major part of what is shown under currency receipts, for interest on the Paper Currency Reserve. Now the inclusion in the revenue side of interest on the Paper Currency Reserve can only be done if the House passes the Finance Bill, for, I am sure, my colleagues in this House will remember, that this is a special emergency power given to Government by this House, and it has to come back to the House for renewal whenever it is necessary. I said I would sympathise with the Honourable the Finance Member in his present position. I say it again that there has been great extravagance, or, if you like to put it the other way, there have been circumstances beyond the control of the Government which have brought about these great deficits. I am sure my Honourable friend, Sir Basil Blackett, himself is very anxious to bring about a balanced Budget. My only point is that this Budget should have been made up in the same way as the last year's Budget was made up, and I would refer the Honourable the Finance Member to the particular paragraph in his speech last year—paragraph 49 wherein he distinctly said:

"This is the deficit. Against this deficit I will take the excess of the Gold Standard Reserve over £40 millions and the interest on Paper Currency Reserve, and thus balance the Budget."

This year there is only one sentence in paragraph 54 of his speech, on this subject. In paragraph 62 of his speech, the Honourable the Finance Member says:

"All things considered, we are justified in regarding the surplus of Rs. 3.56 crores as a real surplus".

Now, I submit that this is not a real surplus. If in order to arrive at a surplus, you have to take credit from what has been recognised by various Finance Members, and what was recognised by the Honourable Sir Basil Blackett himself last year as extraordinary sources like the currency reserves, I submit that it is not a genuine surplus at all. As long as you have to rely upon this House passing the Finance Bill enabling you to credit the interest on the Paper Currency Reserve to revenue, as long as you have to rely also on the excess over £40 millions in the Gold Standard Reserve, I submit, Sir, that this Budget cannot be called a surplus Budget, nor one which relies for its revenue on genuine receipts only. These latter items are only paper entries and cannot be said to have been earned as genuine revenue; otherwise the Finance Department would not

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require special powers through the Finance Bill. As I see the Honourable the Finance Member disagreeing with me I think I would like to give the House a few figures. A reference to paragraph 77 of the Explanatory Memorandum on the Budget of 1923-24, will show that the deficit last year was distinctly made up as follows:

- (1) 158.74 lakhs was taken from the Gold Standard Reserve;
- (2) interest on the Paper Currency Reserve—I could not get the figure in the Budget of last year—was (a) the major part of Rs. 264 lakhs budgeted for 1923-24 or (b) Rs. 204 lakhs revised estimates shown under currency receipts; total of not less than Rs. 8½ crores. That is my figure; it may be subject to correction.

These two had to be taken credit for last year by the Finance Member, in his speech in paragraph 49. This year I submit that he has exactly followed the same method without bringing it to the notice of the House, which would have enabled many of us who had not much time nor perhaps much intimate knowledge of this high finance to understand accurately whether it was a genuine surplus

The Honourable Sir Basil Blackett: The last paragraph of my Budget speech last year is numbered 53, so I have some difficulty in following what the Honourable Member has said.

Sir Purshotamdas Thakurdas: I said paragraph 77 of the Explanatory Memorandum of last year, I am sorry if I said of the Budget speech. The Finance Bill this year includes a renewal of this arrangement and the following amounts are availed of to balance the Budget:

- (1) Rs. 203 lakhs Gold Standard Reserve excess over £40 millions sterling;
- (2) major part of Rs. 847 lakhs shown under currency receipts being interest on the Paper Currency Reserve; and the total credited this year would therefore be more than Rs. 5 crores which would be justified only in a bad deficit year.

The Honourable Sir Basil Blackett: No.

Sir Purshotamdas Thakurdas: That is my opinion. I submit that this was the basis on which the Explanatory Memorandum of last year was made out and I am quite prepared to accept it provided it is put in the same manner this year as it was last year. It is not a surplus but a deficit Budget.

The Budget of the coming year, Sir, has nothing very sterling so far as any further items of customs revenue are concerned. The two changes in the customs tariff are of a comparatively small nature but, I think, of some what important significance at this juncture. The specific duties on empty match boxes and splints will certainly protect the match revenue of the Government of India. Despite the 200 per cent. duty on matches, matches are being sold to-day cheaper in India than they used to be sold during the war. I particularly mention this in order that some Members of this House may realize that a high import duty does not necessarily always come out of the consumer but sometimes is borne and paid for by the

seller from abroad who is very anxious to retain a market that he wishes to control. There is no difference of opinion regarding this import duty or this increased import duty on empty match boxes and splints, for at the moment on the 15 per cent. duty that they paid till now, the small factories that were put up here to assemble the component parts imported from abroad, while they invested a paltry Rs. 20,000, made as much as 100 per cent., and they will still be able to carry on their business but only with a much

Mr. Darcy Lindsay: Can the Honourable Member give the figures of the price of matches before the war and the price of matches now?

Sir Purshotamdas Thakurdas: I should have been very much surprised if some Honourable Member had not asked me for the authority on that. I have it here.

Mr. N. M. Joshi (Nominated: Labour Interests): We purchase matches every day in the market.

Sir Purshotamdas Thakurdas: Evidently Mr. Darcy Lindsay does not purchase them from the same place as you do. May I pass this on to you. (*Presents a paper to Mr. Darcy Lindsay*). It is signed by a very responsible person.

The excise duty on motor spirit has been reduced and we are told that it will not affect the revenue. There may be a difference of opinion as to whether petrol and other motor spirit is a necessity either, if you like, of life or trade and commerce and industry in this country, or whether it is a luxury. Perhaps it is both. But I feel that at this juncture, when we are reducing the excise duty, we should not overlook what has been very seriously put forward by the Motor Trades Association of Western India—a very respectable body I am told—pointing out that the company which holds a monopoly for petrol in Burma is doing profiteering which will rank perhaps side by side with the profiteering by American trusts. We are told that the world prices of petrol per gallon are:

“Western America, vicinity of oil fields, 7 annas and 6 pies a gallon. I give the price in equivalent Indian money at the current rate of exchange.

Rangoon, vicinity of oil fields, Re. 1-9 annas a gallon, 1st quality, and Re. 1-7 annas a gallon, 2nd quality.”

And so on. But the most serious charge against the Government of India is the one given here and which I think I ought to read before the House. This is a very interesting pamphlet and I am sure the Association will be glad to give it to anybody who wishes to have one:

“The Government of India have, so it seems, given the oil trust a free hand, an opportunity which they were quick to take advantage of, with the result that to-day petrol is as dear as it was in the old days of the war.”

We are told that, although there was a 66 per cent. decrease on war prices in England, that decrease for petrol in India was not allowed by the trust, which is supposed or which is alleged by the writer of this pamphlet to be controlling the petrol trade of India. If, Sir, these are the facts, then in view of such a serious complaint of this nature, I think it is the duty of the Government of India to investigate this, and either to assure the House and the public that there is nothing in this complaint or to set the matter right in some other manner. I do not think that at this juncture I need touch upon this any further.

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As against this, I think my friend, Diwan Bahadur Rangachariar, referred to the demands of the Skin and Hide Merchants' Association of Madras, who have sent wires and also several appeals to the Government asking for an increase up to 15 per cent. in the export duty on raw hides and skins as was imposed in September 1919. The Association is a responsible body of Indian merchants and have continuously been representing to Government that ever since the duty has been removed, they have been suffering from—the word used by the Honourable Diwan Bahadur Rangachariar was—'exploitation' by firms outside India. I hold no brief for that trade nor am I in any way interested in that trade, but I feel this that if there is any assumption made by the Government of India as to the unsuitability of the 15 per cent. export duty because the export figures for hides and skins went down for the year 1920-21, I submit that any inference from that is absolutely unwarranted because 1920-21 was the one year when trade and business in Europe, where all the hides and skins go, was at its lowest, the crisis there being severe and under any circumstances the export in that year would have been very very small. But since then, for the years 1921-22 and 1922-23, the figures have again begun to go up, and I think you should give another chance to the trade. I think they have a claim to this protection, because it was given during the war, and I hope that the Government of India would be able to afford that Association the relief which they ask for.

The Standing Finance Committee proceedings rather brought out a very interesting point which I think the House might like to know at this juncture. On page 92 of Volume No. IV there is a paragraph which says that the British Indian Steam Navigation Company asked for an increase of five lakhs in their mail subsidy. They also say that the same Company wanted the contract to be renewed for ten years. It appears from the record here that some of the Members desired to record their opinion that, in view of the broader question of an Indian Mercantile Marine, they would have preferred a contract for a shorter time. Other Members of that Committee inform me that the inquiries they made then of the Secretary in charge brought out the fact that tenders were asked for both in England and in India, and that there was only one tender from the British India Company. The British India want, against the Rs. ten lakhs for which they used to do this mail contract, now Rs. 15 lakhs, and they want the contract to be renewed for ten years. I was told—I am subject to correction by the Honourable Member, the Honourable Mr. Chatterjee may correct me if I am wrong—I was told that the Government perhaps would have liked to offer them a five-year contract, but even that was rejected. Now, Sir, what is the reason that the Government of India have got into that position where they are at the mercy of one particular line or one particular firm or one particular institution? Why this absolute dependence on one line? I think it was very good of the British India not to have asked for Rs. 25 lakhs—for this, the Government of India have only got to thank themselves that they encouraged these people until they got into the strong position to dictate to the Government of India and say, "five lakhs more, 50 per cent. more, and ten years, if you please". I think it would

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be very useful to know whether the Government of India have been asked for similar increases for carriage of mails by the other coastal liners here, and if so, how that compares with what has now been demanded by the B. I.? I personally feel that the B. I. are justified in looking upon the whole thing as a purely business proposition, there being

no competitor with them in this affair, and I should have thought they would have been extremely bad business people if they did not make a business of the predicament in which the Government have got themselves placed. The appointment of the Indian Mercantile Marine Committee, Sir, therefore would appear not to have been a day too soon. It only remains for me to hope that the recommendations of that Committee, in which I hope the Honourable Diwan Bahadur has played a very prominent part, will save the Government of India from this very false, and what I would like to call rather humiliating, position, in which they are, namely, dictation to by a steamer company which has had their patronage all these years.

Well, Sir, we have had all this reference to the various duties on imports etc., I was looking in the Honourable Finance Member's speech as to whether the Government were going to get any further increase in the customs revenue as a result of the Tariff Board's Report. I do not want to make a secret of it that I happen to be a Director of the Tata Iron and Steel Company. I joined that Company about 18 months back. But I ought also to make it clear that my stake and my holding in that Company is comparatively very small; it is not much more than what may be necessary to qualify myself as a Director. Whatever I am, therefore, I beg of the House to treat what I say not as a Director of the Tata Iron and Steel Company—if the House will do me the credit of treating me as capable of saying something purely as a Member of the Central Legislature and as one who is concerned in the well-being of India. The only reference in the Honourable Finance Member's speech, Sir, is this:

“ I ought perhaps to add in passing that for Budget purposes it has been necessary to assume that the final outturn of 1924-25 will be unaffected by any changes which may be introduced into our customs tariff as the result of the recommendations of the Tariff Board.”

I have tried to understand exactly what is to be conveyed by this. Failing to get at one interpretation of it, I tried one or two friends to help me. I do not know what this means. But I certainly think—and I say this with all the emphasis at my command—that the House does expect, in fact India expects, commercial India expects, Indian India certainly expects, the Government of India to make an announcement regarding the Tariff Board's Report and at least to put it into execution before this House adjourns at the end of this session. If anybody on any account, on any score, causes a delay in that very important matter, it will not be easy for the commercial community, for those who have invested in Indian industries, industries manned by Indians, industries conducted by Indians, to forget the occasion, should anything go wrong. Sir, there is a heavy campaign of dumping going on here in steel. The Tata Iron and Steel Company had begun when I was not on the Board, and expanded of course for their own gain then, but they expanded also during the war period in order that they might get ready should the war last long—in fact nobody expected that it would be over by 1918. Nobody need sympathise with their shareholders nor with the Directors nor with the Managers for the position into which they may have got to-day: I think it is the sacred duty of the Government of India, the sacred duty of this House, I put it, to see that every possible conceivable relief is afforded to that national industry of India, is afforded to that great house which has laid the foundations of so many industrial concerns in India, at this juncture, when all the worst forms of foreign dumping are being practised here in a most ruthless manner. I therefore say with all deference due to the Honourable

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the Finance Member that I read in this passage of his Budget speech that there is going to be some announcement by the Government of India regarding protection to steel, that he has taken cognizance of it now in the increased figure of four or five crores that he has included in the Customs revenue—I do not expect either a confirmation or negation of this by Sir Basil at present.

Sir, His Excellency the Commander-in-Chief in one of those speeches to which the Honourable Diwan Bahadur Rangachariar has been accustomed in past years very handsomely tried to impress upon this House the great anxiety, the great sincerity, and, if I may say so, the great eagerness of His Excellency himself to satisfy this House that the Military department, for which His Excellency is responsible to this House, is being conducted in a manner that is in keeping with the best of efficiency and great economy. I do not wish in the least to take exception to any of the assurances that His Excellency has given. In fact, I have known him, I had the honour and privilege of knowing him more intimately last year, and I know one thing, that in whatever His Excellency does, he is actuated by the best of motives. I, however, would like to put to him this, whether His Excellency is quite satisfied that the relations of the Government of India as far as the commitments and the negotiations between the War Office and His Excellency's department are concerned are being looked after and are being managed and are generally being handled in a manner that is most conducive to India's interests? Take our capitation charges. Will His Excellency say that the capitation charges which are being paid to His Majesty's Government, presumably under protest—for I understand that the accounts are not still settled—are capitation charges which are justly debitable to India? Why not settle the item? Why not take credit for what has been paid to the War Office extra? In fact, in this year's Budget, there is an inclusion of £250,000, amounting to Rs. 37 lakhs, on the question of exchange compensation in respect of Mesopotamia. This question was, I understand, settled by arbitration in England in 1919. I am not in the secrets of the Government of India, but if an item settled by arbitration in 1919 is not paid till 1924, the obvious inference is that the Government of India and His Excellency the Commander-in-Chief who is in charge of the department concerned were not satisfied that it was justly debitable to India. This has now to be paid by India, and I understand the Honourable the Finance Member had to include it in his Budget. I put it to His Excellency whether it is not due to this House, not due to India and the people of India by whom His Excellency is paid, that he should now get rid of these various items which are hanging fire between the Government of India and the War Office and get us on to a clean slate where we know that there are no more claimants coming; and in the course of doing that he should ensure that all the best interests of India are adequately and justly guarded. I do not think that I wish to say anything more about it to him, but I wish to impress very strongly upon him and I make bold to say so emphatically to him because he to-day wished to take the House into his confidence, I say that at this juncture it is the sacred duty of whoever is in charge of the Army Department to see that every item of expenditure in England which has to be spent through the War Office is spent with the greatest care.

I would also have a word to say about the huge amounts and huge items that are in dispute between His Majesty's Government and the

Government of India at this stage. The reply to the first question on the first day we met here will show to the House what amounts these claims may develop into. I do not know which is the best way of handling that. I asked the Honourable the Finance Member a supplementary question that day whether the House would be allowed to have a say before his Department, as a part of the Government of India, arrive at some settlement with His Majesty's Government. The obvious answer was given, I am afraid I cannot to-day allow that answer to stand. May I suggest to the Honourable the Finance Member that no Finance Member of the Government of India would be justified in undertaking the responsibility of settling such huge claims with His Majesty's Government in any way other than only one, the one being to see that India gets from His Majesty's Government all that is due to India, all that is due to India on the basis on which the dispute may have started, and that if you find that you have even got to give Rs. 100 more than that, if I may make bold to advise the Honourable the Finance Member, I would say that you should consult at least the Finance Committee of this House. I wish that some more fertile and original brain than mine will devise some sure method by which the Government of India could be adequately protected from criticism by this House when any of these huge claims, claims which I was almost going to call irresponsible claims, claims that one cannot conceive of, claims which I think should never have been made against India, are settled by arbitration. That arbitration regarding the Mesopotamia exchange question has gone against India. It has cost us Rs. 87½ lakhs. Other amounts run into crores of rupees. I cannot conceive even as to what the Finance Member, or who may be in charge then, is expected to do when an arbitration like that goes against India. I therefore feel that it is the sacred duty of every honest person who is in charge of that matter to see that he lets this House, irrespective of what its powers under the Act are, he lets this House, which is the spokesman for the tax-payers' money, have a substantial say before "aye" or "nay" is said in the matter of the settlement of these huge claims by the Government of India.

I see, Sir, that you have not fixed a time limit, and I will take a few minutes more. I would like, Sir, to dwell on the question of New Delhi. The Honourable the Finance Member calls it—and I think very correctly—by the mildest name that it could be called—namely, a most onerous obligation. It is difficult for a person who comes from commercial Bombay,—accustomed there to live in houses which give a return of at least 4 or 5 per cent.—to look at New Delhi in the way in which it is developing here, to speak with any control when he deals with this subject in this House. The fact that the foundation of New Delhi was laid by Their Majesties the King and the Queen is perhaps the only reason why I would not say anything in stronger terms than what I am going to. But even that foundation, laid by Their Majesties the King-Emperor and Queen-Empress, is, I understand, not the foundation on which New Delhi is being built. (Dr. H. S. Gour: "No.") So, even the sacredness of that vanishes in the air. I make bold to say that whoever is responsible—I know it is perhaps over 12 or 13 years now,—whoever is responsible for the scale on which New Delhi is being built to-day will be responsible to posterity for a long time to come and whether you put up a statue in his memory or not in New Delhi, everybody who has got to pay New Delhi's cost through the nose will remember him and I do not think will remember him with any very good grace. I was asked why

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the Incheape Committee would not say anything about this in their report. An Honourable Member spoke to me about this and I pointed out to him that he had not read the Incheape Committee's report about New Delhi. Lord Incheape, very capable and great diplomat that he is, did not want to say frankly what he thought of that, and he therefore said in paragraph 9 of the report of the Incheape Committee on New Delhi:

"We consider that it would in these circumstances be outside our province to offer any criticism on the expenditure which has been incurred or will have to be incurred on New Delhi, and we therefore refrain from expressing any opinion."

Anybody who knows Lord Incheape and anybody who knows the majority of the capable men, barring myself, on that Committee would understand what the above would convey; it could convey only one thing, and I will put it in the slang in which it can be conveyed: "You made a good mess of it; we leave it to you." I feel that whoever is in charge of these New Delhi works will be very well advised even at this late stage not to incur any further responsibilities and to stop where it is. I do not know which of the Honourable Members is responsible for it—I hope it is not the Honourable the Leader of the House and I shall be sorry if he is (Laughter)—whoever may be in charge of it, I do not envy his lot, and I am sure, none of this House will envy his lot. But what I do wish is this, that whoever is in charge of it, will put down his foot with great strength and with great definiteness and will say: "Let us make out a scheme by which you are going to conduct New Delhi, your big and broad roads and your sanitation and see what it will mean by way of house taxation and what it will mean by way of current upkeep of New Delhi." All that I think I can say in short is that the less you spend on that part the better for all including the Government of India and for those persons who have been in charge of New Delhi ever since the scheme was conceived.

Sir, before I conclude I would like to refer to one aspect of what has been referred to before now and that would be the last subject on which I would ask for the patience of this House to listen to me. Paragraph 81 of the Railway Budget Memorandum is regarding Indianisation and says:

"The statements referred to in the previous paragraph have been so drawn up as to show the progress secured in obtaining Indians for service on the railways. It will be seen that the number of Indians in superior appointments rose from 277 to 288; and that though there has been a reduction of 5.2 per cent. in the total number of Indian subordinate employees, the number of such employees on scales of pay rising to Rs. 250 and over has fallen by only 6 compared with a drop of 166 Europeans and 38 Anglo-Indians."

In that great department which handles an income and expenditure of 100 crores and at least 70 crores, respectively, the total number of Indians increased during the year is 11. I should hardly have thought that it was a fact worth reporting to this Assembly. His Excellency the Commander-in-Chief while referring to the scheme of Indianisation said that more Indians were being employed in categories of clerks, mechanical transport drivers, artificers and storemen, etc., in arsenals. I am sure everybody in this House including the Benches opposite will admit that no sensible person who stood up for Indianisation could possibly be satisfied with this report from the two departments of the Government of India one of which spends Rs. 70 crores and the other Rs. 60 crores. I fully understand the difficulties that His Excellency put before this

House regarding the Indianisation as far as the officers, etc., are concerned. I think an Honourable Member of this House asked him when he was speaking as to when he was going to make a beginning. Why not make a beginning and if you have already made a beginning why not try and recruit more. The question of Indianisation of the military services is a very big and a very broad one. I hope some other Honourable Member who speaks hereafter will be able to say something on it. All that I will say to His Excellency the Commander-in-Chief is that the Indianisation that the country and this House want is certainly not the Indianisation of the artificer nor the Indianisation of the cooly. You cannot do without them. You have to employ them. What we want is the Indianisation of the higher posts, the Indianisation which will make us ready earlier for what is now popularly known as the 'Swaraj India'. (Hear, hear.) As to the Railways—and I wish the Honourable the Chief Commissioner of Railways was here in this Assembly—all that I will say is that this House will be quite justified in saying that what is stated in paragraph 81 of the Supplementary Memorandum is most disappointing. The rate of Indianisation in the Railways ought to go at a much faster pace than 11 in one year and, if I may say so to the Honourable the Finance Member, I will remind him that it will be worth his while insisting upon it, for the Indian service is cheaper and in addition he would insure greater contentment and co-operation of this House for any item of expenditure that he brought before this House. Sir, I am obliged to you for the concession you allowed me of speaking at this length and I am much obliged to the House for the patience with which it has listened to me.

Mr. Darcy Lindsay: On a point of information, may I inquire from the Honourable Member whether I understood him aright in saying that the present price of matches is less than what it was before the war?

Sir Purshotamdas Thakurdas: I gave the Honourable Mr. Darcy Lindsay my authority for it and I have already informed the House of the source of my authority.

Mr. Darcy Lindsay: But the authority here makes no such statement. The authority says that the consumer in the country gets his supplies at a much cheaper price than what he used to pay during war time and not before the war.

Sir Purshotamdas Thakurdas: Did I say "before the war"? If so, it must have been a slip of the tongue. (Laughter.)

Mr. Darcy Lindsay: I only make this point in order to show whether his other statements are also as inaccurate as his statement regarding the price of matches.

Sir Purshotamdas Thakurdas: The Honourable Member is hardly fair: as the House must have realised I was reading from several notes I had, and if I did say 'before the war' all that I can now say to the House is that my notes indicate "during the war." I have shown my note to Mr. Lindsay for his satisfaction.

Mr. O. S. Ranga Iyer (Rohilkund and Kumaon Divisions: Non-Muhammadan Rural): I must at the very outset express my admiration, my profound admiration, for the manner in which the Budget has been framed, —Sir, it maintains the principle with which we are all familiar, the principle of the British character of the administration. Sir, it is a beautiful British Budget. Whatever aspect of it you may turn to, you will see writ

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large "British efficiency, British character, England's good and England's prosperity." I do not say that the Honourable the Finance Member has ignored India's prosperity. But India's prosperity must come through the English channel!

Sir, I have listened with great admiration to the speech of His Excellency the Commander-in-Chief. He is full of sympathy for the Indianisation of the services, but he says, as all friends of India charged with responsibility constantly say: "Well, Indianisation cannot march so very fast. Indianisation has to creep along at a tremendously slow velocity." Sir, we have been asking for the Indianisation of the Army for the last 80 or 40 years. The Indian National Congress, the old Moderate leaders, as well as the extremist leaders and their followers have been asking for the Indianisation of the Army from a hundred platforms. It is only now that the officials have begun to feel that there is a desire to Indianise the Army and they say Indianisation must move at a tremendously slow pace. But may I inform this House that if India were free to-day, how she would have Indianised the Army, how India would have given to Indians commissioned ranks in the Army. Well, Sir, we would have sent the youth of this nation to Germany, to Japan, to England, to America and to all the civilised countries of the world which are advanced from a military standpoint. We would have created military universities for them and we would have imported paid experts from abroad and thus educated our young men for the Army. A Free India will give them opportunities. You gave us no opportunities before. I do not address these words to His Excellency the Commander-in-Chief, I address them to the system prevailing in India. The Government did not give us opportunities before. They ignored our claims. And when we agitated, when we made some "fuss," they thought they must yield, but yield very slowly. Sir, I would commend to you the evidence given before the Welby Commission by the Grand Old Man of India, the late Dadabhai Naoroji. I would also ask you to read the speeches he made in the House of Commons, and you will find how, often, how repeatedly, how pointedly, but alas! in vain, he pleaded before "the Mother of Parliaments," "the august Mother of Freedom" for Indianisation of the Army, and even to-day we are raising that cry and we are told that we must creep along. Sir, that is not the spirit which the Indian nationalists expect of a responsible government. A responsible government ought also to be responsive. That is not the manner in which we expect a Government which has the good of the Indian people at heart to approach this important question. I fully recognise the sympathy of His Excellency the Commander-in-Chief, but I must say that that sympathy is fenced round, as it must naturally be, by bureaucratic railings, because he is part of a system, and the system must first move before that sympathy can materialize in proper form.

Proceeding further, Sir, I must refer to the speech, the first speech after many years, that I have listened to of my old friend, Sir Chimamlal Setalvad. I used to hear his speeches in the Congress Subjects Committee, but to-day I am glad that, though defeated in open election, he had the opportunity of coming to this House through the Viceregal Lodge. I congratulate him and I congratulate this House on his appearance on the stage, but, Sir, I cannot, I fear, congratulate him for the observation he made of how the Moderates were sent to the wilderness because the poor man's salt was taxed. No, not at all, the Moderates went to the wall because they were prepared to stand or fall with the Government, putting all their weight

against the movement of non-co-operation. I do not think, Sir Chimanlal or any Moderate is justified in making an unnecessary attack on the Honourable the Finance Minister by painting him as the cause of the downfall of the Moderates, because in spite of them he taxed the poor man's salt. They strengthened the hand of the Government by going against Mahatmaji, by going against the national movement, and therefore as in all countries which have been struggling for freedom, the poor Moderates were defeated and discredited. Well, Sir, I sympathise with Sir Chimanlal Setalvad and I pity his party, but the salt tax is no argument for their overthrow.

As for the salt tax question, I commend the words to the Honourable the Finance Member of none other than the Secretary of State for India. Lord Olivier, in his latest statement, has made a very powerful argument, not for the reduction of the salt tax, but for the relinquishment of it altogether. Lord Olivier states in his speech that he was reminded by the Viceregal certification of nothing less than the French Revolution. I do not know if His Lordship is imagining that Indian feelings will burst forth in revolutionary flood because of growing poverty and taxation. I shall read out to the House what he said as it is better to place on record what Lord Olivier thinks of the salt tax. His Lordship said:

"The Government of India decided that it was necessary that they should balance their Budget and that they could not balance their Budget without doubling the salt tax. When the Assembly threw out the Resolution doubling the salt tax, the Government of India had to certify it as is provided in the case of certain Crown Colonies as well as India that this was essential in public interest and that the Resolution must become law. That produced an unfortunate effect in India as that kind of action always does. In my own experience"—*the Secretary of State is drawing on his Colonial experience*—"whenever it has been had recourse to in Colonies, it has been held to be a direct slap in the face and a stultification of what elected Members in India and elsewhere consider to be the first principle of democratic Government, that you shall not have taxation without representation and that representatives of the people should decide in matters of taxation."

I shall presently come to the question of taxation without representation, of which the present Budget is an illustration, but let me proceed further with His Lordship's observations on the salt tax:

"The unfortunate part of the matter was that there was double prejudice. I remember that many years ago I was brought up to regard the French Revolution as having been brought about by the imposition of an odious *gabelle* or salt tax. I think most of us have it ingrained in our bones to regard the salt tax as a peculiarly iniquitous and horrible form of taxation"—*Yes, the "peculiarly iniquitous and horrible form of taxation" which the Honourable the Finance Member has tried to interpret in sugared terms*—"That view is certainly widely held in India because every woman who goes to buy a farthing's worth of salt in the market and next week was to buy another half farthing's worth finds that taxation has been increased. You have millions of people affected by the tax which, although the amount is infinitesimally small, is felt throughout the country and has produced a real popular feeling against the action of the Viceroy in over-riding, as he is held to have done, the first principles of the new constitution."

I commend to the Honourable the Finance Member especially, and to this House the observations of Lord Olivier on that horrible and iniquitous tax. I cannot improve on His Lordship's description.

The Honourable the Finance Member, however, has thrown a very tempting bait before the Members from the United Provinces, Madras and elsewhere. We have been told, either restore the tax to the old level of Rs. 1/4, or you will get some reduction in Provincial contributions. It is

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a very tempting bait indeed, but for the successful temptation of the unwary, we have to wait and see. He has most tactfully tried to place this Assembly on the horns of a dilemma. The complaint is that the Provinces do not get enough money, and now he says, either you reduce the tax on salt or the Provincial contributions. I do not know what the representatives from the other Provinces will have to say but, my Provinces not having Provincial autonomy, I think I will not be accused of not taking care of the Provincial Government. I shall tell you exactly how this Provincial mis-distribution of finance, if I may use that phrase, was felt by the Ministers. My old friend Mr. P. C. Mitter thus exclaimed in the Bengal Council the other day while exposing the manner in which, under the Reforms, the transferred subjects have been treated by the Finance Member:

"So long as the Finance Member was to look to Parliament for guidance, it was his duty to convey to Parliament that this kind of things would not do. If the Government went on in this way, hardly any co-operator would be left."

He continued:

"If this state of things continued—"

that is to say responsibility of the Finance Member, in matters financial, to the English bureaucracy and not the Indian people—

"it would lead only to one result, namely, obstruction."

These are the words of an ex-Minister, a loyal co-operator:

"If there be obstruction followed by revolution, the responsibility would be the responsibility of the Secretary of State."

So said Mr. P. C. Mitter in language bolder than that used by his ex-colleague from the Bombay Government, Sir Chimanlal Setalvad. Obstruction or no obstruction, I am only considering here the Finance Member's observations in his statement, may be a very good statement for a free country, but from a popular point of view unacceptable and I believe, so far as this House is concerned, it will not be acceptable to the majority of the Members.

The Honourable the Finance Member, concluding his ably-written statement, said:

"This House, in the first year of its life, has an opportunity of helping to make good the financial basis of the Reforms from lack of which many of the difficulties of the last three years have sprung. The Government of India ask the co-operation of the Assembly in enabling them so to manage the finances of the country that the way may be clear for constitutional progress unhampered by any impediments arising from financial disorders."

The Honourable the Finance Member speaks of "helping to make good the financial basis of the Reforms". Sir, I have gone carefully, not now, but 5 or 6 years ago at the time when it was first published, through the Montagu-Chelmsford Report. I also went carefully later on through the recommendations of the Joint Committee. I remember also to have glanced over, if I had not so carefully gone into, since the non-co-operation movement was started, I remember to have read the report of the Finance Relations Committee. I do not find, Sir, either in the Montagu-Chelmsford Report or in the recommendations of the Joint Select Committee of both Houses of Parliament in England, or in the report of the Finance Relations Committee, any basis, any financial basis, acceptable to the Indian people,

of the Reforms. There is no such basis which we Indians could accept or which any responsible people, any people who believe in freedom as I believe Englishmen do—Englishmen in England—would expect the Indian people to accept. I shall read out to you a quotation from the Montagu-Chelmsford Report on this very subject of the financial basis of the reforms from the popular point of view. Of course I am not going to refer to all aspects of it: I shall take one aspect. They were taking up the question of industries and tariffs and the financial responsibility of the people at least in those two particular matters. They did not interfere with the Department of His Excellency the Commander-in-Chief. They were only referring to industries, and the Montagu-Chelmsford Report says:

"The theoretical free trader, we believe, hardly exists in India at present. As was shown by the debates in the Indian Legislative Council in March 1913, educated Indian opinion desires a tariff. It rightly wishes to find another substantial base than that of the land for Indian revenues, and it turns to a tariff to provide one. Desiring industries which will give him Indian-made clothes to wear and Indian-made articles to use, the educated Indian looks to the example of other countries which have relied on tariffs, and seizes on the admission of even free traders that for the nourishment of nascent industries a tariff is permissible."

I shall now refer to the "substantial basis" about which the Joint Committee speaks. The Joint Committee, Sir, recommends some kind of financial autonomy, some kind of financial control, in matters industrial and in matters relating to tariffs should be conceded to the people of India; but of course the recommendation is qualified.

"A satisfactory solution of the problem",

says the Report of the Joint Committee:

"can only be guaranteed by the grant of liberty to the Government of India to devise those tariff arrangements which seem best fitted to India's needs as an integral portion of the British Empire . . . whatever the right fiscal policy for India, for the needs of her consumers as well as her manufacturers it is quite clear that she should have the same liberty to consider her interests as Great Britain, Australia, New Zealand, Canada and South Africa."

I shall not go on with the quotation, but further on the Joint Committee states that whenever the Viceroy and the Legislature have agreed on this subject, there should be a kind of financial autonomy for India and relaxation of control on the part of the Secretary of State. Whether that is in force or not is not the point. The point, Sir, was raised by Colonel Wedgewood, a Member of the Cabinet to-day, when he said, in the debate on the Government of India Bill in the House of Commons on 4th December, 1919, that the fiscal policy of India should be subject *not* to the will of the Government of India *but to the will of the Legislature*. To-day, Sir, in this question of framing the Budget, in this question of presenting so many voluminous documents before the public, Indians have absolutely no voice or choice. They may have a voice, but it is a voice in the wilderness and after the Budget has been framed. Is such a thing known in the civilized world? Asking a people to come as representatives to this House, then placing before them all these documents and then asking them to pass them! You reserve departments even in the Provinces!

It is impossible to confine oneself to "the basis of the reforms" about which the Honourable the Finance Member speaks. We rejected the reforms as they are. We wanted a real further advance through a round table conference or some other acceptable means. That question was before the House. The House stands committed to that position. I do

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not see how such a House could be asked by the Government of India to commit itself to another course. We have no real representation in the sense that we have any control over the Budget. There is taxation in this country without listening to what the representatives have got to say. This is autocracy pure and simple; and autocracy is writ large from the first page of the Budget to the last page. In every aspect of it we see nothing but British autocracy, nothing but British superiority, nothing but the will of the Britisher. Sir, this stage must not continue any longer, and it must not continue because I do want that Englishmen and Indians should get on together and also because I do know that England as well as India will be happy in a better understanding. I do not find that better understanding in this Budget. I do not blame the Honourable the Finance Member for this. He is an individual, and I have no quarrel with him. I admire the ability, the great assiduity, the remarkable perseverance, the talents which any civilised country must admire—the tremendous patience he has brought to bear on this work. But that patience, that assiduity, that remarkable endeavour—all these lack the will of the people, the sanction of democracy. The Finance Member's application has the merely intellectual admiration of a powerless representative of the people; but from the popular point of view, if you ask me to exercise my vote as a representative of the people, I can only say, so long as the representatives of the people have not had a voice in the framing of the Budget, so long as they do not have any choice in the matter, so long as we have to surrender ourselves to the will of those framing it and when we do express our will that will can be nullified by the higher will of the Viceroy, so long can there be no sanction behind the Budget. It is practically impossible for the representatives of the people to sanction such a Budget; and this impossibility was foreseen years ago—a century or more ago—by a responsible British statesman. I shall refer to an observation of none other than Lord Randolph Churchill—one of the most eminent statesmen of England. Lord Randolph Churchill said in a letter to the Treasury:

"The position of India in relation to taxation and the sources of the public revenues is very peculiar, not merely from the habits of the people and their strong aversion to change which is more specially exhibited to new forms of taxation but likewise from the character of the Government which is in the hands of foreigners, who hold all the principal administrative offices and form so large a part of the Army. The imposition of new taxation which would have to be borne wholly as a consequence of the foreign rule imposed on the country and virtually to meet additions to charges arising outside of the country would constitute a political danger, the real magnitude of which, it is to be feared, is not at all appreciated by persons who have no knowledge of or concern in the Government of India but which those responsible for that Government must regard as of the most serious order."

Sir, that is an anomaly that persists. The observation was made in 1880, but it is true in this year of grace. Lord Salisbury said:

"The injury is exaggerated in the case of India where so much of the revenue is exported without a direct equivalent."

Sir George Wingate says with regard to the present system of expenditure—he said that years ago, but it is true even to-day—he says:

"Taxes spent in the country in which they are raised are totally different in their effect from taxes raised in one country and spent in another. In the former case the taxes collected from the population are again returned to the industrial classes; but the case is wholly different when the taxes are not spent in the country from which they are raised. They constitute an absolute loss and extinction of the whole amount withdrawn from the taxed country . . . might as well be thrown into the sea . . . Such is the nature of the tribute we have so long exacted from India"—and I may add

that you are even now exacting—"From this explanation some faint conception may be formed of the cruel crushing effect of the tribute upon India. The Indian tribute whether weighed in the scales of justice or viewed in the light of our interest will be found to be at variance with humanity, with commonsense and with the received maxims of economic science."

I shall not pursue these principles of financial responsibility and financial justice which Honourable friends on the other side know as much as I do. But, Sir, the system, the fault of which was discovered by long-headed, far-visioned statesmen, that system must be changed if those defects are to be removed and if India and England are to work together as a rare instrument for humanity's good. I believe there is a great possibility if the two nations understand each other. Otherwise, as the poetaster put it "never the twain shall meet." The danger lies in delay. Delay will cause disappointment and force on us the desperate conclusion that East is East and West is West. But I venture to claim that "East plus West is much the best" and I therefore urge that we should change this impossible state of things. I do think that India should have a certain amount of control, real control, in matters affecting her destiny. It is the Budget which affects her destiny the most. Where are we in industrial matters? India is impoverished to-day. Why? Because her industries are killed, killed by the system, killed because our doors have been thrown open to foreign nations, thanks to free trade. India does not want, never wanted, free trade. Free trade is good for England, a small country in an advanced stage of industrial adolescence. But a big country like India, even supposing her industries were in an adolescent stage, would not want free trade. India which resembles the United States of America in her vast extent, in her varied resources, in the multitude of her thrifty people, can get on very well with protection. Protection is necessary for India. But, Sir, we have unfortunately no say in this matter. Free trade has suited England and free trade has been forced on India; and to-day our industrial wealth has been drained away by alien competition. The previous speaker was referring to the dumping of cheap alien goods. It is not only true in the matter of the steel industry; it is true in matters of every industry; cheap and showy foreign goods have filled the market and cottage industries have gone out of existence. Men who lived by the handloom and the *charka* have found their occupation gone, because it pleases a foreign government to throw open our doors. I do not want this foreign dumping to multiply empty stomachs. That is the way to revolution and red ruin and the breaking up of laws. I do not want that, because I love my country. I hope the Government who pretend—I may change that word—I will say who claim, and honestly claim, to love my country, that Government also owes it to us not to indulge in any more of shilly-shallying, which smacks of hypocrisy if revelled in too much and too long, but honestly to come forward and take up the offer that has been made in this House. Change this system, make the people responsible for the framing of the Budget and the Government responsive to popular aspirations, and then we shall have a better land to live in and better things to aspire for.

Sir Campbell Rhodes (Bengal: European): Sir, I shall not detain the House for more than two minutes. My only object in intervening in this debate is to say that, as the last speaker pointed out, there appears to me to be a discrepancy between the utterances of the Secretary of State and the Honourable the Finance Member. In his recent speech in the House of Lords the Secretary of State seemed to identify himself as Mr. Ranga Iyer

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pointed out, with those who, according to him, hold the salt tax to be a peculiarly iniquitous and horrible form of taxation, and further seemed to suggest that he was reflecting on the action of His Excellency the Viceroy in certifying the salt tax last year. On the latter point, Sir, I have nothing to say, as I feel sure that the Secretary of State could never have intended the interpretation which his words appeared to Mr. Ranga Iyer and to others to bear. In proposing a two-rupee tax on salt last Friday, the Finance Member said "I desire to make it clear to the House that this recommendation is made in full consultation with the Secretary of State and with his full approval and support." The question I have to ask, Sir,—and it is presumably one that will require to be answered not by the Honourable the Finance Member but by the Secretary of State—is as to how he justifies his present approval and support of what he simultaneously appears to designate as a peculiarly iniquitous and horrible form of taxation? I hope, Sir, that, subject as the Treasury Benches are to attacks on the front, subject as they are to attacks on the flank, the Secretary of State will make it clear at the earliest possible moment that he is supporting the Government here in carrying out that policy to which he himself has apparently given his approval.

Mr. N. M. Dumasia (Bombay City: Non-Muhammadian Urban): Mr. President, a former Finance Member described the Budget as a gamble in rain. When rain gambling was prohibited in this country the devotees of that pastime turned their attention to other ways of getting rich quick. The Government of India seem to have followed their example. The Budget has been a gamble in currency and exchange and the poor taxpayer looks on certain that he will not get any material reduction of what he has to pay, but that he may lose something by additional taxation. One loose screw in our finance and currency policy may undo the labours of the Incheape Committee or for the matter of that of any Committee. This is the opinion of an eminent Anglo-Indian banker. Whatever the Finance Member may think of the present Budget,—and any right-minded man will extend to him his sympathy in his most difficult task—I am certain that India will not be satisfied with it, because we are again confronted with enormously inflated figures of expenditure, and although we are constantly being told that the administration of India is the cheapest in the world, I do not suppose that there is any one among the non-officials in the Assembly who thinks that he is getting value for his money. We see, for example, enormously expensive experiments being conducted on the frontier with the Air Force and we are told that no definite deductions can be made from them as to the value of that force on the frontier. How long is that state of affairs to be continued?

I am sorry, Sir, that His Excellency the Commander-in-Chief is not here at present. We welcome the statement that he has made and we are thankful to him for the assurances that he has given; but he must be told in unequivocal language that India looks year after year for a sweeping reduction in military expenditure and will not be happy till she gets it. I mean of course a far greater reduction than that recorded in the year's Budget and more particularly a reduction in expenditure on Waziristan which, as the Budget shows, is quite living up to its reputation as a bottomless sink; but I am glad to hear from His Excellency that there will be ordinary peace conditions established shortly in Waziristan. I

admired the pertinacity with which His Excellency the Commander-in-Chief always maintained that a reduction in military expenditure was impossible. But when I was at school I used to be told that "impossible" was a word not to be found in the vocabulary of the British fighting services. How that word crept back into the vocabulary I do not know. But what I do know is that the Inchcape Committee very clearly showed that it had no business to be there. I note with pleasure his statement that he has carried out the recommendations of the Inchcape Committee and has done even something more than that. In this matter of military expenditure we have to be guided by the expert advice of His Excellency the Commander-in-Chief, and I fully recognise that India is fortunate in securing the services of that most distinguished soldier statesman, but I should like to be assured that he is devoting his fighting ability to carrying on India's battle with the Home Government. The best chance of immediate relief from the crushing military expenditure which India now endures lies, in my opinion, in obtaining an equitable adjustment of what are called the "Home charges" which India has to pay. It is time for that long-drawn dispute over capitation charges to be brought to a conclusion. In this fight we are enduring the monotony of trench warfare and are confronted by the very real danger of never seeing an appreciable reduction in the Home Charges.

Whilst referring to the Army, I should like to say that the prospect of a great citizen army being evolved in India out of the present territorial scheme seems to be exceedingly remote. The recently published book on the "Evolution of the Army in India" makes the surprisingly inaccurate statement that the volunteer force first made its appearance in India in 1857. The writer of that book seems never to have heard of the various volunteer organizations formed in India at the end of the eighteenth century. My own community formed six strong companies in the militia formed in Bombay in 1799. Many years later, when the volunteer movement was revived, the Parsi community again supported it with the greatest enthusiasm in just the same way as more recently it has supported the movement which culminated in the formation of a battalion called the Parsi Pioneers which was joined by many highly educated youngmen. In view of these historical facts, if for no other reason, I urge that the Parsi community, and for the matter of that, every community which is animated by a spirit of progress, should be granted the privilege of enrolment (in special units if it is desired) of the Auxiliary Force. It is, I am fully convinced, only by some such means that a real beginning will be made in the formation of a citizen army.

It is, Sir, not only in regard to the Army that we look for a reduction of expenditure. Every one in this House knows of his own experience how the cost of living has gone up in India. Excellent excuses are always given to this House for inability to get back to anything like the pre-war rates and charges, for example, by the Post Office, the Telegraph Department and the Railways. I use the word "excuses" instead of "reasons" deliberately, because I think that after the revelations made by the Inchcape Committee, it is clear that the will to reduce expenditure has not been as great as we could expect. I daresay that it will be said that further retrenchment is impossible, but I do maintain that where there is a will there is a way. Let me give one example. I read the other day a speech by the Chairman of the Bengal and North-Western Railway Company. He showed that the Company had achieved very satisfactory results during the year and particularly pointed out that there had been

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an increase of about two million in the number of passengers carried third class. As we are always told in the absurdly belated Railway Administration Reports and by Government spokesmen that increases and surcharges on fares are essential, I should like to call attention to two or three sentences in the speech of the Chairman of the Bengal North-Western Railway Company to which I have just referred. He said that the policy of that Railway:

"Has always been to keep our fares at a low level to encourage the growth in particular of our third class passenger traffic. Our third class fares are still the lowest in India, and the increase in the numbers carried would probably not have been so marked if, following the action taken by nearly all the other railways in India, our fares had been increased in 1922 in the same proportion as was done on other lines. The policy, therefore, of keeping our fares as low as possible has been fully justified by the results attained."

Cannot other railways follow the example of that railway which can proudly boast that its third class fares are still the lowest in India?

Sir, our Tariff system is out of date. Vocal India has pronounced in favour of protection. Vocal sentiment in India is predominatingly for protection. In the Government Publication, "India in 1922-1923," there is a pregnant remark which says:

"As a result of the changes introduced into the tariff during the last two years for revenue requirements, India is already for practical purposes under a kind of protective system which possesses the disadvantages of being unscientific, haphazard and insufficiently in co-ordination with commercial considerations."

So I say, Sir, that our tariff system is unscientific, haphazard and insufficiently in co-ordination with commercial considerations, and it is, as I say, out of date with the requirements of the times. My Honourable friend Mr. Darcy Lindsay pointed out an instance in which the present haphazard system of tariff works oppressively against consumers. He pointed out that the cheap inferior bangles which are imported from Japan and China have to pay a tax of 30 per cent. duty. Sir, it is not an article of luxury. Every Indian woman from a socio-religious point of view wears them; every maiden and every married woman wear these bangles. But, when you impose a duty of 30 per cent. on this article of necessity, what do you find in regard to other articles of luxury? The duty on fancy chandeliers from Austria, Germany and Belgium and Great Britain, the rich vases and tumblers and the costly decanters, is only 15 per cent., while Indian women are penalised and they have to pay 30 per cent. duty on an article of everyday wear. Sir, I hope this anomaly will disappear and protection will be given only to such indigenous industries as deserve it. It is, I think, Sir, much to be regretted that the labours of the Tariff Board are not reflected in this Budget. For that effect presumably one must wait and see. Delay in this case is possibly excusable, but I say it is dangerous also. My Honourable friend, Sir Purshotamdas Thakurdas, spoke of the Tata Iron and Steel Company as a Director. Sir, I want to speak as a humble shareholder of that Company, but in so doing I do not want in any way to reflect personal interest. This national industry which came to the rescue of Government in time of war requires to be fostered and protected. Sir, if any measures are to be taken to save it, they should be taken before it is too late. Delay in this case may prove dangerous. The Belgium franc has gone down during the last few weeks and foreign countries are able to dump their goods at half the value which existed only a few weeks ago. I do not know whether

the statement is exaggerated or not, but I hope that Government will try and find out whether it is true, that if this state of things continues, the works at Jamshedpur will have soon to be shut down. I hope such a calamity will be avoided. In the interests of labour, in the interests of the capitalists and in the interests of the public as well, I hope Government will take measures to avoid any catastrophe that may result on account of any delay on the part of Government. I do not wish to be misunderstood. As I have said, I am a shareholder, but my interest in it is most insignificant as compared with the interest of those who have sunk their money in it. I also want to remind the Government that this one industry came to the rescue of Government in those dark days of the world war. I wish to say a few words on another burning topic of vital interest to India. I refer to the excise duty on Indian cotton goods, the retention of which is absolutely unjustified and is against the interests of India. I sincerely trust that Government will no longer delay to conform to the unanimous desire of India to be freed from any impost levied in the interests of Lancashire. Whether this House would agree to the re-imposition of that duty in any form after its abolition is not a question that I will now discuss. But, coming as I do from Bombay, I feel that I must at least call attention to the inequity of maintaining that duty at present. I hope too that every Bombay Member here means to protest with the utmost vehemence against the treatment meted out to his province in the matter of provincial contributions to the Central Government. I want to remind the Finance Member of what he said in his Budget speech last year. He said:

"I should like to say that the strongest appeal that a Provincial Government can make to me in this matter of the Provincial contributions is to show themselves worthy of assistance from the Central Government by making both ends meet for themselves."

Bombay has made both ends meet. It has made "the strongest appeal." (*The Honourable Sir Basil Blackett*: "Have they balanced their Budget?") Yes, Sir, I believe the rejections of the Bill for enhanced Court-fees may affect it but, I think, in spite of it, there will be an equilibrium. Here is the strongest appeal. Are you now, Sir, in a position to deliver the goods? This appeal has not been heard. The provinces that squeal loudest get relief. Sir, Sir Chimanlal has spoken on this subject in his able way and I will not say anything more upon it.

In conclusion I would like to suggest that insufficient attention has been paid by this Assembly and by the Government of India to the development of the agricultural wealth of the country. Agriculture has now become a provincial subject, but the Central Government cannot divest themselves of the responsibility, because upon this one industry lies the welfare of the millions of the people of India. I knew quite well that excellent work is being done by various Agricultural Departments all over the country. I know too that the demand for improved agriculture did not, and still does not, come as a rule from the cultivator. This is a problem which has to be tackled from the top and not from the bottom. The Agricultural Departments have now been at work long enough—some twenty to thirty years—to know exactly what line of policy they can best follow, but I am not satisfied that there is any definite policy of agricultural development in any part of the country. I think that more driving force is needed and that there is much to be said for the suggestion recently made in England by Professor Ganguli of the Calcutta University that a Commission on the lines of Mr. Roosevelt's Country Life Commission

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should be appointed to give India a definite agricultural policy. There has been more than one Royal Commission on Agriculture in England and I believe that much might be done to develop the wealth of this country and to help the cultivator who is the backbone of the country by the appointment of a Commission here. I am not thinking of centralization but of co-ordination and of speeding up the efforts that are being made to improve the breed of cattle, the quality and supply of fodder, of cotton and of grain and other crops. I am sure that the proposal to appoint such a Commission as I have urged has on a previous occasion been considered by Government, but it has been negatived on the ground that agriculture is a provincial subject, that such a Commission would be very expensive and that it is not needed. While appreciating the weight of these arguments, I do feel that it is most necessary to give an impetus to agricultural progress all over the country and I do not think that such an impetus can be provided by the individual and un-co-ordinated efforts of the Provincial Governments.

Sir, I have not gone into the figures of this Budget because it is impossible for any human being to master the various complicated details in so short a space of time as we have had at our disposal. But, Sir, we do recognize the great difficulties which the Finance Minister has to face. We do recognize that he has to perform a thankless task. But, Sir, if he remembers that we are living in 1924 and not in the 19th century, and if he remembers that the people who pay the taxes must have a voice, and if we are given a real say and are able to assert our will in this Budget, then I must tell him that his own difficulties will also be assuaged to a very great extent. Otherwise he will have to face the difficulty from year to year and we shall have to reckon upon the day when our Swarajist friends may put their determination into execution to throw out the Budget. (A Voice: "Join us.") No, Sir, I will not join, because I should always like to be constructive. I should like always to support the Government when it is in the right. When Government is in the wrong, I shall not hesitate to go over to your camp.

Mr. Jamnadas M. Mehta (Bombay Northern Division: Non-Muhammadan Rural): I think, Sir, I also ought to join in the congratulations which have been given to the Honourable the Finance Member on his Budget speech. It was a fine effort, well sustained, lasting for nearly 100 minutes, which well merited the applause with which it was greeted when he resumed his seat. I say this all the more readily because there is very little else I can say in its favour. I also admired the frank, straightforward and soldierly speech of His Excellency the Commander-in-Chief. These two things have brought into clear relief the real meaning of the Budget which would not otherwise have been the case. The Finance Member, Sir, has claimed in a tone of evident exultation that the era of unbalanced Budgets had ended. Balanced Budgets, indeed! I do not know whether he pauses to consider the sacrifices which have been necessary to this country before he has been able to come out with a balanced Budget. Does he realize the victims that lie at the door of this balanced Budget? A hundred crores of unproductive taxation, involving nearly six crores of annual expenditure by way of interest; more than 80 crores of additional taxation recurrent year after year; more than 50 lakhs of additional excise duty; higher rates of postage; greater charges for third

class passengers on the railways; continued victimization of the provinces by way of the Provincial contributions; all the poor man's necessities like petroleum, kerosene oil, matches, postage and other things, are taxed. Then he has made a raid on the Paper Currency Reserve, another raid on the Gold Standard Reserve, and last but not the least, he came to victimize the agriculturist and the poor peasant by increasing the salt tax before he could say that he had a balanced Budget; and even then, Sir, on his own admission it has not been a balanced Budget—there is a deficit of 38 lakhs staring him in the face unless he adds the windfall of which he has spoken. This balanced Budget is like the witches' cauldron in which all sorts of victims are cooked and boiled. Well, Sir, if the Government of India are proud of this balanced Budget which victimises every class and every community and every section of the people, then nobody in this House is prepared to envy them their achievement.

Then, Sir, coming to the character of the Budget, it is clear that it is a Budget of a country which is under military occupation. On no other basis can I explain the Budget to myself; and the speech of His Excellency the Commander-in-Chief has made it clear; he spoke rightly, I do not blame him at all, he spoke very properly as a Military Governor who was ready with a document levying taxation on the country which he occupies. He says very properly—and here I distinguish between the personality of His Excellency the Commander-in-Chief and the holder of the office which he occupies; following the example of the Greek philosophers, Mahatma Gandhi has taught us to distinguish between a man who may be himself an angelic character and a system which he supports which may be satanic; so also here there are two angelic persons, the Finance Minister and the Commander-in-Chief standing up for a satanic system in which the military expenditure, though ostensibly 63 crores, is further increased by a concealed military cost of nearly 20 crores of rupees. All the unproductive taxation for which we are paying something like 15 crores of rupees by way of annual interest charges and sinking fund charges; all the political expenditure of 3 crores and odd which is necessitated because of the British occupation of India; all the interest on the strategic railways, all the loss on the working of the strategic railways,—if you add all these, the actual military expenditure, both open and concealed, is not 63 crores of rupees but 83 crores of rupees, out of a revenue of 107 crores! Is Germany worse off under the French occupation of the Ruhr than India is under yours? 83 crores of rupees of military expenditure out of a revenue of 107 crores—80 per cent. ! (*The Honourable Sir Basil Blackett*: "Why not call it 101 per cent.") This system is to go on, says His Excellency the Commander-in-Chief. It will go on in spite of the pronouncements of 10,000 Brussels Conferences and all other Conferences in the world declaring that the military expenditure of a country should not exceed 20 per cent of the revenue. Here we have an expenditure of 83 crores of rupees out of a revenue of 107 crores, fully 80 per cent. I notice the Finance Minister laughs. I am shocked. I should have expected tears in his eyes that the necessities of the military occupation of this country require that out of 107 crores of rupees, you have to spend 83 crores, open and concealed, for merely supporting a machine which does—what?—which suppresses us, which has disarmed us, and which then mocks our sentiments of self-government by saying: "you are not ready!" Sir, this military government of this country is a triple wrong; it subjects the tax-payer to enormous bleeding; it emasculates us and makes us unfit, and then provides a plausible justification for the Honourable the Home Member's plea for delaying the advent of Swaraj.

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Sir, I do not want to speak further except to say that the Budget, even on the basis put forward by the Finance Member, is not a balanced Budget. This salt tax was imposed in spite of the universal protests of a mild Assembly, an Assembly which had gone down on its knees to co-operate, which, instead of non-violently non-co-operating, was violently co-operating with the Government—even that Assembly opposed, protested, objected, and prayed, but all that fell flat on the deaf ears of the Government, and what Government did was of course an exhibition of autocracy, which in spite of the Reforms Act, the Government of India still continue to be. But, with all that, it brought Government 150 lakhs of rupees only. Now comes the Finance Member saying, "Oh, it is not to be judged in that way. The dealers in salt overstocked themselves in January and February 1923; and in January and February 1924, they have depleted their stocks, and so in both ways I am in difficulty; what can I do? The issues of salt are not as I anticipated." I say, Sir, that if the Government could not foresee an eventuality of the simplest character that, in anticipation of the raising of the duty, the stocks would be replenished, and that, in anticipation of relief from the duty, the stocks would be depleted—if the Government of India could not see this simple thing, then, Sir, I say that they have no business to be where they are. Sir, that is the way in which it is explained why the Budget did not bring in the 11 crores and odd which the Government of India expected, and then the further thing is, Sir, that now, instead of openly confessing that the Government had blundered, instead of repenting of what was said in defence of it by them, instead of apologizing to the country for having imposed, as it is rightly said, a horrible and iniquitous tax, they are still maintaining that they were right. And I am astonished at the inconsistency in the speech of Lord Olivier about the salt tax and the support given by him to the Government of India in maintaining the salt tax at Rs. 2 per maund.

Well, Sir, then again I was saying that the Budget is not a balanced Budget at all. Sir Purshotamdas Thakurdas rightly pointed out that Government had raided the Paper Currency Reserve; they had further raided the Gold Standard Reserve without proper authority, but there is something more. The Paper Currency Reserve is not a revenue asset of the Government of India, it is an asset of the man who holds the currency notes. The Paper Currency Reserve cannot be used for ordinary purposes of revenue, because the man who holds currency notes is interested, and it is for his protection that the Paper Currency Reserve is there. Then again, Sir, the Gold Standard Reserve is for the protection of the man who holds the notes printed on silver, I mean the rupee. The Gold Standard Reserve and the Paper Currency Reserve are not to be raided or pilfered for the ordinary purposes of revenue even if a very impecunious Finance Member has to balance his Budget. After six years of heavy taxation, after six years of deficit, the Government of India could not face the Assembly with the news that the Budget was not balanced, and that is why this was cooked up, in the manner pointed out by me. Similarly, the so-called surplus in the coming year is equally fictitious, but I do not want to say much on it because I have something more to say, and that is about the political expenditure. It does not come under our purview when the demands for grants are made, and therefore I will have something to say about it here. It is this time over 8 crores, a little more than the expenditure last time. I do not know why the Retrenchment Committee did not apply its axe to this department;

the Political Department, in addition to its other functions, is concerned with Native States. His Excellency the Viceroy last year certified, I suppose, the Princes Protection Bill to protect the Indian Princes; the Political Department of the Government of India, which costs 8 crores and odd to the tax-payer, does not protect the people. On the contrary, the nationalist movement in this country is being attacked now from this State and then from another. There is the story in the *Mahabharata* that when the *Pandavas* could not beat *Bhishma* in straight battle, they put forward a female—*Shikhandi*, between themselves and *Bhishma* and directed their attacks from behind the female on the body of *Bhishma*. *Bhishma* was pledged not to attack a female and therefore *Bhishma* was defeated. The Government of India are to-day in the position of the *Pandavas* for using, as their *Shikhandi*, the Native States for the purpose of running down our great national movement and defeating it. Those, Sir, are our difficulties, that we are not allowed to vote this Budget so far as the Political Department is concerned. Government have now adopted the agency of the Native States in order to attack and eventually to throttle the movement of national salvation.

Now, Sir, if I were the Finance Minister, what would I do? I have recently been reading a number of things of that character. One lady says: "What would I do if I were Governor in the Central Provinces?" I will add one more speculation. "What would I do if I were Finance Minister?" and with that speculation I will bring my remarks to a close. If I were Finance Minister, Sir, I would certainly abolish the salt duty at once. The poor man's salt should not at all be subject to taxation. What about the other necessities of life? We find in the current year that people are eating more opium and less food.

The Honourable Sir Basil Blackett: On a matter of explanation, I should like to point out that the opium revenue which we get is from the sale of opium for export. The opium revenue to which the Honourable Member refers is the excise revenue, which is provincial.

Mr. Jamnadas M. Mehta: So far as I can see some chests are being consumed in India, whoever might be getting the revenue from them.

Very well, Sir. If I were Finance Minister, what would I do? (Laughter.) I would abolish the salt tax all at once and it is the one thing which the representatives of the people should do in this Budget, even those who are not pledged to obstruction, who do not want to throw out the Budget; their one clear duty would be to oppose stoutly and throw out any attempt to tax salt. The second thing that I would do would be to abolish all Provincial contributions, and, in order to satisfy my Honourable friend, Sir Chimanlal Setalvad, I would make an additional grant to Bombay to compensate for loss of Income-tax; and Bombay is, Sir, my own constituency. I do agree with him that these Provincial contributions even when they are abolished are to some extent an anomaly and an iniquity so far as Bombay is concerned. The third thing I would do would be to abolish the excise duty on cloth manufactured in this country. It is a most iniquitous impost levied on this country in the interests of the foreign manufacturers. For what purpose were you throttling a nascent industry? From the very start you would not allow it to grow and you are now practically killing it? I would abolish it straightaway. Then, Sir, I would bring down the military expenditure, whatever the Commander-in-Chief might say, because he is speaking for the military occupation and I am speaking against that occupation. I agree that if the

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military occupation of India is to continue, His Excellency is perfectly right in maintaining the present scale of expenditure, but I do not want that it should continue for a single day. Your estimate is as though you are at war and your army is maintained as if India was at war. I would bring down the 83 crores, if it is possible for us to vote that Budget; I would bring it down to the reasonable figure of 30 crores of rupees a year, and that only if every rupee of it is subjected to the vote of this Assembly, not otherwise.

The Honourable Sir Basil Blackett: Would you abolish the interest charges you have included in the 83 crores and which come to 20 crores?

Mr. Jamnadas M. Mehta: No, Sir. That unfortunately will be the price which we will have to pay for your occupation, although some Bolshevik friends perhaps would advise us not to do so. I do assure you that all foreign money honestly invested in this country shall be safe under Swaraj. When I am the Finance Minister (Laughter), what will I do further? When the military expenditure has been brought down to 30 crores of rupees, you will find that then only will it be possible that the Ministers in the Provinces can do something. You read the wail of one Minister here and another Minister there. Mr. Chintamani, who was at one time a Minister, is now running about here and there bewailing the perilous position of Ministers under dyarchy. He would not have been in this position if it had not been for this military expenditure which swallows everything that comes in its way and also blocks the road to all progress in this country. When military expenditure is brought down to 30 crores, when Provincial contributions are abolished, when the excise duty on cotton is abolished, when the salt tax is gone, then the country will be able to live in a normal manner; then only will it be possible for this country to exist like one consisting of human beings; to-day it is sub-human. We are now living the life of a nation which consists of semi-human beings—not super-men, but semi-men. But if these changes are brought about, a round table conference need not come. If you do this here and now, everything is done. If you reduce the military expenditure to 30 crores, every rupee of it votable, if you reduce all the taxes that I say should be reduced, then only will it be possible for the representatives of the people to vote on the Budget, and to consider the demands for grants; otherwise every man in this Assembly, who has been elected on the Swaraj ticket, will consider it his duty—the sacred duty from which he dare not flinch—to throw out this Budget if he values the promise made at the election.

The Assembly then adjourned till Eleven of the Clock on Thursday, the 6th March, 1924.
