

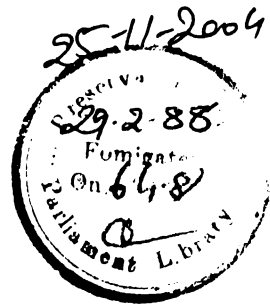
Friday, 7th March, 1924

THE
COUNCIL OF STATE DEBATES
(Official Report)

Volume IV, Part I

(From the 30th January to the 25th March 1924)

FOURTH SESSION
OF THE
COUNCIL OF STATE, 1924



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COUNCIL OF STATE.

Friday, the 7th March 1924.

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

QUESTIONS AND ANSWERS.

REMITTANCES TO LONDON.

119. THE HONOURABLE MR. PHIROZE C. SETHNA: Has Govern-
ment's attention been drawn—

- (a) to the remarks of the London 'Times' as quoted by Reuter on 4th February as to the exceptional magnitude of the remittances made to London by Government last year; and
- (b) to the further statement made in the same telegram that Government can pay their way abroad without remittances made this year and without coming into the Exchange market for two years?

THE HONOURABLE MR. A. C. MCWATTERS: The answer is in the affirmative.

LIABILITIES OF GOVERNMENT OUTSIDE INDIA.

120. THE HONOURABLE MR. PHIROZE C. SETHNA: Will Government be pleased to state—

- (a) what will be the approximate amount required for payment abroad during the next two years; and
- (b) what is the amount already on hand from remittances made before now to meet such payments?

THE HONOURABLE MR. A. C. MCWATTERS: (a) The net sterling liabilities of the Government of India during the next two financial years are roughly estimated at £84 millions.

(b) The aggregate balances at the end of the current financial year in the hands of the Secretary of State and in the Paper Currency and the Gold Standard Reserves in England are now estimated at £66 millions. There is besides gold worth more than £22 millions in the Paper Currency Reserve in India.

EXPANSION OF THE FOREST RESEARCH INSTITUTE AND COLLEGE.

121. THE HONOURABLE MR. PHIROZE C. SETHNA: Will Government be pleased to state the total estimated cost of the scheme sanctioned for the expansion of the Forest Research Institute and College?

THE HONOURABLE SIR NARASIMHA SARMA: The total sanctioned estimate is 58.62 lakhs, which includes the 12 lakhs which it is proposed to spend in 1924-25 and 1925-26.

FOREST RESEARCH INSTITUTE.

122. THE HONOURABLE MR. PHIROZE C. SETHNA: Will Government be pleased to lay on the table a statement of expenditure incurred up to now for each branch of the Institute, viz.:—

- (i) in purchase of site;
- (ii) cost of machinery; and
- (iii) construction of buildings, etc., in connection with the above scheme?

THE HONOURABLE SIR NARASIMHA SARMA: The figures of expenditure incurred up to date for each branch of the Institute are not available. A statement giving the information available is placed on the table.

Statement of expenditure incurred up to now for the Institute as a whole.

Amount actually expended up to 31st March 1923.	Estimated expenditure during the current year.	Total expenditure.
Ra.	Ra.	Ra.
(i) 13,13,903	27,990	13,41,893
(ii)	5,72,700
(iii) 17,41,229	8,80,508	26,41,737

INDIAN OFFICERS IN THE FOREST RESEARCH INSTITUTE.

123. THE HONOURABLE MR. PHIROZE C. SETHNA: Will Government be pleased to state—

- (a) what is the present cadre of officers in the Imperial and Provincial grades in (1) Research branch and (2) Educational branch of the Forest Research Institute and College; and
- (b) what is the number of Indians in either branch in the two services?

THE HONOURABLE SIR NARASIMHA SARMA: (a) and (b). There is no cadre of the Indian Forest Service or Provincial Forest Service belonging to the Forest Research Institute and College. The Indian Forest Service and Provincial Forest Service posts on the staff are filled by selected members of those services lent by the provinces. The statement laid on the table gives the information required.

STATEMENT.

(Excluding President, Forest Research Institute).

	Posts sanctioned.	Filled.	Indians.	Others.
<i>Research.</i>				
Indian Forest Service (deputation from provinces)	11	6	...	6
Special (permanent)	6	3	2	1
Special (temporary), mostly from abroad	10	7	1	6
Provincial Forest Service
Upper Grade Assistants	11	7	7	...
	38	23	10	13
<i>Instructional.</i>				
Indian Forest Service (deputation from provinces)	5	5	...	5
Provincial Forest Service (deputation from provinces)	4	4	3	1
	9	9	3	6
GRAND TOTAL	47	32	13	19

INDIANISATION OF THE SUPERIOR SERVICES IN THE FOREST RESEARCH INSTITUTE AND COLLEGE.

124. THE HONOURABLE MR. PHIROZE C. SETHNA: Will Government be pleased to state—

- (a) the steps, if any, that have been taken to Indianise the superior services in the Forest Research Institute and College; and
- (b) if they will fill up, in future, a substantial portion of vacancies in the Forest Research Institute and College—

(i) by promotion of qualified Assistants of the Provincial grade; and

(ii) by direct recruitment of trained and qualified Indians?

THE HONOURABLE SIR NARASIMHA SARMA: The classification and composition of the staff of the Forest Research Institute have been explained in the answer to the Honourable Member's previous question. The Government of India are anxious to find opportunities for duly qualified Indians and they will get their chance to fill the Indian Forest Service posts on the staff as they attain the requisite seniority and experience. It is only in comparatively recent years that Indians have been recruited in any numbers to the Indian Forest Service. Two of the permanent special posts are now being understudied by directly recruited Indians.

There are no qualified assistants at present of the provincial grade. The upper grade assistants employed in the Institute do not at present possess the necessary qualifications.

TEMPORARY VACANCIES IN THE FOREST RESEARCH INSTITUTE.

125. THE HONOURABLE MR. PHIROZE C. SETHNA: (a) Are Government aware that in the Forest Research Institute, even in temporary vacancies, Imperial officers are put in charge of sections of which they possess no expert knowledge?

(b) Are Government aware that there are available Provincial Service assistants who do possess more knowledge of such sections than those referred to in (a)?

THE HONOURABLE SIR NARASIMHA SARMA: (a) The work in a section of the Forest Research Institute is of two kinds—research and administrative. When the officer in charge goes on leave it sometimes happens that there is no other officer available who is fitted to carry on his research work. In that case it is the practice to hold the research work in abeyance and to entrust the administrative duties to the head of another section who performs them in addition to his own. Such an arrangement is both efficient and economical, and the Government of India do not propose to make any change.

(b) In view of what is said above this does not arise.

OFFICERS IN CHARGE OF VARIOUS SECTIONS OF THE FOREST RESEARCH INSTITUTE.

126. THE HONOURABLE MR. PHIROZE C. SETHNA: Will Government be pleased to state if it is a fact that the charge of the Entomological Section in the Forest Research Institute at Dehra Dun was once held by the Personal Assistant to the Resident, who had no scientific training whatever, and that charge of the Chemical Section was held by the Forest Entomologist and similarly charge of the Botany Section too by an Entomologist in preference to qualified Indian Assistants in each of these sections, and the reasons therefor?

THE HONOURABLE SIR NARASIMHA SARMA: It is a fact that the Personal Assistant to the President held charge of the administrative duties of the Entomological Section in the Forest Research Institute in addition to his own duties under the system described in my answer to the previous question, but it is not a fact that he had no scientific training whatever, as he possessed a high degree in science of the University of Edinburgh. It is also a fact that the administrative duties of the Chemical and Botany Sections were performed in addition to their own duties by officers in other sections also for the reasons given in my answer to the previous question.

NEW DELHI.

127. THE HONOURABLE MR. PHIROZE C. SETHNA: In regard to New Delhi, will Government be pleased to state—

(a) if its revenue account is kept separate;

(b) if the answer to (a) is in the negative, the heading under which the expenditure of maintenance of buildings, roads, water-supply, lighting, conservancy and other facilities is debited;

(c) if the answer to (a) is in the affirmative,

- (i) what is the total amount from the commencement up to 31st December 1928 that has been spent on maintenance of buildings, roads, water-supply, lighting and conservancy;
- (ii) what other facilities, if any, are afforded to the residents at New Raisina and their respective costs from the commencement up to 31st December 1928;
- (d) what percentage do the rents recovered from the bungalows yield on the cost of the bungalows (with or without the value of the land) but after allowing for depreciation, repairs and also depreciation and repairs to furniture?

THE HONOURABLE MR. A. H. LEY: (a) No.

(b) The expenditure on the maintenance of buildings, roads, water-supply, lighting, conservancy, etc., is, during the period of construction, charged to the Project Estimate for the construction of the New Capital. This is unavoidable as, until a work of this magnitude is completed, it is impossible to separate off the accounts for each separate portion, as it is finished, into maintenance as distinct from construction.

(c) Does not arise.

(d) The information is not available, because the project is still under construction. All rents received are credited to the Capital Account. The annual rent is, however, calculated so as to cover interest and repairs both in the case of buildings and furniture.

THE HONOURABLE MR. PHIROZE C. SETHNA: What is the rate of interest calculated?

THE HONOURABLE MR. A. H. LEY: I cannot remember that at present; I will, however, let the Honourable Member know the rate.

DEPARTMENTS IN WHICH THE SUBORDINATE STAFF CONTAINS A MAJORITY OF NON-INDIANS.

128. THE HONOURABLE MR. PHIROZE C. SETHNA: Will Government be pleased to state—

- (a) in which department or departments is there a majority of non-Indians (including Anglo-Indians) in their subordinate staff;
- (b) the reasons why in such department or departments the majority of the subordinate staff does not consist of Indians?

THE HONOURABLE MR. J. CRERAR: (a) In no department.

(b) Does not arise.

DISCOURAGEMENT OF THE USE OF WATER TRANSPORT.

129. THE HONOURABLE MR. PHIROZE C. SETHNA: Will Government be pleased to lay on the table any departmental reports or correspondence which may have taken place during the last ten years, on the subject of discouragement of the use of water transport through the establishment of railways or through the policy of fixing railway rates in competition with water transport so low for the time being as to compete with transport by water?

THE HONOURABLE MR. D. T. CHADWICK: The question is framed in such general terms that it is not possible to comply with this request, but if the Honourable Member will state any individual cases on which he desires information the question of collecting the relevant papers and reports will be considered.

CONGRATULATIONS TO THE HONOURABLE THE PRESIDENT ON HIS APPOINTMENT AS HOME MEMBER.

THE HONOURABLE DR. MIAN SIR MUHAMMAD SHAFI (Law Member): Sir, on behalf of my Honourable colleagues in this House, official as well as non-official, I rise to offer you our congratulations on your appointment as Home Member in succession to Sir Malcolm Hailey, (Applause) and to wish you every success in the new sphere of public service to which His Majesty, the King Emperor, has called you. We in this House have very naturally heard this news with the utmost pleasure not only because of our close and personal association with you now for a period exceeding three years, not only because of the splendid work which you have done as President of this Council, but also because of your consideration and your courtesy to everyone of us in this House and the splendid manner in which you have upheld the dignity of the Council of State. (Applause.) It is true that the responsibilities attaching to the office of Home Member are in the existing political conditions, heavy as well as difficult. But I have no doubt whatever that your administrative ability and experience, the knowledge which you have acquired of Indian political conditions and Indian sentiments during the long period of your association with the Indian Legislature, will be of immense help to you in the satisfactory performance of the responsible duties connected with that office. And I take it as a happy augury that the last photographic group of this House in which you figure as its President has been taken on the very morning of the announcement of your appointment as Home Member. Personally, I regard this appointment with very great pleasure, for I have known you almost from the very day of your entry into the Government of India Secretariat. We were Colleagues together in the old Imperial Legislative Council, for a very short time we were colleagues on one of Lord Southborough's Committees in connection with the Indian Reform Scheme, and we have now been Colleagues in this House for over three years. I wish you, Sir, every success in the new sphere of public service to which you have been appointed.

THE HONOURABLE COLONEL NAWAB SIR UMAR HAYAT KHAN (West Punjab: Muhammadan): Sir, being one of the oldest Members of this Council, naturally I feel very great pleasure at this news—such a pleasure that I am sorry I cannot express it so well as others. I think, Sir, your name and your reputation alone are sufficient to say that you will adorn this new post. We all hope, Sir, that many greater things are still in store for you. I congratulate you, Sir, on behalf of myself and on behalf of the Muhammadans I represent.

THE HONOURABLE SIR DINSHAW WACHA (Bombay: Nominated Non-Official): Sir, on behalf of the Members of Bombay, I beg, Sir, to associate myself with the very eloquent testimony which the Leader of the House has paid to your many presidential, intellectual and other social qualities. I have known you, Sir, for the last 10 years nearly and have

been associated with you very closely in many of the working committees, especially the very committee which had originally framed all the rules and regulations in reference to the Act. There I always noticed how very prompt and alert you were to find out fallacies, to point out defects and expose incongruities and at the same time to ship-shape every rule and regulation that was discussed in conjunction with Sir William Marris and Sir S. P. O'Donnell. From that time forward I have always noticed, while working in close contact with you, the same quickness and juridical ability with which you have carried on your special work, which is, of course, the most important work, and it is on account of that identical work that we are now daily regulating our own procedure in this Council. Sir, after the very eloquent testimony which the Leader of the House has given in reference to those high presidential and juridical attainments I find that I have very little to say and I do not wish to traverse the same ground. But I believe that there is not a single Member either in this House or outside it who will say that Sir Alexander Muddiman has not deserved the great honour which His Excellency the Viceroy has conferred on him. (Hear, hear). I think, Sir, it redounds greatly to the credit of the Viceroy himself who has with his usual cautious and farsighted statesmanship selected you for this very high and most responsible post of Home Member of the Government of India. We all hope, Sir, that in that office you will achieve greater distinctions for yourself and by the time you retire these distinctions will be supplemented by still higher honours. There is nothing more which I can add save this that, so far as this House is concerned, my personal experience informs me that you have been not only judicial but highly impartial. Sir, you are leaving the Chair of this House on which you have reflected no little credit and which requires for its occupant the greatest courage, independence and intimate knowledge of parliamentary procedure. I heartily congratulate you and wish to say that you may have a more brilliant career in your new office.

THE HONOURABLE SIR MANECKJI DADABHOY (Central Provinces: General): Sir, on behalf of the Central Provinces and Berar, I associate myself with all that has fallen from the Leader of the House and what has been said by our veteran friend Sir Dinshaw Wacha. Sir, as one who has been closely associated with you for the last 15 years and who has had abundant opportunities of witnessing your remarkable ability and powers of work both in this Council and outside it, first as a modest Deputy Secretary and later on as a Secretary of the Legislative Department, I entirely endorse what has fallen from the previous speakers. Sir, I wish to add my personal testimony to what has been already said. Your marvellous powers of work, your forensic knowledge, your powers of concentration, have won for you an esteem and a reputation which have been won by but very few members of your service in this country. I am not exaggerating, Sir, when I pay this tribute to your intellectual powers and to your powers of work. Sir, the post of a Home Member is no longer a bed of roses. In the onerous and responsible duties that you will have to perform very soon you will be confronted with a conglomeration of circumstances which are so divergent, so opposite and so conflicting in various ways. But we have no doubt that the unrivalled experience that you have gained and the great knowledge that you have acquired by contact with this Council will be of great value and service to you in your new sphere of duties. Sir, I, with the rest of my friends here, welcome this appointment, and I quite agree with Sir Dinshaw Wacha when he said that the appointment made by His Excellency the Viceroy is an

[Sir Maneckji Dadabhoy.]

extremely cautious and prudent one and will meet with the approbation of both the Legislatures and the country at large. I wish you all success in your new and responsible task.

THE HONOURABLE DR. SIR DEVA PRASAD SARVADHIKARY (West Bengal: Non-Muhammadan): Sir, speaking on behalf of my friends from Bengal and myself I feel a peculiar pleasure, for I regard the appointment subjectively. It is a belated and vicarious justice to Bengal. (Hear, hear). All that you may have achieved and all that you may yet achieve is due to the knowledge that you attained in that well worn out chair in our High Court, where an assiduous, devoted, intelligent and continuous work was necessary. The contact that you had with law and lawyers has not been the least of your assets in the remarkable work that you have done, to which unanimous testimony has been borne. Sir, I do not envy you. Coming after, Sir William Vincent and Sir Malcolm Hailey who had themselves beds of no roses, your work will be still more difficult. But it will be much more interesting, for spacious days are ahead. We have faith that you will discharge your duties in the larger sphere in the same way that you have discharged them elsewhere. It is a no small achievement to have worked so long and to have made no enemies. If such can be said about you when at the end of five years you leave the chair of Home Member, you will indeed have reasons to be glad and your friends will be proud of you. That you will not offend anyone, that you will not go against the best interests of the country, no doubt according to your own lights, goes without saying. We know also that you have many imperfections. You are but an incomplete man, from the point of view from which we are accustomed to consider humanity. The wonder is that you have that inexplicable something in you which has enabled you an incomplete and imperfect man—to discharge creditably high social duties. (Applause). When you have done that you can achieve a great deal. I am sure the best wishes of your friends in this Council and of all who have known you outside will be with you evermore. Sir, we are living in difficult times, but we have faith in Providence that shapes our affairs, and we believe that the encircling gloom will soon lift, and it will be your great privilege if you will, to assist in the evolving of our higher life and of order out of chaos, that, as it happens, is the Home Member's special problem and privilege.

THE HONOURABLE SIR ZULFIQAR ALI KHAN (East Punjab: Muhammadan): Sir, on behalf of my province which, though young in years is old in loyalty and devotion to the British Government, I have the honour to congratulate you on the new office which has been conferred upon you by the King Emperor. The news which was announced this morning gave a real joy to all of us because, on account of the personal association and ties which we have formed, we consider that it was a great honour done to this House that its President should be selected for this high position. The appointment was for a long time a matter of speculation in all the Provinces, and everywhere it was asked who was likely to be the fortunate Home Member! But some of those who knew you, Sir, indulged in great hope that you would perhaps be the recipient of this great honour. It has been said that the office is not a bed of roses. It is true, and especially in these days, but even if it is a bed of thorns, it is made comfortable by the personality of the man who occupies it. Your optimism and your cheerful disposition will make the task that is before you very easy. Pessimists have never done anything in the world. It is the optimists who have

ensured all advance. You have endeared yourself to us all. It is true you have never spared any Member, but that you have done with a cheerful face which has taken the sting out of any criticism. Sir, we shall all miss you very much, but our loss is your gain, and we are therefore reconciled to it, and we hope that further honours await you in the position which you will occupy henceforth. Sir, with these few words I congratulate you most cordially on this dignity.

THE HONOURABLE RAJA SIR RAMPAL SINGH (United Provinces Central : Non-Muhammadan): Sir, I know you are feeling a little impatient, not only because you want the budget debate to begin at once, but also because you do not like to hear the eulogy that you so richly deserve. Sir, on behalf of the Members of the United Provinces, I most cordially and whole-heartedly support the observations that have fallen from the lips of my Honourable Colleagues. It is not only a matter of gratification, but also of congratulation to this House that its President has so worthily been promoted to the exalted office of Home Member of India. Sir, it is a matter of common knowledge that, owing to your qualities of heart and head you have endeared yourself to every one who has ever come in contact with you. We are quite confident that you will be able to discharge the duties of the office to which you have been promoted, and rightly. I whole-heartedly congratulate you and wish you every success.

THE HONOURABLE MAULVI ABDUL KARIM (East Bengal : Muhammadan): Sir, on behalf of the Mussalmans of Bengal, I beg to offer you our heartiest congratulations. I have not had occasion to know you long, but within the short time I have known you, I have been struck with your courtesy and the power you have displayed in preserving the dignity of this House. I am sure that, in the new office to which you have been called, you will discharge the duties with credit to yourself and to those who have called you to this exalted office.

THE RIGHT HONOURABLE SRINIVASA SASTRI (Madras : Non-Muhammadan): Sir, my Colleagues from Madras desire that I should add a word to the tribute of praise which has been paid to you this morning. I cannot improve on the appropriateness and felicity with which the Leader of the House began this morning, on the appropriateness and the felicity I think I shall congratulate both him and you. It was with great surprise that I heard the news to-day, for I never heard your name mentioned amongst those who were thought likely to be honoured with the Home Membership; but I can assure you that the joy with which we heard the news far far exceeds the surprise. To me who has been honoured with your personal friendship, and I may add with your personal regard, it is a matter of particular gratification to say a word by way of appreciation of the high honour that has been conferred on you. Sir, may I say that your brief spell of office here in a position of comparative detachment from the hot politics that prevail to-day will enable you to enter upon the duties of your onerous office as Home Member with greater qualifications and greater promise of success. I do understand, as others do, how very onerous and how very exacting will be the duties of the Home Member in the future, but it is rather on the bright side that one wishes to look, and I know, Sir, that you bring to the office many a qualification which a long career in the Indian Civil Service does not always guarantee. Well some of us, not me particularly, but some of us will derive a sort of malicious pleasure when you sit in the Chair of the Leader of the House

[The Honourable Srinivasa Sastri.]

in that place and solicit rulings from the occupant of the Chair. Some of us may feel fully avenged when you regret that you ever asked for those rulings.

THE HONOURABLE SIR ARTHUR FROMM (Bombay Chamber of Commerce): I rise on behalf of the non-official Europeans in this Council to join in the many congratulations which have been expressed by speakers before me. I join in them most heartily, and I wish you every success in your new office. As has already been expressed, our loss is the Home Department's gain, but I think I shall be giving expression to the feelings of all the Members of this Council in saying that we do not wish to be selfish, and that, although we regret your departure from the presidential chair here, we are quite pleased that the Home Department should be strengthened by so capable a new Home Member. Sir, I have known you for a number of years as a personal friend. I have sought advice from you, and whenever we have had a slight discussion, I have always felt I had to bring all my wits to bear to try and get *next*, as the Americans say. Your quickness of thought and powers of repartee no doubt will stand you in good stead in your new office.

Again, Sir, you are a man who works hard and also plays hard. I have known you play hard. I have known in a game of tennis that terrific backhand shot of yours. Playing hard after working hard, I always think, makes the best man.

Before I sit down, Sir, there is one small matter I would like to refer to—perhaps as a matter of warning. It may be sometimes difficult when you are sitting on the Government Benches to refrain, out of your past experience, from calling yourself to order!

Sir, I heartily congratulate you and wish you the best of good luck in your new office.

THE HONOURABLE THE PRESIDENT: I really am very much touched by the kind words and expressions of good-will that have come from all quarters of the House. I have, as some Honourable Members have said, been connected with the Indian Legislature for a great many years and there are those who are sitting on these benches who are and have been for many years my personal friends. It has been of great assistance to me in discharging my duty in the Chair to know that. Many of them, some even who will be my future Colleagues, were at one time very much in my confidence and I think I was a little in their confidence in the days when they sat on the non-official benches, when perhaps their knowledge of procedure was not as clear as it is to-day. I think there are those who may remember when we tried to draw up the questions and Resolutions which would pass the Draconian criticism of my old friend and master, Sir William Vincent, the then Secretary of the Legislative Department. There are others like my friend the Honourable Sir Dinshaw Wacha who has, if I may say so, watched me grow up, who nursed and instructed me in public affairs, not I am afraid in certain directions with success, because I never could understand finance though I have been told a good deal about it by Sir Dinshaw Wacha! I think in this House there must be quite a number of Members with whom I have worked for at least 15 years, and I am really exceedingly touched by what you have all said. I am also a little alarmed. The prospect of this new

post made me shiver for some time before I took the plunge, and had I heard the warnings that have been conveyed from various quarters of the House to-day I think I would have decided to shun it. I have been accused of being an imperfect man by an old friend of the Calcutta High Court days. He remembers me when I was connected with that august body. I think his charge must be a reference to my forlorn status as a batchelor. That is, I hope, not irremediable!

And now I must not keep Honourable Members—particularly one who will be my future Colleague—from what he may have to hear on a subject of far greater importance than my humble self. Therefore I will again thank you all very gratefully for your very kind words and say that it is a real encouragement to me to feel that I have many friends in this House who wish me well for, in taking a job like this, I can assure you all I am not taking it for any other reason than a sense of duty.

GENERAL DISCUSSION ON THE BUDGET.

THE HONOURABLE COLONEL NAWAB SIR UMAR HAYAT KHAN (West Punjab: Muhammadan): Sir, we in this House and the other lot of Members in the other House will be talking on various subjects for the welfare of the country. I would like first to refer to that subject without which no progress could properly be made in the country and that is peace and tranquillity. For that an efficient Army, a contented Army is needed. What we have done lately is to cut down the numbers, and every one who is professing to be a friend of the country has been suggesting to cut down the numbers and saying that these are not needed. Lots of soldiers have in this way been disbanded and are practically stranded, and their feelings are not so joyful as they were before the war. These feelings have unfortunately been exploited by what we may call the politically minded agitators who have chosen to get at the loyalty of troops by propaganda. At first they did not achieve much, but I am sorry to say that now, when they go to the countryside from which recruits are being drawn for the Army, these agitators have been up to a certain extent able to achieve their evil and wrong objects.

Then, Sir, the Frontier, where there are lots of fighting races, is a very good ground for training soldiers, but we have been spending money hand over fist all the time to keep these frontier people from mischief. The politicians used to say that we ought to have buffer States because, if there are no such States, we may have to fight with a bigger nation. If Afghanistan, for instance, was not there, we may have still to fight some other bigger nation. But in France, Germany and elsewhere on the Continent there are no buffer States and I do not think, except for the great War, there have been so many skirmishes and troubles as there have been on the Frontier. It is much better to conquer them once for all and finish with it by making them subjects of His Majesty.

Then, Sir, all of us, though I of course am not very much of that opinion myself, are thinking of getting Swaraj. How is that Swaraj going to remain if there is no one to defend the country from trouble and external aggression?

THE HONOURABLE SIR MANECKJI DADABHOY: There will be Malik Sir Umar Hayat Khan.

THE HONOURABLE COLONEL NAWAB SIR UMAR HAYAT KHAN: One man alone cannot do much. We must have big battalions. Then again, Sir, being a Muhammadan, I am sorry I feel it my duty to say, though people may not like it, that we feel that this Swaraj will be a Hindu Raj (*Honourable Members*: "No, no,"); because they predominate. We feel that they will predominate and our voice will not be heard because even if there are three-fourths of people in this House on one side and one-fourth on the other when the votes are taken the majority of three-fourths will carry everything. It will be exactly the same thing under Swaraj. It is for this reason, Sir, that we have been clinging together,—with the Government which is considered to be foreign like ourselves so that we may not be beaten in detail as we say in military parlance—beaten one by one. Again, if there is a bullock four times as strong as another, how can they go through to pull a cart? One will succumb and break down and the other will not be able to pull the cart alone, and so the cart will break down also. And it is very natural that this thing should happen. As knowing some of the tenets of my religion, I may say that at the time of the Prophet, when the Muhammadans were in trouble, he sent all his relations to Abyssinia which was under a Christian King. I for one say this emphatically that we want the English Raj, a Christian Raj, far more than the other. There have been some great people in India, who have been trying to make us into one nation; the first attempt was made by a great Guru, Baba Nanak; but instead of making two religions into one, he made it into three. Later on of course . . .

THE HONOURABLE THE PRESIDENT: The Honourable Member will remember that this is a Budget debate.

THE HONOURABLE COLONEL NAWAB SIR UMAR HAYAT KHAN: I will say why it is relevant, Sir, because I consider that if this Government is not going to work in future as at present and is going to extend Swaraj to the peoples of India thinking them to be a nation, then all the money which will be spent on it will be lost. In this connection I might cite the history of the Attock river; it is called the Attock because it ordained the Indians to refrain from going on the other side. Attock means stop; and, if we look at history, we see that every time the river was crossed by the invaders India was conquered. India never conquered any other country, say China or any other. (*The Honourable Lala Ram Saran Das*: "It did conquer".) I have never read that India conquered any other country. On the other hand, any one who came from the north-west conquered India. If they stayed in India, they got so weak that they were conquered in their turn. The present Government also comes from the north-west, though from a little farther away. Since they came they have so organised us that we have been able to withstand these inroads. (Here the Honourable Sir Mozamill-ullah Khan interrupted with a remark which was inaudible.) I am sorry to say that my friend who comes from a lower part of the country knows nothing about it because they have never been attacked; but we unfortunately in the Punjab, especially the Western Punjab, know that when Nadirshah and Ahmed Shah came there was a proverb that what you ate and drank was yours and all the rest belonged to Ahmed Shah . . .

THE HONOURABLE SIR MANECKJI DADABHOY: I do rise to a point of order. You have been good enough, Sir, to warn us yesterday that the Honourable the Finance Minister will begin his reply on the debate at 4-30 this afternoon. There are many Members here who want to discuss

this very important Budget, and I do not think the time of this Council ought to be taken up by discussion of matters that do not pertain purely to the Budget.

THE HONOURABLE THE PRESIDENT: I have already asked the Honourable Member to get to the Budget. I must ask him to do so again. He is getting very wide of the Budget, and we have not an unlimited time. On the other hand, I have no desire to check him unduly. I assume he has some point in regard to the Budget. Will he come to it as soon as possible?

THE HONOURABLE COLONEL NAWAB SIR UMAR HAYAT KHAN: I have taken only ten minutes up to now.

THE HONOURABLE THE PRESIDENT: That is rather a long time as a preamble for approaching the matter under discussion.

THE HONOURABLE COLONEL NAWAB SIR UMAR HAYAT KHAN: I was speaking on the Budget, because they say the Army takes away more money from the Exchequer of India than anything else; and as the Army secures the welfare of the country and keeps it tranquil, my remarks are connected with the money spent on it and the Budget more than anything else. It is for this reason, Sir, that I am against any money being spent on Swaraj. If, for instance, the Germans had won, well, I know what they would have done with the Muhammadans—they would have made them keep pigs; and if the Bolsheviks come in, all money and property and even the people's households will be considered to be common property.

Then, Sir, though we spend a great deal of money in England by sending out our Indian representatives, unfortunately the people in England do not know the proper situation in India. It is because it is so camouflaged by the papers, extremist and others, which go to England; it is only from them that they gauge the situation and from the people who are taken there as advisers. Unfortunately, these advisers all belong to one profession, law, and as it is needed for a good legal practitioner that he should be first in the school and then in a big town to earn a living and a name, such men are absolutely out of touch with the masses, generally speaking; and it is the masses, Sir, to which Government ought to direct their efforts. There is great deal of it also here, with the Central Government.

Then, Sir, of course we people who belong to the martial classes must give vent to our feelings that we are being very badly treated in these days. Some animals who put on the lion's skin are considered to be the lions and the poor lions' claws and teeth are broken by the authorities, are tied down and thrown before them. That is absolutely unnatural, and I do not think this state of things can live long. Something will come on; some trouble will happen and no amount of money spent then will avail as we would have to go for all this clerkdom.

Apart from this, being a zamindar, there have been lots of discussions here in which I have given vent to my feelings for them and I will not repeat it because I have been reminded about the time. All that I want to say now is that, when there are acquisitions of land or when there is assessment, when the zamindar asks for justice, he has to go to a Government servant whose very existence in future life is in the hands of the Government, and who cannot do proper justice because he is afraid of ruining his career. It is absolutely necessary that some tribunal should

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be established when there is a case between Government and the zamindar, an unbiassed tribunal, chosen then and there from non-officials or others and they should decide between the contending parties.

With these few remarks, Sir, I congratulate the Finance Minister, not like the congratulations as people used to say last year as a custom, but actually, as the Budget is really worth congratulations.

THE HONOURABLE MR. LALUBHAI SAMALDAS (Bombay Non-Muhammadian): Sir, I believe the House will agree with me when I congratulate the Honourable the Finance Secretary on the excellent manner in which he put all the Budget figures before us and put the Budget so lucidly before the House. Before I come to the Budget I have one request to make to the Honourable Finance Member about providing us with copies of the printed proceedings of the Standing Finance Committee. Reference is very often made to them in the demands for grants; I wanted to refer for instance to the *ex-gratia* grant of 25 lakhs, and I found it stated on page 165 of the Demands for Grants Volume "Vide proceedings of the meeting of the Standing Finance Committee, etc., etc." Sir, I trust the Honourable the Finance Member will show this House the courtesy and consideration of providing them with copies of these proceedings, because, in the absence of these proceedings, we cannot know anything of the reasons of including these amounts in the Budget.

Coming to the Budget proper, I will not follow the precedent of the Honourable the Finance Member and keep till the end of my speech the question of what he called "an exciting inquiry" that is about the salt tax. That is I grant, Sir, an exciting inquiry. The Honourable the Finance Member said yesterday in the other House that he was quite sincere when he recommended that the Assembly should accept his suggestion of reducing the Provincial grants and not reducing the salt tax. I hope, Sir, he will give me credit for being equally sincere when I say, that we, the representatives of the people, cannot accept that suggestion. I will give my reasons shortly. I would like to say here, that the Finance Department has always been courteous and obliging to us whenever we have asked for information. When the Honourable the Finance Member's speech came into our hands, I found that he said that 36 lakhs of maunds more were taken up by the traders in the first two months of 1923, and I wanted to see the figures for myself. I asked for these figures and they have been kindly supplied to me. I do grant, Sir, that in the first two months of 1923, the issues were 36 lakhs maunds or rather 40 lakhs more than in 1922. The figures are correct, but that raises another question. The salt tax was increased in 1922. It was thrown out by the Assembly in that year, and there were not any undue increase in the issues in that year. In 1923, also the salt tax was raised, and the Assembly threw it out, and many Members of this House had no idea till the very last day that the increase in the salt tax would be included in the Finance Bill and introduced here as a recommendatory measure. I think, Sir, the country has a right to know how this information leaked out because there is no doubt the Honourable the Finance Member is quite right in saying that there have been issues to the extent of 36 lakhs of maunds more than the average issues in previous years. How is it that the traders came to know of this when none of us in this House had the slightest idea that the salt tax would be brought forward before the House as a recommendatory measure?

Coming to the other figures, while I am quite prepared to accept the first part of the Honourable the Finance Member's statement that 36 lakhs of maunds were issued in excess of the last two years' average, I cannot accept the second part of the statement that the stocks have gone down because the traders thought that the salt tax would be removed this year. So far as we are concerned, Sir, we had not the least idea that the salt tax would be brought even down to Rs. 2. Yesterday the Honourable the Finance Member said that representatives of the Swaraj Party—he did not use that word—but he must have meant them when he said that he heard birds whispering that they were going to oppose the salt tax. If the Honourable the Finance Member will, however, be good enough to go through the figures which his department have supplied to me, he will find that the issues during the last six months have not been so low as represented by him in his speech. The Honourable the Finance Member in his speech went on to say that he had no evidence that consumption has gone down. I asked his department to say what evidence they had tried to collect on the matter. The department told me that they had made attempts to collect evidence, but that they were not quite sure of the exact figures. The Honourable the Finance Member said yesterday that his evidence was based upon the evidence of the traders. It is these traders, Sir, who get information in advance, and then they abuse that information. Are these traders to be trusted? I would not trust them unless I had an opportunity of examining them in the presence of the Honourable the Finance Member and, after sifting their evidence, if we come to the conclusion to which he has now come, I shall be quite prepared to accept his conclusions. The only conclusion that I can now draw is that there has been a reduction not only in the issues but in the consumption of salt as well. If that is so, it means that the poor man has been hard hit by this increase in the salt tax

THE HONOURABLE SIR BASIL BLACKETT: It is not so.

THE HONOURABLE MR. LALUBHAI SAMALDAS: The Honourable the Finance Member says it is not so. Here are the figures. In the year 1922-23, the total sale was 496 lakhs of maunds and in the next year it was 380, and it is a pure assumption to say that it is due to the stocks having gone down. There is no evidence for it, and if he will kindly tell us later on what the evidence is

THE HONOURABLE SIR BASIL BLACKETT: I said yesterday that my evidence came direct from the traders. There is the definite evidence that there has been under issue. The Honourable Member says that there is no evidence, but that there has been reduced consumption. That is a statement based on pure assumption and on no evidence whatsoever.

THE HONOURABLE MR. LALUBHAI SAMALDAS: It is a question of direct evidence, and, unless we see the evidence which the Honourable the Finance Member has got before him, and unless we have an opportunity of examining the witnesses in our presence and sifting the evidence, I am not prepared to accept that statement.

My assumption is quite clear. At any rate there is no evidence brought before this House that the lower issue of 116 lakhs is not due to lower consumption. Let the Honourable the Finance Member adduce evidence. If he does so, then it will be time to say that the consumption has not gone down. Sir, India is a poor country, and she cannot afford

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to pay a higher salt tax. This has been said, not only by the representatives of the people in this and the other House, but by a high authority like the Secretary of State. That statement has now been explained away in a manner. I am not quite sure whether the explanation that is now sought to be put upon it is a correct one. I am going however to quote the authority of a person in a much higher position, one who is now the Prime Minister of England, and his authority at least, I hope the Honourable the Finance Member will not controvert. He says:

"The salt tax has long been regarded as a blemish on our Indian fiscal system. It is light (when it was lowest, from 1907, it stood at Re. 1 per 82 2/7 lb.—it is now Rs. 2-8-0—and meant a tax of about 3½d. per head per annum), but still it is no mean proportion of the income of Indian families. Though salt taxation was known in India before, its present history dates from the imposition of Clive and Warren Hastings when the Company was hard up. It has been upheld on the ground that it is well that every Indian should feel the cost of Government. As a matter of fact, he feels nothing of the kind; he just knows that the price of his salt is high, though salt is a necessity. But supposing there was something in this notion of making everybody feel the cost of administration (and there is nothing), it would only apply to a self-governing people who may rightly be taught the financial consequences of political acts . . ."

Then he goes on to say:

"The salt tax is exaction and oppression; and if the people understood it, it would only breed discontent. It is a survival of the general exploitation of India's poverty by a profit-making Company . . ."

THE HONOURABLE SIR BASIL BLACKETT: The Honourable Member will not perhaps forget that the present Prime Minister is a member of the Cabinet which has definitely approved of the present proposals of the Government.

THE HONOURABLE MR. LALUBHAI SAMALDAS: I am told that the present Prime Minister is a member of the Cabinet. I know it; but from the way in which the Honourable the Finance Member has made his recommendation, it is clear that the Cabinet in expressing their approval of the Government of India's proposals as a whole, have left the final decision to the Assembly. The House will see that the members of the Cabinet are thus prepared to place this matter in our hands to decide. It is for us to decide whether we should stand by the opinion of the Premier who, when he wrote his views, was an impartial observer of events in India and with the opinion of the Secretary of State or whether we should go by the opinion of the present Members of the Viceregal Council here.

Sir, the Honourable the Finance Member has said that provincial particularism should be avoided, and I entirely agree with him, and if I had been convinced that the reduction of the provincial grants would compensate if not to the full extent, but even to a large extent, the class of people who have to pay the extra salt tax, I would have voted for the

12 Noon. reduction of grants. I would do so, because I belong to the country and the country belongs to me and to mine. If I could make myself honestly believe that his proposal would mean better medical, a better sanitation and better educational facilities, if I could convince myself that it would mean full compensation for the loss that the poor man suffers by the increased salt duty, I would surely have voted for it. I hope he will take it from me that I am as sincere in my belief as he is in his and, if we decide to differ, then we must do so.

This brings me to another question. We have a constant wrangle as regards the taxable capacity of the people. The Government Benches say "Oh the poor people will not mind this extra taxation". We on this side say, "it will be felt". May I, Sir, suggest to the Honourable the Finance Member to widen the scope of reference of his Taxation Committee so that this question may also form one part of the terms of reference. My friend, the Honourable Mr. Sethna, had moved for a Committee for a similar purpose. He withdrew that Resolution thinking that this Taxation Committee might give us all the information. I think, Sir, the terms of reference are not wide enough. Will he be good enough to extend the scope of the terms of reference so that once for all this constant dispute between the two parties, between the Government Benches and the non-official Benches, might cease for ever; at least let us hope so.

Sir, before I take up the detailed items of the Budget, I want to make two specific suggestions to the Finance Member for his careful and I hope favourable consideration. One is regarding the use to be made of the money that he gets through the Post Office Savings Bank and the Cash Certificates. I made a suggestion about it last year and I want to repeat it here in detail this morning. The problem of agricultural indebtedness of the country is a very difficult one to solve. We in the provinces are trying our best to solve it through the co-operative societies. The Provincial Governments—in my case I can say with certainty—are prepared to help us to a certain extent by putting some money at the disposal of the Provincial Co-operative Board. I want the Finance Member to consider carefully whether the time has not arrived when either a Land-mortgage Bank could be started with the help of Government and, if not, whether Government should, through the Imperial Bank, which is growing, arrange to give the Provincial Co-operative Banks long term loans—advances for annual use, so that we in our turn might advance the money, through the co-operative societies, to the agriculturists to relieve their indebtedness. In my province we are tackling this problem. I know both Agriculture and Co-operative Societies are provincial and transferred subjects. But this problem is so big that, unless the Government of India came to their assistance the co-operative movement by itself or even with the assistance of the Provincial Governments cannot tackle the problem to any appreciable extent.

The second matter which I want the Finance Member to consider carefully is about the question of Industrial Banks. I hope the House remembers that during the last year my friend, Mr. Kale, asked for a Committee to be appointed to consider the question of Industrial Banks. That Resolution was carried in this House. No action was taken thereon by Government. Last July Session, I asked a question on the subject and my friend the Commerce Secretary said that they had carefully examined the question and came to the conclusion that it was not necessary to do so, because the Provincial Governments were taking certain action in that direction. Owing to the hearty co-operation of all departments with the Finance Department, times have now changed as regards the finances of this country. They are now in a sound position. I hope the Finance Member will see his way to carefully examine the question of either starting an Industrial Bank or asking the Imperial Bank to help industries to carry on their work. I know, Sir, that many industries that we started during the war are now in a very bad way only owing to the difficulties of finding working capital. If the Finance Member can use his influence with the Imperial Bank to help these industries, that will in a way temporarily solve the problem.

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Sir, coming now to the details of the Budget, I take up the military department first, and I am very glad that His Excellency the Commander-in-Chief is now here. I want to make a few suggestions. The day before yesterday His Excellency said in the other place that, so long as he was responsible for the defence of the country, so long as he was our Commander-in-Chief, he could not see his way to reduce the fighting units by a single man. I hope I have understood His Excellency correctly. I entirely agree that this problem, the problem of the number of the fighting units, must be entirely in the hands of His Excellency the Commander-in-Chief. He must have the final word on that matter. And we recognise from his speech that till conditions improve and till things have changed, we cannot, for the present at least, expect any reduction in the fighting units. His Excellency was good enough to say that he was prepared to explore other avenues of retrenchment. He said he was prepared to have the assistance by way of suggestions of other people. I beg to suggest, Sir, that there are certain items, not of fighting units but others, which could be reduced to a certain extent. I will take up only one item, merely as an instance. I am talking as a layman and, if I am wrong, I hope His Excellency will correct me. I find from the Budget that transportation charges altogether come to about 3 crores of rupees divided between various heads and sub-heads. Transportation charges could, I believe, if carefully handled, be reduced; even if the reduction is to the extent of 10 or 20 per cent. it means some relief. 20 per cent. means 60 lakhs. Will His Excellency kindly consider this matter and, if he thinks it necessary, get expert advice of business men who are familiar with the subject of motor transport? Sir, I will refer to one more subject only as regards the Military Department, His Excellency said, and I entirely agree with him. Sir, that the Indianisation of the Services can only be through one door, that is, only through Education. I entirely agree. I want him now to take up the question of educating our youths, not only by tens but by many more, and not at Dehra Dun only. What I want him to do, Sir, is this,—let him fix a period during which he wants to Indianize the officers of the Indian Army. He said in the other place that a young man takes about 22 years to be capable of being put in charge of a regiment or a battalion. We say all right, take that figure—take 20 years. Let him draw up a scheme for educating a sufficient number of men to Indianize the Army in that period. In drawing up the scheme, let him if necessary seek the assistance and advice of the old officers of the Army, men like Colonel Sir Umar Hayat Khan or Captain Ajab Khan, and of the educational officers of the Government. Let him definitely decide to spend more money on education, and I am quite sure that the Assembly will grant that money—and then come before the Assembly and the Council with a proposition that, within so many years, by sending so many men to a number of Dehra Duns and through Dehra Duns to Sandhurst, we will Indianise the officers of the Indian portion of the Army. I appeal to His Excellency to make an earnest effort to solve this problem through education.

THE HONOURABLE THE PRESIDENT: The Honourable Member must remember that there are a great many other Members who are anxious to speak

THE HONOURABLE MR. LALUBHAI SAMALDAS: If that is so, I will not be long. I wanted to refer to the windfall. I merely make one sug-

gestion. Out of the windfall 2 crores have been set apart for paying back the customs duty to the Railways if we lose the appeal. I ask whether through Railways the money will not come back to the Finance Department. As a matter of fact, you will get back the greater portion of it through the Railways. If that is so, that windfall should be utilised—I have come to this decision after I have studied the question on my Committee—to have a Government shipbuilding yard to build ships. I make this suggestion for the careful consideration of the Finance Department.

I will refer only to one important matter, on which an explanation is necessary and which I think the House will be glad to have. The Honourable the Finance Member in paragraph 41 of his speech said that there will be a deficit of Rs. 8 crores on account of the depreciation in the value of stock and stores held by the Railways, and he wants to write off this amount in ten years. I do not approve of this system. No joint-stock company's profit and loss account can be prepared with the stocks put at any other figure than the market price. They ought to be put in the books at the market figure even if this means reducing the profits of Railways, and I wish the Honourable the Finance Member had taken courage and reduced the balance, if necessary, by Rs. 3 crores.

THE HONOURABLE SIR BASIL BLACKETT: And put on increased taxation?

THE HONOURABLE MR. LALUBHAI SAMALDAS: By all means, we will accept it. When we made suggestions similar to the action now proposed by the Honourable the Finance Member, we were told last year that these would be faked up accounts. I ask him, Sir, "will this not be faked up accounts?" I put that question to the Honourable the Finance Member. The point that I now want to put before the House is this. The Railway memorandum in paragraph 32 says that Rs. 30 lakhs are required for five years only. The Honourable the Finance Member in his speech says that it is required for ten years. Which figure are we to take?

THE HONOURABLE NAWAB SIR AMIRUDDIN AHMAD KHAN BAHADUR (Punjab: Nominated Non-official): Sir, I must admit that I was greatly impressed by the able manner in which the Budget has been presented to the House. The Honourable Finance Member deserves our congratulation for the very lucid Financial Statement that he has put before us. His able and instructive review affords much matter for study and thought. It is a matter of satisfaction that he does not only present a balanced Budget but is in the happy position of presenting a Budget which, on the basis of the present taxation, is expected to give a handsome surplus. My first impression on reading the Budget was that it presented little material for criticism, as there was no proposal for fresh taxation, neither was there any further enhancement of present taxes. When there is no such suggestion we should have trust in those who have prepared the Budget and must leave it in their experienced hands. Constructive suggestions are very good in themselves and should be welcomed, but I notice the general tendency is to criticize the Government and official action, whether there is any occasion for that or not.

I will not, Sir, elaborate every point in the Budget nor will I go into the details, I will make only a few general remarks. On the civil side the proposal for the reduction in the salt tax is very fair. The House is well aware that there was a great controversy about this tax last year. It is out of regard for the popular opinion that the salt tax has been reduced to

[Sir Aniruddhin Ahmad.]

Rs. 2 a maund, and so we should welcome it. I myself cannot support its reduction any further as I am unconvinced that it is an oppressive tax. Our Local Governments are clamouring for relief. Their own departments are in need of money. This is an opportunity to afford them relief and provide them with whatever help we can. We hope that in the near future we will be able to reduce the contributions of other provinces also. There are signs of the growing prosperity of the country. The general conditions, I am thankful to say, have improved and we have had rains and good harvest at the suitable time. There has been an appreciable improvement in the trade of the country as is shown by the excess of the exports over the imports. The Honourable Members, representing the provinces which do not get a share this time, need not be impatient. Their turn will also come. I am afraid the question of sentiment weighs a great deal with us, but I sincerely hope the House will be guided by business-like instincts and will not be led away by sentiments.

On the military side, Sir, we find the expenditure is reduced, and those who heavily accuse the Government, in and out of season, of wasting money will find some relief when they see that it has been brought down to 60.25 crores and that efforts are still in progress to reduce it further. I thank His Excellency the Commander-in-Chief for the reductions that he has effected in military expenditure. But personally I am not in favour of cutting down the Army expenditure. Any reduction not justified by actual circumstances is false economy. Those who are given to thoughtless and obstinate agitation for the reduction of expenditure on this item and believe that the country before the advent of the British rule was a garden of roses betray a hopeless want of adequate knowledge of the past. They do not compare for a moment the condition of affairs in the country in old times when it was full of internal commotion and every moment in danger of external aggression. There was no peace and tranquillity and warfare among the people was general. At such a time a civilised nation was destined to rule over the country, to vindicate its honour, to shelter and gradually advance its people, to do away with the darkness of ignorance and to diffuse the light of learning. It will be a great act of ungratefulness not to admit that India of to-day is made by the strenuous efforts of the Englishmen. We have advanced by coming in contact with them. The present awakening in India, the progressive ideas of its people, their sense of responsibility and honour all are due to their teaching. We cannot forget what they have done to educate us. Where will be the peace and prosperity of the country if it is not immune from internal commotion and external aggression. It requires the maintenance of a well organised and disciplined army. If we want our country to progress steadily, and this is the cherished desire of all of us, we should not think of any reduction on this item. Any ill-advised measures of retrenchment will interfere with the essential structure and organisation of the Army. We must leave this in the hands of experts who, after years of experience and service, are qualified to express an opinion on the subject. If the Government with the advice of these experts decide to maintain an Army, which in their judgment is not at all out of proportion to the requirements of the country, then I venture to think the opposition from non-expert agitators, who are not qualified to form an opinion on the subject of the maintenance or otherwise of the Army, should not be considered seriously. Moreover, India is a part of the British Empire, and as such it should maintain an Army to take its part in the defence not only of India but of the Empire.

In reducing the military expenditure any further we will be dis-serving the country under the masquerade of doing service to it.

I will not detain the House any more by going into details but will conclude my speech with the remarks that I welcome and support the Budget.

THE HONOURABLE MR. PHIROZE C. SETHNA (Bombay: Non-Muhammadan): Sir, the Financial Statement is looked forward to every year, and I take it in every country, with great anxiety. If the Budget shows a surplus and happily there is some reduction in taxation perhaps it is called a budget of prosperity. If, on the other hand, there is a deficit, and worse still if any additional taxation is imposed, it is characterised as a budget of tears. India, unfortunately, did suffer for some years with deficit Budgets. The Honourable Sir Basil Blackett came out to this country with a reputation already established in the United Kingdom. His endeavour this time twelve months back, when he presented his first Budget, was that it should be a Budget which should balance itself. He was greatly helped in that task by the recommendations of the Inchcape Committee, but notwithstanding that, there was a deficit and that deficit was proposed to be met by the doubling of a particular impost which caused such a great stir in the country and perhaps for the time being contributed to the unpopularity of the Honourable the Finance Member. All the same we must recognise that the Honourable the Finance Member is doing his utmost to straighten out the financial tangle which at one time threatened to choke the solvency and even the prosperity of the country. We must also realise that Sir Basil has to face a situation which is not of his own creation. We hope therefore that now and afterwards his Budgets will leave a sufficient surplus to enable it to be devoted to nation-building purposes which at the moment, he will admit, are starved and absolutely neglected for want of sufficient funds.

According to Sir Basil Blackett, there is a surplus of 336 lakhs but, if we subtract this 336 lakhs from the windfall of 473 lakhs, there is really a deficit of 137 lakhs.

THE HONOURABLE SIR BASIL BLACKETT: The windfall comes in a different year.

THE HONOURABLE MR. PHIROZE C. SETHNA: I thank you for the correction. I am also thankful to Sir Basil Blackett for, in the year in which, according to him, there is a surplus, he proposes to devote a portion of it to the reduction of the salt tax from Rs. 2-8-0 as at present to Rs. 2 in 1924-25. I congratulate him and with him the Government of India on the good sense which has prevailed with them in this decision. The question, however, is if we can be as optimistic as the Honourable the Finance Member evidently is. The Honourable the Finance Member has evidently prepared his figures of revenue for the new year on the same lines as in the past years, and I may be pardoned for saying that he has not profited by past experience. Taking the total of the revenue side in 1921-22 they budgeted for a total revenue of 129½ crores, the revised estimates were for 109 crores and the actuals 115½ crores, which meant a deficit of 14½ crores in that year. In the year following the total revenue budgeted for was 139½ crores and the revised figures were for 120½ or a drop of 18½ crores. In the current year the figure was 135 crores revenue and in the Statement which the Honourable the Finance Member presented

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a week ago he revised this figure at 129½ crores which is a drop of 5½ crores. If there is a drop in the total revenue it is made up of smaller drops under different headings from the revenue side such as Customs, Income-tax and Railways particularly. Take Customs alone. In 1921-22 the budgeted amount was 37 crores 73 lakhs and the actuals worked out at only 34 crores 40 lakhs. In the following year against the budgeted figures of 45 crores 41 lakhs the revised amounts were only 42 crores 30 lakhs. Again last year Sir Basil Blackett gave us his estimate of customs revenue an income of 45 crores 2 lakhs which he has had now to revise to 40 crores 41 lakhs. I quote these figures in order to show that there is need for greater caution than perhaps the Finance Member has shown in the preparation of his Budget. I would certainly have waited till next year for the declaration of any surplus. I say so for the good reason that a budget at the best is mere guess work, such guess work being based upon past experience and on a conservative estimate of expectations in the new year. I believe the Finance Member was of opinion that his estimate twelve months back of customs revenue was a conservative one, and yet he has had to admit that he now expects a drop of more than 10 per cent. I see the Honourable the Finance Member is shaking his head. Why then take the customs revenue for next year at 45 crores? There is not that recovery in trade to justify this higher figure. On the other hand, the Finance Member himself is not so sure from the passing remark he made that the 1924 monsoon will be as favourable as its two or three predecessors. I agree with the Finance Member in this view and I believe he bases that view on the theory advanced by Professor Stanley Jevons in his latest work in which he says that there is a regular cycle whereunder we get in India a severe famine once in ten or twelve years, and in between a mild one. If we look to the history of famines from the beginning of the present century, we had scarcity in 1900, in 1906 there was a severe famine and in 1912 we had another but not as intense. In 1918 there was not only a heavy famine but also the influenza epidemic. There is therefore reason to believe that we may not have a bumper year in 1924-25. Personally, I shall not be surprised if next year the Finance Member will again show a drop in the revised customs revenue and attribute it to a season of scarcity. The safer course would have been to take the customs revenue for 1924-25 at the revised figures of the present year, which are nearer 40 crores. Of the difference of 5 crores the Finance Member estimates an additional 2 crores or more from the higher duty on sugar and from the duty on Government stores previously exempted, but there is still a margin to account for. He has not explained how he expects to meet that further margin. I shall wait for his explanation.

THE HONOURABLE SIR BASIL BLACKETT: The figures have been circulated.

THE HONOURABLE MR. PHIROZE C. SETHNA: I am sorry I have not seen them. I myself think it may be due to the possibility of a higher customs duty on imported iron and steel which he may impose. As we know Government are committed to the recommendations of the Fiscal Commission and in accordance therewith they did appoint a Tariff Board and I understand that the report of the Tariff Board is before Government, but Government have not presented us at the time of the budget, as they might well have done, with the recommendations of the Tariff Board or

what their own views are on this subject. We know that the country at large wants that this basic industry ought to be supported as best possible and, consequently, I need not assure the Honourable the Finance Member that, if any recommendations come from him to that effect, they will be heartily supported.

I will, Sir, digress here for a moment and refer briefly to certain incidents which in my opinion contribute to the decrease in the customs revenue. It so happened that when last year the customs duty on silks, sugar, matches, etc., was enhanced, the consuming capacity in these particular goods in some of the Indian States which have an outlet to the sea appeared to have been very suddenly and very considerably increased. Large quantities of these goods arrived at British Indian ports from which they have been transhipped to these Indian States and from there brought to British India. The imports in these Indian States reached very large figures, far beyond the consuming capacity of those places, and therefore the only inference is that it paid importers to tranship goods at Bombay or Calcutta to Indian States and bring them subsequently to British India. It may be asked how could this be a paying proposition? My answer is that, although this sounds like a paradox, yet it is perfectly true. In the Indian State the same rate of duty obtains as in British India. For example, take the case of silks. If silks were sent to an Indian State 30 per cent. duty would be charged the same as in British India, but the results perhaps are very different. Suppose that 30 per cent. was charged on a silk piece. The appraiser in an Indian State might appraise that piece at only Rs. 100, while the better trained, better paid and perhaps more careful appraiser at Bombay or Calcutta would value it not at Rs. 100 but at its proper worth which might be nearer Rs. 300. In this way a very considerable revenue has been lost to the Government of India under the head of customs, and it would be interesting to know from the Honourable the Finance Member what he assumes to be the loss under this head. Sir, when our taxation increases, people do resort to such ingenious tricks. It may be a far-fetched simile, but it would not be wrong to say that it is the avidity of the dupe which induces the trickery of the sharper.

Then, again, take the case of the imports of matches. Large quantities of matches are now going to some of these Indian States which can boast of a harbour. The Honourable the Finance Member raised the duty on matches to Rs. 150 per case of 100 gross boxes last year. (*The Honourable Mr. Lalubhai Samaldas*: "Under the treaty rights they have a right to take matches there".) I do not deny that for a moment. Then, Sir, what did the merchants in Bombay and elsewhere do? They imported matches not as matches but in parts, that is to say, they imported separately the boxes, as also the sticks and likewise the chemical preparation to be put on one end of the stick, with the result that they paid on these separate articles just the *ad valorem* duty. They established factories here and in these factories assembled together the different parts, and the cost of this *ad valorem* duty plus the cost of assembling only came to Rs. 50 as against the Rs. 150 rate of duty which Government charged per case of 100 gross boxes. These people knew very well that that sort of practice could not last very long, and Government have got the better of them by now increasing the duty on match boxes, sticks and the necessary chemical preparation, with the result that they will in 1924-25 be able to realize Rs. 150 per case of 100 gross boxes whether they arrive as ready made

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matches or come in parts. I wonder if Government are aware that some merchants in this line were quite prepared for such a move on the part of the authorities and they have already resorted to fresh tactics. I know that telegrams have already been despatched to send out to India not ready made wooden sticks separately as before but the wood itself from which the sticks could be made and on which again only an *ad valorem* duty would be charged. They have also indented for the special machinery to convert the wood into sticks in India, and thereby they will save again a considerable amount of money unless in the Finance Bill the Honourable the Finance Member counteracts them by a fresh move. (*The Honourable Mr. Lalubhai Samaldas*: "Where is the harm? It is a new industry".) Yes, and an industry which will deprive Government of their revenue, but, as I say, it is the avidity of the dupe which induces the trickery of the sharper. I have quoted these instances, to convince the Honourable the Finance Member that his estimate of 45 crores of rupees is not likely to turn out right, and perhaps he will have to come to us this time next year and say that the estimate of 45 crores under customs revenue has not been realised, and that it is nearer 40 than 45 crores.

Sir, the same remarks as apply to customs also apply to the Post Office, Railways and many other heads. I know that I shall not be allowed to speak at any great length and must cut short my remarks. I can only say with regard to the loss on the post office and railway fares that the law of diminishing returns operates there just as well as it does to some extent in the matter of the salt tax. As regards the post office charges, I may be allowed to say that the golden key to the industrial future of this country is cheap postage; and I will also say that doubling postage halves, while cheapening postage doubles, business transactions. And that is a point which ought not to be lost sight of whenever there is a surplus.

I shall now only refer to some of the most essential points, and make the most of the time at my disposal. One point that strikes me forcibly is the rate of exchange which the Honourable the Finance Member has adopted in the new Budget, which is taken at the rate of 1s. 4½d. He says he has done so because the average of the last year has worked out at 1s. 4½d. Now the Honourable the Finance Member has not told us how the average has worked out at that figure; it is because the bulk of the remittances were crowded during the busiest season of the year, when exchange ruled high. If money was remitted at a time when it was most needed here, it is true that the Finance Member got the benefit of exchange, but against that must be offset a very great loss to this country itself. My Honourable friend the Finance Member very wisely provided for an emergency currency by the amendment of the Paper Currency Act, but even that as he must admit has not helped us much. I would sooner therefore make remittances as required from week to week and day to day, and if that had been done this year the average rate would not have been 1s. 4½d. but somewhere about 1s. 4d. It is not therefore right to assume the rate of 1s. 4½d. because, while we may gain thereby in exchange by making remittances only in three or four months in the year, we lose considerably by not having sufficient money available in India itself during our busiest season.

Leaving other items out of consideration I would say that the over-estimate in the customs revenue and the estimated savings in exchange between

them represent much more than the surplus amount of 336 lakhs. Then, again, there is another item of 80 lakhs of rupees to which I would like to draw attention. The Honourable the Finance Member thinks the time has arrived for no longer availing of the recommendation of the committee which was appointed at the instance of my friend Sir Maneckji Dadabhoy by a Resolution of this House to set aside a sufficient sum every year as a sinking fund against the depreciated price of the 5 per cent. loan. Sir Basil Blackett is of opinion that this is no longer necessary as Government securities have advanced very considerably. I do admit this is so; I do admit that Government were able to float their loans very successfully this year. I go further and say that the fresh loan of 20 crores of rupees in 1924-25 will all be taken up in India and taken up at a lower rate of interest. But the reason why Government securities are to-day in great favour is because the public, owing to the great depression in trade, are fighting shy of industrial securities. When a revival in trade follows, Government securities may not fetch their present prices nor may new loans be taken up so readily, and the sinking fund ought therefore to be strengthened still further.

It might be argued, Sir, that because I hold that the expected surplus of 336 lakhs is not likely to be realized, that I must be content with the existing rate of taxation in 1924-25. (*The Honourable Sir Basil Blackett: Hear, hear.*) My answer to that is, and I now come to His Excellency the Commander-in-Chief, that it is because we are not yet in sight of that saving in military expenditure which ought to be effected. The ultimate figures decided upon by the Inchcape Committee is 50 crores, and it is a far cry from 60.25 crores of military expenditure in 1924-25 to 50 crores, a difference of 10 crores of rupees. I certainly think that there is much yet to be done in that direction, no matter what His Excellency the Commander-in-Chief has said or might say on the subject. Our differences with Turkey are now happily settled. (*Laughter.*) That is my idea. The Soviet Government has been recognized and the normal pre-war relations between England and Russia, there seems to be no doubt, will soon be restored. Will not Government reconsider the question in the light of the general improvement in the international situation due to these events? As a result of the Washington Conference Japan reduced its military expenditure in 1922-23

THE HONOURABLE THE PRESIDENT: The Honourable Member has already been speaking for 20 minutes.

THE HONOURABLE MR. PHIROZE C. SETHNA: Sir, I submit it is hardly fair to Members who are in the first place only given three or four days in which to study the Budget and then allowed only a single day in which to express their views and they have indeed much to say. I submit, Sir, that the Honourable Finance Member might give us another day and that we might be allowed to speak longer.

THE HONOURABLE THE PRESIDENT: The Honourable Member is aware that I did not fix the time allowed for discussion. The Honourable Member is also aware that the day contains only a certain number of hours and he is aware that there is a large number of Members in this House who desire to put their views before it. I hope the Honourable Member will not take up more than a fair share of their time. I merely suggest to him that he should bring his remarks to a close as soon as possible. If the Honourable Member can obtain more time another year, it will give me

[The President.]

great pleasure to hear his speech, but he knows very well that the time for the Budget debate is fixed by His Excellency the Governor General.

THE HONOURABLE MR. PHIROZE C. SETHNA: I will do the best I can. I will accept your ruling, but I wanted to say something on the revival of the opium trade, on currency and other matters which I must leave out.

I would like to say in regard to the salt tax that Indian opinion has always been in favour of the salt tax being as low as possible or none at all, and I know that Indian opinion at the present moment also is that it should be reduced not to Rs. 2 but Rs. 1-4 as it was before 1923-24. If on account of the bait which is thrown out by the Honourable Finance Member certain Members representing the provinces concerned choose to avail themselves of that bait, I would certainly appeal to them in the name of the poorer classes in the whole country that they might preferably have a reduction in the postal charges in the shape of a quarter-anna post-card. I know that there will be a big gap between the quarter-anna post-card and the one-anna letter stamp, but an intervening rate could be introduced, namely, we might have, for a letter weighing half a tola a half anna stamp the same as previously, and one-anna postage for letters weighing more than half but less than two-and-a-half tolas as at present; and likewise reductions in book post. That would be giving relief to all alike.

I thank Government for their recommendation of a reduction in the salt tax to Rs. 2, but I cannot help observing that such a recommendation must have been made by my Honourable friend, the Finance Member, before he read Lord Olivier's speech of the 26th February 1924. Of course yesterday at the other place the Honourable the Finance Member said that the view had been changed.

THE HONOURABLE SIR BASIL BLACKETT: It was never expressed, Sir. I explained in another place yesterday that the idea that the Secretary of State had expressed a view against the salt tax was entirely erroneous.

THE HONOURABLE MR. PHIROZE C. SETHNA: The Honourable Member says it is entirely erroneous. Lord Olivier's speech is in the King's English and any one reading it could not arrive at any other interpretation. The world at large has so arrived at the interpretation we put on it, and yet the Assembly was told yesterday what we have been just told to-day, and a telegram is published in to-day's 'Pioneer' saying that the Secretary of State "was not prejudiced against the salt tax provided it was not onerous," and he concludes by saying: "It is indeed a matter for the Government of India and the Assembly to decide between them." I wish only, Sir, to say that we are not unaccustomed to such quick change of interpretations. I will remind this Honourable House of what happened in August 1922. The then Prime Minister, Mr. Lloyd George, made a certain statement in the speech which is now known as the "steel frame speech" and which speech was regarded by the world at large as a direct negation of the famous declaration of 20th August 1917. There was great indignation in this country. A deputation which waited on H. E. the Viceroy a few days later on 19th August 1922 was informed that Mr. Lloyd George had asked the Viceroy to convey his "assurance" that in what he said there was nothing which would conflict with, or indicate any departure from, what was laid down in the declaration of 20th August 1917.

This was a clear afterthought as I said in a speech I made at the time and fortunately for us Lord Olivier himself has now quoted that very speech as one of the causes which contributes to the mistrust in India, thereby interpreting the speech as we have done it. Whatever the Honourable the Finance Member may say now, however Lord Olivier may now contradict himself, the reading of Lord Olivier's speech goes to confirm the impression without any doubt that there was in it a severe condemnation of what the Government of India did twelve months ago in the matter of doubling the salt tax. The Honourable the Finance Member was requested yesterday to produce the telegram of the Government of India to the Secretary of State. He refused to do so in the other House and it would be useless my repeating the request to him here to-day. But we can draw our own inferences.

In conclusion, Sir, whilst I am sorry it is not possible for me to bring up several other important points on the Budget unless you allow me more time, I will say this, that I join with the Government in the hope that there will be no longer any unbalanced budgets, no more need for taxing such a necessity of life as salt, but that the burden of taxation will gradually and sensibly be so lowered as to make available sums of money which could be devoted to nation-building purposes, and which in their turn will contribute to make India a stronger, a richer, a more prosperous and a more progressive nation on the earth.

THE HONOURABLE MAHARAJA SHOSHI KANTA ACHARYYA CHAUDHURI (Bengal: Nominated Non-official): Sir, I too associate myself in congratulating the Honourable the Finance Member on his presenting to us a surplus Budget and assuring us that the era of unbalanced Budgets has come to an end. But while congratulating him, I cannot but regret to refer to his want of sympathy towards my province. Bengal has not had fair play under the financial arrangements of the Reforms, and great injustice was done to her by the Meston Committee, in that she got no share of the enormous amounts she paid by way of income-tax and customs. Moreover, the standard of expenditure that was accepted was a fictitious one, being based on the figures of a year in which Bengal had rigorously reduced her expenditure in the exigencies of the great War. The Joint Parliamentary Committee was so convinced of Bengal's just claims that they recommended her case for favourable consideration to the Government of India. As a result of this, though the Government of India were faced with a huge deficit, they remitted the contribution of 63 lakhs for three years. Thankful as we are for this temporary small mercy, we cannot but press our just claims. I for one entertained the hope that, as the finances of the Central Government improved Bengal might get her legitimate dues by way of a greater relief in the shape of a share in her export duty on jute, and not merely by way of a remission of the Provincial contribution. Whatever relief is given to Bengal, it must be of a permanent nature. But the Honourable Finance Member has been so unkind in his speech as to threaten us with the levying of this contribution on Bengal from next year without saying anything as to what we might expect in the way of relief. Sir, I trust the Honourable Sir Basil Blackett is aware that ever since the Reforms Scheme came into force, Bengal has been imposing fresh taxation merely to meet the bare necessities of her administration, although she had not to pay anything by way of a contribution and had effected drastic economies. For the last three years Bengal has severely cut down all her departments of public utility; and unless the Government of India come to her rescue

[Maharaja Shoshi Kanta Acharyya Chaudhuri.]

at this crisis, I have great fear that the administration of Bengal will completely break down. Finally, Sir, with regard to the salt tax, I do not like to say anything much except that we should all like it to be reduced to Rs. 1-4 and not to Rs. 2.

THE HONOURABLE MR. G. A. NATESAN (Madras: Nominated Non-Official): Sir, if I rise to take part in this debate, I do so with the full consciousness that we can only speak, we can only criticize. Previous Finance Ministers in this country have been embarrassed by Budget deficits, but the present Finance Minister seems to be embarrassed with the surplus which he has because he does not know exactly how to distribute the surplus of Rs. 3 crores and 36 lakhs. I fear in this matter he is very unwilling to take a responsibility which he ought to have taken upon himself, and he has transferred the embarrassment which he has felt himself to the Legislature. (*The Honourable Sir Basil Blackett*: "I have made a strong recommendation.") Sir, we have a surplus of 3 crores and 36 lakhs. The proposal of the Honourable the Finance Member is to divide it between two—to reduce the salt tax by 8 annas per maund and also to give a reduction to the Provinces. I say, Sir, let us have both, and I say you can do it if you have a mind to do it. The salt tax ought to be reduced to Rs. 1-4-0 per maund. I very much regret that the Finance Minister still holds to the opinion, though he has been more than one year in the country, that the salt tax does not tell upon the poor, and he went so far as to say that it was a luxury to keep it at Re. 1-4-0. The Honourable Finance Minister is of course embarrassed by a number of considerations. But if he has seriously studied the past history of the question, he will not say so: I will only tell him that, as early as 1888, the then Secretary of State, Lord Cross, said:

"I am strongly of opinion that it should be looked upon as temporary, and that no efforts should be spared to reduce the general duty as speedily as possible to the former rate."

He went on to add—and it was an instruction to the Government of India,—and I hope the Government of India at the present day will find it convenient to remember instructions given to their predecessors:

"The policy enunciated by the Government of India in 1877 was to give to the people throughout India the means of obtaining an unlimited supply of salt at a very cheap rate; it being held that the interests of the people and of the public revenue were identical and that the proper system was to levy a low duty on an unrestricted consumption."

And he went on to add:

"While the duty has been greatly reduced, the consumption through this and other causes has largely increased."

Sir, only last year in this Council our venerable friend Sir Dinshaw Wacha pointed out how the salt tax tells upon the people and in how many ways it affects their interests. If the Honourable the Finance Minister is not satisfied with the opinion of an eminent Indian, I would tell him that only the other day, presiding at a meeting of the Society of Arts Sir Richard Danc, who was formerly Inspector General of Excise and Salt in this country, condemned very strongly the arrangements for the manufacture of salt as a State monopoly, and will you be surprised to hear that Lord Meston, who presided at that meeting, openly declared:

"What was originally a fiscal reserve has now become a political reserve."

I will add to that opinion that of a former Member of the Viceroy's Executive Council, who knew something about the industrial, economic and agricultural condition of this country, Sir Thomas Holland, questioned the wisdom of—

“the rigid restrictions on the local manufacture of earth-salt, which pressed very hard on the poor, cost more than its worth in revenue and caused risks of agricultural deterioration.”

May I repeat the words that the restrictions “cost more than its worth in revenue and caused risks of agricultural deterioration.” Will my Honourable friend, Sir Basil Blackett brush aside this opinion also? If he does so, I will remind him of what Lord Olivier stated in the House of Lords only the other day:

“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.”

I know it has been said that the Right Honourable the Secretary of State has modified that opinion. May I observe that this is one more illustration of the longstanding grievance of the people of this country that the bureaucracy is so powerful, that even the Secretary of State for India can be compelled not to speak the truth? (Laughter). Sir, I say that the country has long made out a case against the salt tax, and I say it emphatically that the time has come to reduce the salt tax to Rs. 1-4-0 per maund.

I come, Sir, from the province of Madras, and naturally I am reminded of the tale of woe which my province has had in regard to the hardship of the Provincial contribution. The Governor of my province, His Excellency Lord Willingdon only the other day told us that it was the most beautiful of all provinces, that it has a sea-board which other provinces do not have, and yet its condition is that of a neglected and ill-treated part of the country. I read a telegraphic summary of the speech of the Finance Minister there. He says “with great difficulty I have been able to make out a hand-to-mouth budget.” The Honourable the Finance Member here has very rightly pointed out that it is his object to avoid inter-provincial warfare. But what has happened? I find in another place one official Member from Bombay and another non-official, pleading the cause of Bombay. To-day here my Honourable friend the Maharaja of Mysensingh from Bengal pleads for his province. But I want everyone of these gentlemen to remember that the incidence of taxation per head in Madras is 27, in Bombay 18 and in Bengal 16. Bombay is the province through which a very great part of India's exports and imports flow, and it therefore derives many advantages. My province is far away from Delhi. Is that the reason why you are treating it so badly, that you ask us to choose between the reduction of salt tax and reduction in Provincial contributions? The Government of India have sunk a good deal of their money in Delhi, and is it your object that Bombay should get the balance so that it may sink it in its Back Bay? I take it, Sir, that that is not your object. In my province not only the transferred subjects but also the reserved subjects suffer for want of money. My Ministers have no money. I belong to the University of Madras; I have the honour of serving on it for over 15 years. The other day we had to pass a new University Act. The cry there is, that we have no money. It is not education alone that suffers. Sanitation, industry, agriculture, all alike suffer. Are you going to leave us in this wretched condition? No, you cannot, you ought not to do so. You should reduce the salt-tax to Rs. 1-4-0, but you should also

[Mr. G. A. Natesan.]

provide out of retrenchments which you can effect if you have the will to do so. I will quote from a leading newspaper in my province which has criticised the Budget. This is what it says:

"Sir Basil Blackett describes, as 'a running sore', as embittering the relations between the Provincial Governments and the Government of India and between the different Provincial Governments themselves. Yet his only contribution to the cure of that sore and the removal of the cause of embitterment is a proposal which, as he must have known, is foredoomed to failure. The salt tax increase will go, and, so far as can be seen, the only hope of the Contribution burdened Provinces is a reduction in the disproportionate military expenditure. Sir Basil Blackett says that the Government of India hope for a progressive reduction in their military expenditure, he speaks of retrenchments already effected, and seeks to convince the Assembly that substantial further retrenchment is at present impossible. But is he certain that the Labour Government will agree with him should the Assembly, as we think it will, demand further reductions in military expenditure, that it is impossible to reduce the military expenditure of India below 54 per cent. of her total revenues? This is the drag on progress in India the obstacle to the reduction of Provincial Contributions, and the real source of despair to those looking for the amelioration of conditions of life in this country."

I may inform the Honourable the Finance Member that this quotation is not from an extremist newspaper or a Swarajist paper but it is from the *Madras Mail*, the leading Anglo-Indian daily of my Province.

THE HONOURABLE SIR BASIL BLACKETT: I have read that article.

THE HONOURABLE MR. G. A. NATESAN: I say you should retrench your military expenditure. From my college days I have been brought up to regard the military expenditure in India as high. Most of us have it ingrained in our bones that it is an excessive, a crushing and an unjust burden on the tax-payer. More than twenty-five years ago as a student I heard at one of the sessions of the Indian National Congress the venerable old gentleman who is now here, I mean the Honourable Sir Dinshaw Wacha, denouncing this heavy military expenditure. I have since read the writings and have also heard the speeches of eminent publicists, Mr. Dadabhoi Naoroji, and Mr. Gokhale on this question. I have also read the minutes of Sir William Wedderburn which are still to be found in the report on the Welby Commission. I have never since ceased to believe that the military expenditure is high. I must point out that as early as 1912 the late Mr. Gokhale warned you that you were increasing your expenditure and yet you paid no heed. While reading the proceedings of this Council for 1921, I noticed that an Honourable Member got up and asked for a Retrenchment Committee. The then Finance Minister said that there was absolutely no scope for retrenchment. But only 12 months after that, you had to eat your own words and you appointed a Retrenchment Committee. With the limitations that were imposed upon them, they have been able to point out a reduction of at least 19½ crores. Can you tell us seriously that some more retrenchment could not have been effected if Lord Inchcape had been brought here earlier and with perhaps a better axe? Sir, with regard to this military expenditure I want to point out that Lord Meston, who knew the special financial condition of this country, said that it should normally be 45 crores. Even the Retrenchment Committee said that "it might be possible after a few years to reduce the military expenditure to a sum not exceeding 50 crores." I maintain and say it deliberately that the Army in India has always been kept in excess of her real needs. You are keeping it also in the interests of the Empire and Lord Roberts acknowledged this fact publicly many years ago. If you refer to the report of the Simla Army Commission you

will find the same thing stated. On several occasions you have used our Army outside India. During the great War a large proportion of our troops were engaged elsewhere. They fought in Flanders. They fought here, there and everywhere. They fought in Mesopotamia. Even when the bulk of our troops were engaged outside India, there were six or seven eruptions on the Frontier and you sent our troops there also. These are not reckless statements. I am taking these facts from the speech delivered by Mr. Chamberlain, who was then Secretary of State for India. I am not quoting his words on account of the limitation of time. My appeal therefore is, reduce your military expenditure. You have peace in the country. You have no bogey of Russian invasion. If you are anxious to reduce your military expenditure, Indianise the army. Reduce the number of British troops. Every British soldier costs five times more than the Indian sepoy. Reduce the number of British officers and train Indians to take their places.

I want His Excellency the Commander-in-Chief, the Honourable the Finance Member and every member of the Government of India who feels himself responsible to the Indian people to approach the War Office and get us a fair, a just and an equitable apportionment of charges between England and India.

This has been an old cry and yet it has not been satisfactorily solved.

1 P.M. Sir, when I ask for the Indianisation of the Army, let me tell you most sincerely and honestly I ask it for not only on financial grounds, but on moral grounds. It is not with a view to power and pelf, not with a view of getting a job myself or for my children or my countrymen. It is a question which affects our self-respect; it is a question which goes to the very root of our national existence. The way in which your military policy is being pursued is, let me tell you, a cruel wrong. It is a great wrong to the people of this country that you should pursue a policy by which over three hundred millions of people are disarmed and cannot have the power of defending their hearths and homes; it is a cruel wrong that, when you have as many as 7,350 officers, only 72 are Indians. I heard the Commander-in-Chief say yesterday that he is Indianising the Army and he spoke of 25,000, most of whom were Indians, and he referred to coolies, motor drivers and others. Is this the way to treat a rising nation, a great people who have honourable traditions behind them and great aspirations to fulfil in the future? I ask the Commander-in-Chief if he was an Indian, if he would for a moment tolerate this state of affairs? I hope he does not feel offended at my suggestion because this is a sacred land, the land of Bhishma and of Arjuna, and once a land of great military prowess. I am sure the Honourable the Finance Minister would like to be reminded of the great Indian Financier Todar Mal, whose reputation has spread even to European countries.

Sir, if you reduce the military expenditure, there are certain other things which are bound to follow. You will find you have to pay less for the short service system; you will find you have to pay less for our capitation charges; you will find you have to spend less for transport charges; you will have to spend less than Rs. 400 a month for petrol which I understand users of Ford cars in the Army Department are consuming. This demand for Indianising the services is not confined to the Military Department; it affects us in every other Department. I do not wish to suggest in the least that the Commander-in-Chief is against our aims and aspirations. I recognise that, and I am sure he recognises that he has inherited a vicious legacy

HIS EXCELLENCY THE COMMANDER-IN-CHIEF: May I suggest to the Honourable Member that we recognise that he is making the most of his time, and that some of the statements he is making are, I am sure, very interesting but if he will go a little slower, we should be better able to follow and understand them.

THE HONOURABLE MR. G. A. NATESAN: Thanks, Sir, I will say it very slowly and very deliberately that it is high time the Indianisation of the Army was taken up seriously. It is high time the Indianisation of the Railway administration, which consume several crores of rupees, should also go on on a more rapid scale. I say, there is room for further reduction in civil administration. I think that if you have the will, you will find the way, and can transfer to capital account several items of civil and military expenditure which you now debit to revenue account. I find that on Delhi you have already sunk a lot of money, and it looks as if you will sink some more. I was amused when a gentleman in the other Assembly referred to the extravagance on the Delhi Works. One Member of the Government was looking at another; one friend suggested so and so is responsible, the other shook his head and said, "No, so and so is responsible". Is this child so ugly, is it almost an illegitimate child that every Member of the Government of India should disclaim its parenthood? Is it not a very strong proof that there is something wrong with the amount that you have spent on new Delhi? I would ask for retrenchment, because I would remind our present Finance Minister, who has come with the best traditions of Finance Ministers in England, of what Gladstone said years ago in the House of Commons:

"Economy is itself a great source of revenue."

I have talked in this strain and I have talked loudly, perhaps rapidly. (Laughter), because I belong to a school of politics which believes that in the future of this country, our peaceful evolution and the obtaining of self-government is under the aegis of British rule.

I regret that the past warnings of all those who are well wishers of the British Empire in India have been neglected and even now there is a tendency not to listen to those who have a right to be heard.

I have quoted, Sir, the voice of the living. Will you permit me to make a quotation from the voice of the dead? The present situation in India is of an acute character. You are now face to face with a problem which you must successfully solve, and I think every one who neglects it and hands it over to his successor is doing a wrong to himself, to his successor and also to the Empire whose welfare I and all here have at heart. Years ago Mr. Gokhale said:

"The whole East is to-day throbbing with a new impulse, vibrating with a new passion—and it is not to be expected that India alone should continue unaffected by changes that are in the very air around us. We could not remain outside this influence even if we would. We would not so remain if we could. I trust that the Government will read aright the significance of the profound and far-reaching change which is taking place in the public opinion of the country. A volume of new feeling is gathering, which requires to be treated with care. New generations are rising up whose notions of the character and ideals of the British rule are derived only from their experience of the last few years and whose minds are not restrained by the thought of the great work which England has on the whole accomplished in the past in this land. I fully believe that it is in the power of the Government to give a turn to this feeling which will make it a source of strength and not of weakness to the Empire."

"The Government will no doubt put down, indeed it must put down, all disorder with a firm hand. But what the situation really requires is not the policeman's baton or the soldier's bayonet, but the statesman's insight, wisdom and courage."

This is what he said in 1909. Since then the situation has grown worse, as we have seen. I will close with one observation, and that is this. There has been no instance in the history of the world of one country having wrested self-government from another without bloodshed. It will be the glory of British statesmanship if it helps India to obtain self-government under the aegis of British rule without allowing us to pass through all the horrible processes through which Ireland had to pass, and through which Egypt had to pass. I beg this House—and particularly gentlemen opposite on whom lies a very great responsibility—to remember that, and I hope they will be good enough to transmit this appeal to the right quarter in London. In this matter I hope their opinion, our opinion and the opinion of all saneminded men will prevail.

THE HONOURABLE SIR MANECKJI DADABHOY (Central Provinces : General): Sir, it is the good fortune of Sir Basil Blackett to be able at last to present a Budget—a Budget that gives this country some little hope for the future of her finances. Sir, we started this year with a terrible and distressing deficit of 17½ crores. The state of the country's finances has been most embarrassing to all during the last five years. I am glad to say that through the skilful manipulation of the finances of this country, Sir Basil Blackett has been able at last to make both ends meet and to hold out hopes of a brighter future. Sir Basil assures us that we have at last come to the end of the era of unbalanced Budgets. Perhaps his prognostication is correct—specially in view of the fact that the Provinces have presented Budgets with more or less surplus all over the country. But I want to sound a note of warning at the very commencement, and I would ask my Honourable friend not to be too sanguine about the future results. Indian finances, as I know, are very unsteady. The finances of India depend partly on the fortunes of the monsoon and partly on circumstances over which neither the Council of State nor the Assembly nor even the Finance Member, howsoever, great, howsoever capable and howsoever intimately he may be acquainted with the financial details and history of the country has much control. I would therefore request him that, in considering his policy, he will bear in mind the great difficulties which his illustrious predecessors had to surmount in this connection and not to be too optimistic or hopeful of the results. Sir, in the discussion of the Budget here to-day, as elsewhere, I have noticed that in the excitement, in the enthusiasm over the appropriations of the surplus, the important features of this year's Budget have been completely lost sight of. I have been accustomed to deal with the Budgets of this country for several years, and I am paying a just tribute of eulogy to Sir Basil Blackett when I say that this year's Budget is a document of exceptional importance, is a document which shows deep and profound financial knowledge and ability to deal with the difficult problems of the country in a most statesmanlike manner. Unfortunately, the special features of this Budget have been overlooked and I shall only therefore draw the attention of the Council to some of these important features before I express my views as to the disposal of the surplus.

Sir, the finances of the country during the past few years have been subjected to a great strain, owing to the floating debt of the country. The floating debt of a country has its good as well as its evils. The floating debt during the last few years had risen in the shape of outstanding Treasury Bills to such a fabulous extent that it made constant and repeated calls on Government at short notice to pay up the call money. The result was that our finances lost their equilibrium and suffered from the immediate

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demands of the money market. Last year, Sir, when this floating debt was brought down to Rs. 22 crores, I had no such hope that it would be brought down this year to only Rs. 2 crores. This is an exceptional achievement and an important feature of this Budget; and the Finance Minister justly deserves the praise and commendation of this Council for having tackled this difficult question within the short space of the 14 or 15 months that he has been with us. I do not overlook the difficulties, on the other side, of the commercial public in this connection. But the country cannot have it both ways. These Treasury Bills have been of great value to the commercial people as supplying money for short periods; but at the same time they have often caused more embarrassment to Government than people are in a position to realise.

Then, Sir, there is one other important matter regarding our national debt which requires profound consideration and fresh examination. That question too has been dealt with by the Honourable Sir Basil Blackett with the instincts of a born financier. There has been in the past no system, no policy, and no recognised method adopted by successive Finance Ministers for the purpose of liquidation of our national debt. This year in the Budget the case has been presented from a singularly novel aspect. In the first place, the country's national debt has been presented in a form which explains easily and with clarity both the productive and unproductive character of the debt, the money which the Provinces owe to the Central Government; and a clear examination of these accounts will show that from the aggregate unproductive debt, if the money which is advanced to provinces is deducted, there is hardly more than £102 millions of unproductive debt which really represents the item of our war gift. His remarks in connection with the payment of our national debt are very significant and needs our serious consideration. The matter has been introduced in the Budget, and a system has been worked out by the Finance Minister showing that in the case of productive debt, the period of repayment ought to be spread over perhaps to eight years, and in the case of the unproductive debt, to a shorter period, and a system may be devised thus to rapidly liquidate the national debt. I will not refer to his statement about the misnomer of the term sinking fund, and his lucid explanation that the sinking fund ought preferably to be described as a contribution out of revenue for the avoidance or reduction of the national debt. I only hope that, as the subject is of very great importance and cannot be fully discussed during the time allotted for a budget debate, the Finance Minister will give an early opportunity to this Council to discuss this question by a separate motion or Resolution to ascertain the views and wishes of the Members of this Council.

Then, Sir, the separation of the Railway finance from the General finance is an important and significant feature of this year's Budget. Sir, I am glad that the recommendation of the Inchcape Committee in this direction is to be put into execution at an early date. I am glad that, in anticipation of the sanction of the Assembly, the Finance Minister has endeavoured to introduce the system into the current year's Budget. Sir, there is no doubt that the present system of management of railway finance is questionable, and is one which is neither fair to the taxpayer nor to the railway companies. The Railways must be run as commercial concerns, and it is not right that the revenues of the Railways should be ruthlessly appropriated towards the relief of the general finances in times of surplus and, when there are no surpluses and no money available, the railway programme

both ordinary and extraordinary should be mercilessly starved. This is a move in the right direction, and I hope this Council will give its unqualified support to this just and businesslike suggestion.

Sir, there are various other matters in connection with this Budget to which I should like to refer, but I am afraid the time at my disposal will not permit me to deal with them. I propose, therefore, immediately to concern myself now with the discussion of the question relating to the appropriation of the surplus balance. The Government of India have distinctly stated that they have left the choice in the hands of the Assembly. I am glad they have adopted this wise course. That is the body directly concerned with the consideration of this Budget and the disposal of the surplus. Various views have been urged in connection with this, in the other House as well as in this House. My friend, Mr. Lalubhai Saraldas, with his usual vigour, has fought to-day to bring down the salt tax to its former level. Perhaps he is not wrong. Government have made a suggestion that of the windfall, after reserving 2 crores of rupees towards the litigation which is now pending in the Privy Council, the balance, taken with the other balances, be appropriated in the proportion of 1.82 crores towards the salt tax, thus reducing the salt tax from 2.8 to Rs. 2, and the balance Rs. 1.50 crores be devoted for the relief of some of the Provinces by reduction of their contributions. Sir, I approve of neither of these proposals. Both these proposals, I respectfully submit to the Finance Minister, are unsound. If the country exercises its choice through its accredited representatives, if the Assembly exercises its rights, and votes in favour of reducing the salt tax from Rs. 2/8 to Rs. 1/4, I assure this Council that I shall not come in its way. I assure the Assembly that this Council, on this occasion particularly, will not veto their decision. But at the same time, I feel myself bound to urge some very important objections that could be validly raised against the distribution in the manner suggested by the Finance Minister and by some of the Members of this Council and the Assembly. Sir, let me remind this Council that monetary windfalls are as a rule very few and far between. These windfalls do not come very often in the way of the Finance Minister. If you examine the financial history of the last thirty years, you will see that we did occasionally get these windfalls when we had our opium revenue. On two or three fortunate occasions, on account of the exceptional nature of the opium yield, on account of the heavy exports that had taken place, we did secure before large and enticing surpluses, and therefore, when we have the good fortune of obtaining a surplus again, it is the bounden duty of the Finance Minister, as representing the Government, it is the bounden duty of this Council, it is the bounden duty of the Assembly, to exercise the utmost caution and a well balanced judgment in its distribution. Sir, we have no right, I say the Government have no right ordinarily to fritter away their surpluses by a reduction in the tariff or standard of taxation. If a tax is abnormally heavy or oppressive relief must be given. It is opposed to all the canons of taxation, it is opposed, as I understand it, to all the rules of good finance to dispose of a surplus on the basis of sentiment. It is also an unsound thing, on the other hand, for the Assembly or this Council to ask that these surpluses, when they come, should be appropriated towards the relief of an imaginary trouble or an inoppressive tax or grievance. I am not, Sir, speaking without my book. I have got the authority of one of the greatest statesmen who lived in this country, whose name is respected throughout the world. It was the late Mr. Gokhale. He urged times out of number in the old Imperial Legislative Council that the surpluses which accrue to Government should not be appropriated

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towards the reduction of ordinary taxes, but should be appropriated for the purpose of nation-building schemes, for education, for sanitation and for such other ideal schemes by which the country will benefit. Sir, that was the opinion of that great Indian statesman whose knowledge of finance was unrivalled. I ask my friends here to open the pages of the reports of the debates that took place in the old Imperial Legislative Council after the Minto-Morley scheme came into existence, and they will find that that was the considered opinion of the late Mr. Gokhale. This is my suggestion also,—I am afraid the country, is not in a temper or mood to accept it, but my suggestion is—that this money should be earmarked for one great purpose, and that is towards a Famine Insurance fund. This money ought to be utilised as an insurance against future famines, because we do not know when a terrible ravage or a great famine may again visit this country and put our finances in a hopeless and embarrassed condition. It would be a statesmanlike action, it would be a wise policy on the part both of Government and the representatives of the people here, to earmark this amount for a contingency like that. Sir, what is the actual result? The result in practice, a little reflection will show, will be the same. You reduce the taxes. I will not refer to the $\frac{5}{4}$ crores that we shall lose in 1924-25 and 1925-26. I will not dilate on that matter. I know that the conditions of things have altered in this country. Politics have changed the character of Indian finances. They have come unfortunately under the influence of political sentiments. The altered conditions that have arisen of late, owing to the introduction of reforms, have unfortunately brought our national finances under the baneful influence of political and other extraneous sentiments. I find that we cannot now-a-days divorce finances altogether from political sentiment. It is the political sentiment of the people that weighs with, that guides, that affects and influences our financial policy and the distribution of our surpluses. I believe that this ought not to be the case. Finances ought to be approached purely from the financial point of view. Politics should not be allowed to deflect and influence the national finances. I say it would be a wise action if this Council will set an example to the whole country by declaring its policy that this balance should be appropriated for a real public cause or service, namely, for meeting a real deficiency that may perhaps arise some day. As regards the Provincial contributions, I quite understand that, if relief is given, they would be appropriated by the provinces for the purpose of education and sanitation. But you know the past history of famines and the past history of the difficulties of the provinces. I therefore suggest to Government that this money should if the Assembly agrees be earmarked towards the Famine Insurance Fund and that the money should be apportioned and appropriated when a serious calamity arises.

I am afraid I have no further time at my disposal to speak on the other questions discussed in the Budget. There are so many important matters on which I should like to express my views.

There is one matter to which my friend Mr. Sethna was going to refer, and that is the revival of the opium income in the country. Sir, to please a few people in England, to satisfy a baseless sentiment, we absolutely sacrificed a splendid income some years ago from the sum total of our revenues. Sir, I am prepared to sacrifice any amount of revenue for the uplifting of a nation. I for one am always ready and willing to help on the amelioration of the people and adopt measures for their social advancement. If I was satisfied that China has got rid of the habit of utilising

opium to a large extent I should not have said a word on the subject. If I were convinced that China to-day has profited and benefited by the sacrifice which India has made I would not say a word. China to my knowledge and from my information to-day smokes and uses opium in larger quantities than it ever did before and since the period that we have sacrificed our revenues, and I would ask the Finance Minister to reflect on this matter and say whether one of the most important sources of revenue cannot be now revived in the present embarrassed condition of our finances and on account of the breach of contractual obligations on the part of China.

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

The Council then re-assembled after Lunch, the Honourable the President in the Chair.

THE HONOURABLE DR. SIR DEVA PRASAD SARVADHIKARY (West Bengal : Non-Muhammadan) : Sir, I do not propose on an occasion like this to undertake an Abyssinia to Angora survey, or to race against time. But there are certain fundamental matters to which one must refer. Fully realizing that peace and tranquillity, as has been claimed by the Honourable Colonel Nawab Sir Umar Hayat Khan, is one of these fundamental matters upon which advance and prosperity would depend, we might make our position quite clear with regard to it. No one in his senses will be a party to anything that will weaken the defences of the Empire or will make internal tranquillity impossible. Taking it at that, and taking what our trusted, responsible, more than military adviser advises us, and subscribing to what he lays down as the minimum in number of the fighting strength of the troops in the present circumstances, it is presumable to suggest, and to claim, that more and much more should be done in the way of reduction in regard at least to the ancillary and administrative branches of the Army, and also by suitable and timely Indianisation. General propositions like these have been urged elsewhere, have been made all over the country and have not been unfavourably received. The complaint on His Excellency's part, however, is that concrete propositions have not been brought forward with which the authorities can deal. I recognize the justice of that complaint; at the same time it must be recognized that it is difficult for outsiders, much more difficult for lay outsiders, to make any proposals that, without erring, will be acceptable to the authorities. Such propositions, however, as have come home to us—and must have come home to His Excellency the Commander-in-Chief also—may, in so far as they have not been referred to, be briefly recapitulated. We have heard this morning, Sir, that the bureaucracy here is so powerful that it can make a Secretary of State unsay his savings, or at all events add a gloss, a commentary, an emendation and things of that description with which we are so familiar in law literature. But my friend who suggested this for—*Am* got—and we should not forget—that the powers over there in their turn are so powerful that they can make our Commander-in-Chief take back what he himself had agreed to. When His Excellency spoke in another place the day before yesterday, I did not hear any reference to a reduction that the Inchcape Committee had recommended and which, as we understood, His Excellency had agreed to. And that is a further reduction of

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a cavalry regiment. The Council will remember that two out of three cavalry regiments only had been reduced and one of the reducible regiments was retained in spite of the Commander-in-Chief's agreement that it might be reduced. Well that is a fact. What the explanation of that fact is would, I think, be of interest to us who are insisting, with expert advice on our own part, upon such reductions for it would be possible without reducing efficiency. Then, Sir, we have not heard why even reducing as the minimum the necessity of maintenance of 200,000 fighting men for defence and tranquillity purposes, it would not be possible further to increase the ratio of Indians and Europeans, so that net gains in pay, pensions and capitation grants and other charges may be possible. A good deal of time has elapsed between the recommendations of the Welby Commission and of the Inchcape Committee which considered the matter. The capitation grant which stood at £27 in earlier days was possible to be reduced to £18. It is believed that it can be further reduced even if there was to be no reduction in the number or units. That is a proposition that no doubt will receive the attention of His Excellency the Commander-in-Chief.

HIS EXCELLENCY THE COMMANDER-IN-CHIEF: It already has.

THE HONOURABLE DR. SIR DEVA PRASAD SARVADHIKARY: I am glad to hear that it has, but the results have not been made known. We request His Excellency to consider whether further retrenchment in that direction is not possible. Then, Sir, we have not heard with regard to the staff and headquarters establishment whether all the reduction that has been recommended not only by the Inchcape Committee but also by the other Committees, the Innes Committee, for example, has been complied with or not.

HIS EXCELLENCY THE COMMANDER-IN-CHIEF: It has been.

THE HONOURABLE DR. SIR DEVA PRASAD SARVADHIKARY: Entirely? If so, I am glad to have brought it out. That is a matter that has been troubling some of us. Then, again, on the question of transport a great deal more of reduction is supposed to be possible. As we have to be content with what Mr. Burdon called "one fish at a time" elsewhere, I think we require to count and keep tally of our fish very carefully. Take, again, Sir, the question of employment of more civilians in purely clerical, scientific and administrative work, work which need not be done by highly trained and highly paid military men, work which someone called mere signing of letters, which I know it is a great deal more than signing of letters. Work of that kind can be well relegated to the civilian part of the establishment. It will thus be less expensive and probably easily capable of being done by Indians. That is an important branch of military expenditure that can be well taken into consideration. Sir, what Indianised military finance can achieve has been shown by Sir Bhupendranath Mitra. His Excellency the Commander-in-Chief told us elsewhere that, given a war, he would undertake to train officers quicker. If you create an atmosphere, you can do it even without a war. We have been more or less "contemptibles" in this country, especially in Bengal about whom my gallant friend Nawab Sir Umar Hayat Khan has absolutely no opinion as the lower country. But, looking back upon what has been

achieved in Bengal in the way of attempting to revive a martial spirit in the country, I may refer to the movement that came to the aid of His Excellency's predecessor with regard to medical and ambulance facilities in Mesopotamia when his own arrangements there had utterly broken down. Remembering how the Ambulance Corps furnished by Bengal was followed up by the double company movement there, which again was followed up by the Bengal regiment and university corps movements under severe handicaps, one cannot help deploring that the atmosphere for military life in Bengal did not come into existence earlier. The atmosphere is now worse. One cannot but regret that the cry now raised by His Excellency that instead of "agitate, agitate, agitate" the cry ought to be "educate, educate, educate" did not come much sooner. Who was responsible if education of that kind did not come earlier? Certainly not we who did the best we could against tremendous odds. If I had my way, Sir, and there was a time when I might have to some extent, if helped, I should close down if need be all our Arts schools and colleges and invite His Excellency to see sprung up in their place at least preparatory schools and cheaper colleges than the one at Dehra Dun, where all who wanted and cared for military training would be trained. If the facilities came earlier it would not be possible to say that their entry to the commissioned ranks could not be quickened. The result would have been no less noticeable than has happened in law, medicines, ~~and~~ engineering, ~~and~~ arts. What has happened to those who held the Viceroy's commission. Fine brave dependable men, but not entirely suitable. It has been frankly stated and frankly accepted that it is not possible to any large extent to recruit from that field for the commissioned ranks. And why is it so? Because they have not had enough education. Sometimes they have not had enough status. That brings me to a question which I think His Excellency raised last year and which ought to have been followed up. It was proposed that a central or a decentralised advisory educational Board should go into the requirements of every province and provide facilities for the education of the children of those who wanted to send them to the Army. I have been with the now defunct advisory education board all over the country, and wherever recruitment is going on or possible we were told, and incessantly told, that the education provided for children in those parts deliberately or otherwise was such as did not fit them to be ready for entry into the commissioned ranks. That is a part of the proposition that we cannot overlook if we really are to believe in the cult of education as a part of military training. I hope between His Excellency's initiative and the efforts of the Education Department it will be possible to bring back that educational board or some other body more fitted to take up this work, whose duty it would be to take up propaganda work and to see that in the different provinces education of a suitable kind was provided either in special classes in the schools or in special schools and colleges that would educationally fit the people concerned to take up military training. It need not necessarily be in the expensive college at Dehra Dun but in some other less costly and more accessible centres that should immediately spring up. Sir, I remember His Excellency's impeachment last year, and it has been repeated this year, that those of us who take interest in military training for our youth have not even condescended to go and visit the Dehra Dun College. Well, I am one of those who must plead guilty to that charge. I have had every facility but could not avail myself of it. Even if we are not there physically, we are always there in spirit as His Excellency's well-wishers. We wish the Dehra Dun College and all other schools and colleges that may follow it,

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all success. We thank His Excellency for proposing to extend its resources and its possibilities. But a great many more schools and colleges will be needed before we can have education of the kind he suggests. There is another field from which recruitment would be possible if it was well handled—I refer to our Territorial Force and the University Corps. What is wanted there is intensive training. It is not the 80 days' training of an amateur sort that will answer. We want one month's training in the first year, two months' training in the second year, three months' training in the third year or in the reverse order, in order to make our people believe in the reality of the thing and to make them ready for contingencies. Sir, we are not going to have a war every day. We do not want war every day. But we ought to have the makings of good officers and the foundations of good soldiers, well laid in advance, which can be done without an actual war. With that end in view let the authorities do all that is necessary and possible instead of merely laying down an indefinite time-limit that will be necessary to Indianise the Army. In the meantime they are not doing what can be easily done and should be done. What for example is happening in the Indian Medical Service? In that service Indianising had been going on slowly for some time. Many temporary commissions were given but those men are now either idle or still temporary. Indianisation in that service has now been held up. Indianisation in the scientific and mechanical corps also is not proceeding apace. The Air Force could easily experiment in this direction, and so could the Artillery and the Engineers. But nothing is being done. Indianisation and retrenchment should go hand in hand and can do so without in the slightest degree impairing the efficiency of the Army, and we should appeal to His Excellency to take up this matter with vigour and continuity.

Sir, the Finance Minister last year did me the honour of quoting me at the end of his speech,—a sort of a mascot about my previous reference to a red-letter day. Unfortunately it turned out in the end in his case to be a red flag and it did a great deal of mischief. This year the honour has been bestowed on Pandit Madan Mohan Malaviya, whose cry of "national basis" is the Finance Member's mascot this year. Sir, I have been looking carefully into the Budget, and it would require, I am afraid, Sam Weller's extra million horse power microscope to see anything in the way of nation-building facilities. Sir Basil Blackett does not like that phrase nation-building nor do I. It is not really a case of nation-building; it is a case of nation re-building, or nation re-assembling. But what facilities have been provided for it in the Budget?

THE HONOURABLE SIR BASIL BLACKETT: One and a half crores for the Provinces.

THE HONOURABLE DR. SIR DEVA PRASAD SARVADHIKARY: One and a half crores for the Provinces. But what about the Central Government? With regard to the Provinces I am afraid disillusionment will come to Sir Basil there. He is not going to have a surplus to distribute if he relies on continuance of the enhanced salt duty. I will not labour the salt tax question because I think enhanced duty is doomed, and the representatives even of the favoured Provinces in the Assembly will not look at these few lakhs of rupees apiece at such a price. I shall not proceed on the basis of his getting a two-rupee salt tax and dangling that before the Provinces, not by way of appealing to their Provincial particularism, as he calls it. Budget time coining of phrases like war slangs

is coming upon us thick. He has been careful to say that he is not appealing to Provincial jealousies nor to Provincial particularism. I will take it at that and shall assume that the presentation of Sir Basil's cleft stick is in the interest of the Provinces. The Provinces understand however their real interests better; they look at it from the "national point of view" in his borrowed phrase, the lustre of which has not lasted long. Without reduction of the salt duty to its former level doles to the Provinces would be indefensible. We hear it said that Bengal, and possibly Bombay, will oppose the Provinces' claim to wipe out all the Provincial contributions. No such thing. Bombay and Bengal have no grudge against fortunate Provinces. They only require a readjustment and revision of the whole scheme, by an impartial Tribunal and not mere doles, so that the Provinces with their own resources and in their own light may take up nation-building or re-building activities. My Honourable friend Sir Narasimha Sarma represents Education and Sanitation and other subjects and is charged with the residuum at all events of what has not been handed over to the Provinces. What has been done to permit his Department being made more popular and more effective? We look in vain for anything of that kind,—or for broadening the basis of the constitution for which there has been such a demand throughout the country and in all our Councils? Let Government take note of all this and act. Our complaint and grievance is that although the cry of work on a "national basis" has been raised, not a vestige of assistance towards that basis has been furnished in the Budget.

Sir, there are one or two matters of detail to which I think I might draw the attention of the Council. On page 277 of Demand No. 88, under the heading Miscellaneous, we find 5 lakhs and a few thousand odd of expenditure in 1922. Rs. 5,08,000 was the budget estimate in 1923, and by a sudden jump this year it has been put down at Rs. 13,35,000.

I think some information is necessary with regard to it, because the expenditure in England is not the least of our burdens. And before I get away from that page, Sir, I should like to call attention to a provision for the League of Nations of 7 lakhs of rupees with regard to which I should like to call the attention of the authorities concerned to a statement by His Highness the Jam Sahib of Navanagar in the League of Nations Assembly on the 28th September on the allocation of expenditure on the League. The House will remember that the Jam Sahib put forth a strong plea for the reconsideration and revision of the scale of expenditure, which I think should be duly taken into account. Time will not permit my going into many other details that I should have liked to discuss.

Sir, I shall not stay to consider some of the extraneous points which have been treated by the Honourable Sir Maneckji Dadabhoy. I join with him in conceding to Sir Basil Blackett his due meed of praise for the way in which he has dealt with the question of debts and other purely financial matters which certainly have strengthened the Budget aspect of the presentation that he has made. But, after having heard what my Honourable friend has chosen to say, I cannot possibly subscribe in the remotest degree to the idea that those who made themselves answerable for the reduction, with a view to ultimate abolition, of the opium revenue were faddists who should go by the board now, and that the chapter of shame should be re-opened to the eternal discredit of Great Britain. Sir, it is bad enough in the Provinces. We, at all events in Bengal, have to thrive on the promotion of drink and litigation. The more we drink and the more we litigate the more we are likely to flourish. We

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do not propose to do that if we can help it. For the time being, however, we are helpless. The Honourable Member in charge of Excise in Bengal the other day said in the Bengal Council that one-fifth of the revenue of Bengal comes from Excise, and we do not propose that more, even if it was to relieve us in an appreciable degree, should come from that source. My Honourable friend forgets that those who can have their own way like they have in America can make treaties and make Britishers give up their drink not within the three miles limit only but much more than that. We cannot have our own way and have to thrive on drink. But because the Chinese will not give up opium is little reason why we should begin to pander to them again, so that we might have a little more revenue. Why then we might have a further go at it when we are about it! Would it be suggested that we might open gambling dens

THE HONOURABLE SIR MANECKJI DADABHOY: May I rise, Sir, to make an explanation? My Honourable friend is apparently under some misapprehension. It is not an excise for internal purposes—it is an export duty which China pays.

THE HONOURABLE DR. SIR DEVA PRASAD SARVADHIKARY: Quite so. And if China will not take our opium? In the train of that we will have an opium war as we had before. I do not know whether His Excellency the Commander-in-Chief would like that by way of training up our officers; such a little distraction would be useful, but that is what it would come to if we restarted our opium revenue campaign again.

I see you, Sir, beckoning and pointing to the clock. I shall not, therefore, trespass further on the House, but one word I should like to say, with regard to the separation of Railway from General finance. There is no authority yet upon which the Honourable the Finance Member could have proceeded to base his Budget on the basis of separation. He has therefore wisely framed his Budget in the alternative and, till the Assembly pronounces an opinion, and till this House has had an opportunity of going into the matter, the separation cannot and should not take place. There is no convention or rule that forbids our going into it as it is a large question of policy not of mere budget demand. I hope we shall have due opportunity of discussing this important matter as it requires careful consideration. I do not think that such separation ought yet to be the basis of our finances.

THE HONOURABLE SIR DINSHAW WACHA (Bombay: Non-Muham-
3 P.M. madan): Sir, I will make one or two preliminary observations just to clear the ground. In the first place, I am sorry to see that in a question of pure finance politics have been mixed up very largely. Politics have been mixed up so much that I fear very little of an enlightening character is said on the Budget proper, and yet we are always crying out that there are no "nation-building," proposals and that no money is set apart for them and so on. But how can you have money when you do not pay that careful attention to finances which is required for the consideration of that large subject? Sir, my other point is this. Many of my Honourable friends have desultorily talked about increased expenditure, specially military expenditure. I do admit that there is considerable room for reduction. If I may indulge in a little egoism, I would say that I was the first person in the year 1885, when the first Indian National Congress was held, to

draw public attention in an exhaustive speech to the gruesome military expenditure. From that day forward to this I have always, whenever occasion occurred, expatiated on this ever increasing growth of that expenditure. Last year, I brought forward a Resolution about the repeal of the Army amalgamation scheme of 1859, because I believe that the root of the ever growing military expenditure was the Army amalgamation scheme. I know that my friend, His Excellency the Commander-in-Chief, has said here and in another place that the repeal will hardly reduce the cost. On the contrary it will cost more and so on. I do not want to discuss those controversial points. I only say this, that if India is to be relieved of a large portion of the military expenditure, then the first and last thing is to lay the axe at the root of the Army amalgamation scheme. That is the radical reform that is wanted. In 1864, the military expenditure was only 14 crores, in the year 1924 it is something like 60 crores. In other words there has been, despite scores of reductions during the period, a continuous increase which now amounts to 46 crores or nearly five-sixths of a crore per annum. That means that, notwithstanding your Inchcape Committee axe and other axes of one kind or another, during the last 60 years the military expenditure has gone on swelling and swelling. Unless therefore you lay the axe at the very root of the Army amalgamation scheme which is the dire spring of this colossal expenditure nothing will happen to check that growth. I must ruefully observe that, notwithstanding my close study of this subject for over 40 years, I am not hopeful. I am growing more and more pessimistic about the reduction of military expenditure. Apart from this conviction, I find that for serious disturbances on the frontier and in other places in the country military forces have necessarily to be employed. For no lover of his country wishes that life and property should go unprotected under such deplorable circumstances. And yet there are those shortsighted persons who would insist on reduction. How it may be reasonably inquired are the two things compatible? In one breath it is loudly demanded that military expenditure should be reduced, and in the other breath those who clamour for reduction are not slow to bring about political agitation leading to disorder and bloodshed in the country, disorder in trade, disorder in industries, disorder in everything which needs social order and tranquillity. How are those two things compatible, I seriously ask my friends? Can they reconcile the two situations? I emphatically say they cannot. What is the use then of merely carrying on this sort of academic discussion every day and almost every hour? Let them first remove those factors which compel the Government to have at their back sufficient forces to quell disorder and protect life and property. I now come to another point. It is said that expenditure depends upon policy. Now there are financiers and statesmen who are not slow to challenge this obsolete dictum. These discredit the maxim which has been deemed axiomatic so long. What they say is that policies should be regulated by expenditure. If the country has not got sufficient money to carry on a particular policy, how may the policy laid down be carried into execution? You may have a policy which wants crores of rupees, but if you have not got the money, how can you carry it out? Therefore, Sir, I do say to all my friends in a most friendly spirit that if you want to reduce your expenditure in many respects, first attack the policy, bit by bit, attack one policy at a time and modify it in harmony with your ability to expend the money which that policy would need. Then attack another in a similar way. It is impossible that this could be done by special Resolutions in this House within a brief space of thirty minutes when, of course, such a criticism demands long hours

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for arriving at a conclusion. Take this Budget alone, involving many subjects. Is it possible any one of us can do any justice to a single weighty topic for twenty or thirty minutes? I do not blame the gentleman who is sitting in this assembly in the Consul's chair. He himself is helpless. He gives such spare time as the Government orders. I have on many occasions spoken on this subject, and I do once more appeal to the Honourable the President, who is now going to become the Home Member, to see that the Council of State at any rate gets a little more indulgence in point of time, on a topic like the Budget. For the other House has two opportunities to speak on it. They first of all discuss the general aspects of the Budget, and when the Grants come up to be sanctioned they of course hammer away at each grant (*A Voice*: "For five days.") Here we have got nothing of the kind. Our mouths are overflowing with all sorts of subjects. How can we, tied down as we are, by that gentleman sitting in the Chair, speak on all the different subjects within the brief space of thirty minutes? Of course, he is only a servant of this House and therefore he cannot do anything, but I venture to submit that the Government should be indulgent and give us reasonable time in the future to allow fair and enlightened criticism.

Now, Sir, having cleared the ground so far, I repeat that if you want to attack excessive expenditure, you must attack first the policy regulating it. You have no power at present. In my opinion the Legislature itself should be the sole authority to lay down policy. When it has put down a policy, you will know where you are and how you can regulate your expenditure.

Coming to the Budget, last year notwithstanding all pessimism, I myself in my speech expressed a hope that when the next year comes things may be usefully improved and that we may have at least the prospect of a balanced Budget. That balanced Budget has become a reality and an accomplished fact, and I congratulate the Finance Minister on having rendered that great service, because I do admit that a balanced budget is the only thing possible and not to allow deficits after deficits to accumulate until one day we are asked to pay 38 crores taxation. That will not do. Deficits must be met from taxation. Therefore, Sir, I am very glad, and I welcome this balanced budget, and I venture further to say that the whole country should welcome this Budget. Some people have called it a "budget of surprise." Some have called it "anæmic." I am not going to indulge in any label of finance. The only thing I can say is that we should congratulate the Finance Minister on his courage; you will ask courage in doing what? I answer in having made a new departure in adjusting the finances of India and in having adopted new methods, which will certainly place your finances on a sound basis. It is in this new departure I wish to invite your careful attention. If you ask me what is the outstanding feature of this Budget, I repeat it is the new departure which the Finance Minister has wisely taken to ensure the thorough soundness of Indian finance in future—principles which his successors may safely and fearlessly follow. The first thing to be done, no doubt, is that the load of the national debt should be reduced. It can only be reduced in two ways. If you diminish the principal of your debt you diminish the interest thereon, and if you do this then you have more money to spend. And that is the right way to go about it. The first thing therefore to do is to reduce the national debt. And what has Sir Basil Blackett done? He has suggested to you a very good scheme, a very

practical scheme, which I as a business man wholly recommend to you all, that we must reduce our national debt as far as possible. In the Financial Statement it is said that the existing debt, according to Sir Basil Blackett, will disappear in about 50 years or so. In the meantime, further debt will accrue. I say to you, if you want the debt to be reduced, you should agree with all your heart to the present proposal because that is the first thing a capable financial administration should take into hand. Unless this is done, you will always be roaming and roaming aimlessly hither and thither. They say Indian finance is a gamble, and it is needful to minimise that gamble so as to stand as near as possible on a sure foundation.

Then, Sir, the two outstanding features of this financial Budget are these. First, diminution of debt and partly the avoidance of debt. And the second, but even of greatest importance, is reform of your railway finance. Now, for years together I have in public speaking and writing hammered away at the expediency of separating railway revenue from general revenue. I said so in a brochure which I wrote in 1909, criticising the report of the committee of which Lord Rothschild and Sir John Mackay, (now Lord Inchcape) were the leading members. I observe at the time that if the railways are to develop, and if our trade and industries are to develop and to have free play, what should primarily be done?

This, that we must have the railway surplus given back to the railway people and used for no other purpose so that they may thus have part of the annual capital from that annual surplus. Such gain might be usefully employed as capital in developing the Railways, and in that way it may go on automatically. If you had gone on that principle 12 or 14 years ago, I believe you would not have found yourself in that quandary in which you have been for the last three or four years. This is one of the causes, apart from many other causes, which contributes to deficits, and I may say that when Railway finance is separated from General finance, what will happen is that the Railways will be easier in their finance, the merchants will be in a better position in every way, trade will more and more expand and at the same time your general revenue will also increase. If you go deeper into the matter, you will find that that is the right way to use the annual railway gain. Therefore, Sir, as I have said, the two outstanding features of the Budget are the reduction of the debt and the separation of Railway from General finance. If these two go hand in hand, I am quite sure that whatever may happen, even if there may be a famine, the Honourable Sir Basil Blackett will be able to balance his Budget any how. We have crossed the Niagara of accumulated deficits and Sir Basil is the helmsman who has brought the ship of financial state into the safe haven of financial equilibrium. I consider that we are now far from the Scylla and Charybdis which seriously obstructed our smooth navigation. We are on dry ground and if we are now on dry and high ground, I think we can take courage in both our hands and say that our finances will be easier. I hope therefore that every one of us here and elsewhere will co-operate with the Finance Minister in his efforts instead of criticising him more or less in the way that has been done. I admit that criticism is a very good thing. Sound criticism, based on experience and knowledge is most wholesome. But ignorant criticism, ill-concerned criticism, ill-designed criticism, can never achieve any good. It never has and never will. I strongly appeal to my friends here: "Do not indulge in ignorant or ill-considered criticism. Go on with criticism which is based on facts. Facts

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are near at hand but I am afraid very few look into facts. There are a number of questions put in this House as to "What is this and what is that?" Most of those questions can be answered by Members themselves if only they will take the trouble of referring to the blue-books and other periodical publications. I do not blame my Colleagues for their inattention to this matter. Of course many of you have not read the blue-books and may be unaware of the facts disclosed therein. I repeat I do not blame them. But I do appeal to them that, if they really and honestly want to do their duty to the country, if they sincerely want to improve the finances and increase the wealth of the country, to study and equip themselves and to be qualified to discuss financial topics with knowledge and confidence. Then your words and suggestions will command respect and your views will be seriously considered. I hope that the appeal I now make to my friends will prove fruitful.

Sir, having said so much about the distinctive features of the Budget and welcoming the Budget, I want to say a word on the surplus. Of course there is a surplus. It is a small surplus, a negligible surplus, if you like. Were it not for the windfall there may have been no surplus at all. But what is this surplus? Lord Cromer said years ago that there is no true surplus in India. I think he was right. What he meant by saying this was that there was no true surplus in India. There was no such surplus as would remain after reserving from your excess of receipts over expenditure what is needed for the extinction of your debt. When that happy event comes to be accomplished there will be a true surplus. Otherwise, your surplus is nothing at all. The annual surplus is used here and used there, but your national debt increases apace. That is not real surplus. If the surplus is to be applied, the first thing to be done is to see that your national debt is reduced. The moment your national debt decreases, your interest charges diminish and the saving of that interest comes in as revenue. As I have already said, this is the fundamental object to be achieved. As far as the present surplus is concerned, I think the feeling of the country, as far as it can be ascertained, is that it should be utilised to bring the salt tax down to Re. 1-4. As I have said Governments are sometimes in so embarrassed a state and in such a quandary that they do not know where they are, and sometimes when they go against public sentiments and public feeling they find themselves in the wrong box and repent afterwards. Why should Government put themselves in such a position? When they go against popular feeling and when they find that they have made a mistake they come back and say "We made a mistake". That is not the right thing. Governments make mistakes as we human beings do, but we generally try to correct ourselves, but Governments seldom correct themselves. I am not speaking of the Government of India alone. I am speaking of this frailty of Governments all over the world. They are all the same from top to bottom, chips of the same block. So as far as this surplus is concerned, I leave it to the House to decide what to do. The general feeling is in favour of Re. 1-4-0 a maund for salt and I believe in the long run that will be better. The Finance Minister, I am quite sure, if things go on well, will be able to balance his Budget without any further taxation. There will be no deficit of 2½ crores next year or 5½ in the year after as he fears. Nothing of that kind will happen. I think things are moving on. There are two factors in our favour just now. The Home Government have been in right earnest about bringing about the revival of the Russian trade. If Russian trade is developed it means a great

stimulus for India because by the revival of Russian trade we will increase our revenue and as our revenue increases our customs duties would be proportionately reduced. I think as far as customs duties are concerned they are a crushing burden at present. I know the majority of my friends in this place and in the other place talk of protection. "Protection, Protection, Protection" that is the cry all round, from the Himalayas to Cape Comorin. That protection will be the ruin of India. Remember that. Last year I said the same and this year I repeat it with greater emphasis. High protective duties will never improve your finances. No doubt certain new industries which may be in their infancy will need protection for some time. By all means give that. I have been in favour of free trade all my life; but I have also uniformly advocated temporary protection for industries like sugar, iron and steel, say for 10 or 15 years, till they are able to stand on their own legs. But the moment they are able to do so and face the competition of the world, protection should cease. If you have got strength in you, if you have got industrial brains in the country, you can certainly hold your own in competition with the world and render the greatest good to your country. You badly want industrial brains. Where are the brains which only need right development? Talking of protection, Gentlemen I may say I am here to-day and will pass away to-morrow but you will remember my words. Protection will be the country's ruin. It would not last long. We have similarly heard talk and vehement talk about our railways being managed by the State. That is another fatal fallacy in which the country has been thoughtlessly indulging, anyhow, these are my individual opinions, and I daresay my friends, the Swarajists, will come down upon me and attack me in their papers. I care not tuppence. I have got a very broad back. I have borne ill-conceived criticism for the last 50 years of my public life. However, I do not want to say more. Then again people are glibly, if not selfishly, talking of exchange and currency. Exchange and currency may be all right. Exchange may be 1s. 4d. But is it contributing to a surplus? For five years you have had a cumulative deficit of 100 crores. Did exchange give us any relief at all? Did currency give any relief? Currency artificially managed is no good. Therefore I do say this. Let exchange and currency take their natural course. That is the course the Finance Minister has adopted and I consider it to be the right course. If trade is improving and exchange consequently improves, why should we not take advantage of the improvement? It may go down with trade depression and then we shall have to pay more for taxation. But you cannot have it both ways. Please remember that exchange and currency both depend on the movements of prices of staple commodities. In the matter of public finance you must have a balanced judgment, you must balance your facts and you must take into consideration not only the Indian situation but the whole world's international situation. India is now entering upon an international status and therefore international commerce has and will have no little influence on the course of Indian trade.

Well, Sir, this is all that I can say here. We can speak perhaps for 50 hours without finishing all we have to say on the Indian Budget, because it is so complicated and there are so many topics which hold our interest and attention. Therefore, I will say nothing further except that I hope that whatever criticism you may offer you will try to co-operate with the Finance Minister in the new departure which he has introduced, because I believe sincerely that the new departure will improve the finances and advance the prosperity of the country. With these words, Sir, I resume my seat.

THE RIGHT HONOURABLE SRINIVASA SASTRI (Madras: Non Muhammadan): Sir, there are just two remarks that I wish to make arising out of the speech made by the Honourable Sir Maneckji Dadabhoy before luncheon time. I do not certainly wish to try a fall with so doughty a champion of public finance as he, but as he brought, in the name of Mr. Gokhale as an authority for a certain recommendation that he makes as to the disposition of our small surplus, it might be useful if I supplied a corrective to his impression of Mr. Gokhale's teachings. There was, Sir, in the history of Indian finance an era of surpluses of a somewhat unprecedentedly large character year after year. Our Government at that time were under sore temptation. They created large scientific and technical departments; they increased the salaries of officers all round; they embarked on building operations on a gorgeous scale; and for a diversion they had a little military picnic which cost us a good bit across the frontier of Tibet. At that time Mr. Gokhale thought it was time to protest against these surpluses as in themselves constituting a wrong to the people of the country. The maintenance of large surpluses year after year, he argued, was the result of maintaining taxation far above the necessary level, and he therefore argued that if the taxes could not be reduced—that was his first idea—if the taxes could not be reduced, then the best way of disposing of the surplus was to devote it to subsidies to local boards and municipalities for what we now call the nation-building services. Lord Curzon's Government for years in succession adopted the plan, and if he, Mr. Gokhale, supported the idea then it was not because he justified the existence of a surplus for the purpose of nation-building departments, but he thought it was the best way of disposing of the surplus if the Government could not be persuaded to apply it to the relief of taxation. Now, Sir, I am not an advocate of financial purism with a vengeance, but I do believe that the salt tax is an emergency tax and that, if as last year the emergency taxation was levied by the Finance Member for a certain specified purpose, when once that purpose is off, I believe it is true economic doctrine that the tax also should be taken off. I know no better disposition, speaking purely from that point of view, of the surplus that we have now than to remit the extra duty on salt.

But I have another remark to make to Sir Maneckji who showed so much anxiety to follow the teaching of Mr. Gokhale in regard to the surplus and who seemed to discard his teaching altogether on the other subject of opium. I remember that Mr. Gokhale denounced the opium revenue of the Government of India as utterly immoral, being based on the moral and physical degeneracy of a neighbouring people from whom we had received no harm at all. He emphatically supported the idea which the Finance Minister had at the time that by a long series of reductions of the opium revenue we should in time extinguish the whole of it and liberate China if possible. (*The Honourable Sir Maneckji Dadabhoy*: "Have we done that?") I very much regret that China has not profited by our moral excellence. But if that is the case, I do not see how we could go back to the opium traffic. Now, Sir, it really is unnecessary for me to go into that question. Our export opium to-day, there is abundant evidence to show does not go to China, at any rate the bulk of it; perhaps the greater part of it goes to America, perhaps it is consumed by the Chinese residents in the East Indies, but whatever it is, it is a revenue to which we have no moral right; and I believe the Government of India would be pursuing the true course of Indian finance if in course of time they abandoned the revenue that they get from the export of opium, unless it could be proved

that that export was strictly limited to the consumption of opium abroad for purposes which were scientific and medical.

THE HONOURABLE SIR MANECKJI DADABHOY: Might I ask for some explanation from my Honourable friend?

THE HONOURABLE THE PRESIDENT: The Honourable Member asks for an explanation, but he might *make* a personal explanation.

THE HONOURABLE SIR MANECKJI DADABHOY: Have we not got a moral right to impose a duty on English liquors, foreign liquors?

THE HONOURABLE THE PRESIDENT: I observe the Honourable Member asks for an explanation. He can *make* a personal explanation.

THE HONOURABLE MR. J. W. A. BELL (Bengal Chamber of Commerce): Sir, I desire to associate myself with those Honourable Members who have offered congratulations to the Honourable the Finance Member on the fact that for once in six years he has been able to present a balanced Budget, and not only a balanced Budget but a Budget with a very considerable surplus. I should also like to congratulate him on the exceedingly lucid and very interesting speech in which he submitted the Budget to the Legislative Assembly and to the country.

I do not think I should be allowed the time to go into the Honourable Member's speech or the Budget in detail, but there are one or two points to which I should like to refer.

I have no wish to propose an addition to the labour which must have fallen upon the Finance Department in preparing the masses of figures which have been submitted to us, but I think it would be appreciated by Honourable Members if we could have a short statement showing to what extent the balancing of the Budget and the surplus shown is due to each of the following causes. In the first place, to increased amounts estimated to be received from taxation; in the second place, to increased amounts estimated to be received from what one might describe as the commercial departments of the Government, that is, from sources not involving taxation; and in the third place, to retrenchments effected as the result of the recommendations made by the Retrenchment Committee. I make these suggestions for two reasons; because, in the first place, the increase in revenue from taxation in the estimates is very large; and in the second place, the decrease in expenditure shown in the estimates does not seem to follow the recommendations of the Retrenchment Committee. With regard to the first, the revenue from taxation expected in the coming year appears to be about 6 crores more than in last year and about 4 crores more than in 1922-23. I am speaking in round figures. With regard to the second, the expenditure is estimated at 5 crores less than in 1922-1923. The military expenditure has been reduced by 8 crores. If, therefore, military expenditure be excluded from both years, the expenditure in 1924-25 is estimated at really three crores more than in 1922-1923, the year on which the Retrenchment Committee based its recommendations. I do not wish to weary the House with the figures under the several heads. They will be found on pages 10, 11, 12 and 13 of the Budget. But, briefly, under the head of charges for collection of revenue, the Retrenchment Committee recommended a reduction of 72 lakhs, whereas the expenditure under this head in the present Budget is estimated at 33 lakhs more than in 1922-1923. Again, under the general head of civil administration.

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the Retrenchment Committee recommended a reduction of 175 lakhs, whereas the expenditure under this head in the present Budget is estimated at only 14 lakhs less than in 1922-1923 and at 28 lakhs more than in the current year. From these figures seems to emerge the fact that if the recommendations of the Retrenchment Committee have been followed in some directions, the result has been negated by increases having been made in other directions, and the net result is as I have just indicated.

There is another subject mentioned in the Honourable Member's speech and more fully dealt with in the Notes explaining the Estimates, with regard to which, I think, Honourable Members would be glad to have a further explanation. I refer to the arrangement under which under the head of interest receipts, the revenue for the year has been credited with 142 lakhs, which is said to be the amount of the assets of the Gold Standard Reserve in excess of 40 millions sterling. As the amount, nearly 1½ crores, is a very large one, and as a similar credit to revenue has not been made before the present year, I think that Honourable Members would be grateful if the Honourable the Finance Member would explain what the reasons were which led to its being treated in this way. I have no doubt that a perfectly good reason will be forthcoming, but, just at first glance, the method seems to be open to certain objections.

To me the most interesting chapter in the Honourable the Finance Member's speech was that dealing with the debt position, more particularly that portion having reference to the arrangements that are being made for the reduction or avoidance of debt, the suggestions put forward with a view to the fixing of periods for the redemption of different classes of debts, and the desirability of laying down a definite, and possibly a statutory programme, for dealing with the redemption of these debts. The Honourable Member mentions that, in his view, discussion is likely to be provoked by the suggestions which he has put forward. I venture to think that any criticisms which may be offered will not be hostile criticism, for the proposals which he has submitted are simple, and clear, and businesslike. But for the indication that such would not be resented, I should not have put forward any suggestions at all. In view however of what the Honourable Member has said, I make the following submissions. It is a matter of opinion very much, but it is an opinion which I believe is widely held, that, in the case of an unproductive public debt, a fair allocation of the burden as between the present generation and posterity is arrived at, under normal circumstances, by making the period of redemption 60 years and in the case of a productive debt 90 years. If I differ from the views expressed by the Honourable Member to any extent at all it is in connection with the periods proposed for the redemption of the debts due to past deficits and in connection with the cost of New Delhi. I consider that the Honourable Member would be dealing leniently with the next generation if he were to make the redemption period in each of these cases 80 years, instead of 25 years and 15 years as suggested by him. This particularly refers to the last mentioned debt, as New Delhi is not likely to be completed for some years to come. If these suggestions be adopted, they would help to spread over the burden of these debts, and would assist the Honourable Member in submitting an

even more favourable budget next year, which I am sure he will be able to do.

I propose to refer very briefly to the question of the separation of Railway finance from General finance. It is perhaps unnecessary for me, after what has already been said, to say more than that. I am in entire agreement with the opinion expressed by the Finance Member, that no reform offers greater benefit to the finances and to the railways of the country than the separation proposed. There can be no real advance in railway development, so essential to the welfare of the country, until the railways are dealt with on a purely commercial basis. That is, they must pay a reasonable rate of interest for the funds which they borrow; but, on the other hand, they must be allowed, out of the balance of their profits, to undertake such developments as they consider necessary and desirable, and to build up reserves. The present arrangement stifles all enterprise on the part of the railway management, and offers no inducement to them to study economy, and the sufferers, in the long run, are the public.

Another statement in the speech of the Honourable the Finance Member which I read with interest was that in which he mentioned that he found it necessary to assume that the final outturn of 1924-25 would be unaffected by any changes in the customs tariff resulting from the recommendations of the Tariff Board. I do not wish here on this occasion to express any views with regard to protective tariffs, but, if the proposals put before the Tariff Board in the future are anything like those that have been put before them up till now, I hope that, in the interests of the people of this country, more particularly those of the poorer classes, a similar statement will be included in the annual Budget speech of the Finance Member for many years to come.

A paragraph in the Finance Member's speech which will attract a good deal of attention is that in which he states that it has been decided to frame the Budget estimates on the basis of an average rate of exchange throughout the year of s.1-4 $\frac{1}{2}$, or a farthing better than the average for the current year. The careful terms in which he has discussed the matter disarm criticism. It is probable that the Honourable Member has information to which I have not access, and is therefore in a better position to make a correct estimate, but I cannot help feeling that there is nothing in the present position of the exchange market to lead one to suppose that the average for the coming financial year will be higher than in the present year. As the Honourable Member has indicated, Indian exchange is affected by many things over which we here have no control, and of which we often have very little knowledge, but the normal rise and fall from day to day is largely affected by the three factors;

- (1) the quantity of export trade bills coming into the market as against the demands for remittance against imports and bullion;
- (2) the London-New York cross rate of exchange, and
- (3) the internal demand for money for financing local industries.

With regard to the first, the position may change at any time, but at the moment there seems to be a greater inclination to fix remittance ahead than to sell bills. That means that Indian merchants, some of whom

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possess world-wide information, apparently at the present time have the feeling that there is nothing to be lost by waiting, or in other words that exchange forward is not likely to rise against them. On the other hand, the fact that those desiring to fix remittance ahead, and they are fixing remittance ahead as far as December at the present moment, seems to indicate that they do not anticipate that, at the end of the year, the normal difference between the monsoon rate of exchange and the rate at the end of the year is likely to be exceeded and will be in their favour.

With regard to the second, that is the London-New York cross rate, this has been rising and falling for a number of months, but the tide seems after going forward not to have receded quite so far as the point at which it commenced. That means that the general tendency has been slowly but steadily upwards, and an increase in the London-New York cross rate means an increase in the value of the pound sterling, and a decrease in the value of the rupee in exchange.

With regard to the third, it is difficult to say very much at the moment. The demand for money in the country is still very strong, but it must be remembered that it commenced several weeks, nearly a month, this season after the normal time. While I do not wish to criticise the Honourable Member's forecast in any way, I have the feeling that it might have been safer not to calculate on a higher level of exchange for the coming year than for the present year.

While many features of the Budget will create satisfaction, I think there will be a general feeling of disappointment throughout the country that, after the hopes raised by the appointment of the Retrenchment Committee, it has been possible to do so little in the way of lightening the heavy burden of taxation and reducing the cost of living. We are very grateful for the small reduction in the excise duty on petrol. This duty has always been disliked by the public, because it has resulted in the curious anomaly that in India, a few hundred miles from one of the principal sources of production, the price of petrol is higher than it is in the United Kingdom. I hope the time is not far distant when it will be possible to do away altogether with this particularly irritating tax.

The duties which I have particularly in view are the 15 per cent. duty on imported stores, cutlery and hardware, and the 30 per cent. duty on motor cars. The first bears very hardly on mofussil residents who are so largely dependant on imported stores, and I hope that a reduction will be possible at a very early opportunity. With regard to the second, the time has long since passed when this was considered as a luxury tax. Changed conditions in business and in the every day life of the people have brought about the position that the motor car is no longer a luxury but a necessity. I would press upon the Honourable the Finance Member the necessity for an early reconsideration of the 30 per cent. duty if not on all motor cars at least on all but those that can still, from their design and price, be looked upon as luxury cars.

I should like if I may to refer very briefly to the salt tax. I look upon this purely from an economic point of view. I realise that to some Honourable Members it is a matter of sentiment. From an economic point of view the reduction of 8 annas per maund suggested by Government is a liberal one. I think it is generally admitted that the tax, even as it stands

now, is hardly felt even by the poorest consumers, and a reduction is possibly more likely to benefit the middleman than the consumer. At the same time if my Indian friends feel strongly about it from a sentimental point of view, I would not care to press my views. I think Government have acted very wisely in leaving the matter in the hands of the Assembly. If the representatives of Madras, the Punjab, the United Provinces and Burma feel that they would prefer a further reduction in the salt tax to substantial reductions in the contributions of their Provinces, I am afraid I must express the opinion that they are subordinating economic considerations to sentiment. I feel that their constituents may have something to say to them on the subject of mistaking the shadow for the substance.

In closing I should like to say this. I have read the Honourable the Finance Member's speech carefully and also the Budget and relative papers, and I have had the advantage of listening to the speech of my Honourable friend who represents him in this House, and my feeling is that India is to be congratulated on the fact that her finances are in such capable and experienced hands. (Hear, hear.)

HIS EXCELLENCY THE COMMANDER-IN-CHIEF: Sir, it will not be necessary for me to detain the House very long. There are a few remarks only which I should like to make on of course Military expenditure.

(At this stage the Honourable the President vacated the Chair which was taken by the Right Honourable Srinivasa Sastri.)

I will first confine myself to certain matters to which Honourable Members in this House have referred in connection with the Department over which I have the honour to preside. I would preface those remarks by expressing my sense of gratitude to them for having dealt with my department and with the Army in a less drastic manner than they did last year, and I specially thank my Honourable friend Sir Dinshaw Wacha for having refrained from belabouring Army expenditure in the way that he did on the former occasion. In the remarks which he made this afternoon he complained of course that over a period of years the military expenditure has swelled and swelled and swelled. But I should like to remind the Honourable Member, and I would draw his particular attention to the fact that, though for a considerable number of years it has swelled, in the last year it has begun to shrink. I hope the maximum has been reached and that in future years we may see a reduced amount in the Budget. But I confess that I am in some difficulty. The Honourable Member very rightly laid down that policy and expenditure must inevitably go together. I am entirely in accord with him. But my difficulty is this, that whereas on the one hand I am doing all that I possibly can to reduce expenditure, I have continually had forced upon me a policy in which, many Members are interested, namely, the Indianization of the Army, which will inevitably lead to an increase in cost and not a decrease. I am therefore torn asunder between these two lines of policy and my greatest difficulty is to reconcile the one with the other.

Another Honourable Member has referred to the line in which reductions may be possible, and I thank the Honourable Dr. Sir Deva Prasad Sarvadhikary very much for his useful and cogent suggestions. I shall make it my business to consider them and to do all I can in the direction in which he suggests. He may have observed that in the speech that I

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made the day before yesterday in another place, I held out hope that in the departmental, administrative and ancillary services, I looked forward to effecting some economy in the future. He definitely referred to the question of the third Cavalry Regiment. Of all the recommendations put forward by the Inchcape Committee that really, in so far as troops are concerned, is the only one in which there has been some discussion between the India Office and the War Office. You will have observed that the final arrangement which has been come to has been a division of the liability over a period of two years when the question will be once more considered. The Honourable Member has also suggested that we might employ more Indian clerks instead of British clerks in many of our offices both in the districts and at headquarters. I agree with him, and it is a policy that I have been religiously pursuing for the past two years, and I am by no means satisfied that we have reached finality. The other matters which he noted in connection with the Territorial Force and Indianization I will postpone for the moment until I have dealt with the remarks of other Honourable Members. The Honourable Mr. Natesan gave us a discourse which I am sure was full of interest, but I am sorry I did not catch the whole of his meaning, for it became a race between the Honourable Member and the clock. What I did gather was that he was extremely anxious that the military expenditure should be reduced to 50 crores. Well, Sir, my own opinion on that particular point is already recorded in the Report of the Inchcape Committee. Seeing that the Committee looked for that reduction largely on account of a possible fall in prices, notwithstanding the confidence that has been expressed in this House and which I hold myself very strongly in the Finance Member and his Department, we can hardly hope that he will be able to bring about a fall in prices within the course of the next few years which will enable the military expenditure to be reduced by a sum as large as seven crores. . . .

THE HONOURABLE SIR BASIL BLACKETT: He would get into great trouble if he did.

HIS EXCELLENCY THE COMMANDER-IN-CHIEF: Mr. Lalubhai Samaldas has suggested that it should be possible to make a further reduction in the transport services and by the Indianisation of some of the other services. Now, that again is a matter which I am quite hopeful of. Perhaps he does not realise so much as I do how very important the transport services are in war and I am endeavouring to set aside—shall I call it a reserve? It is not quite a reserve but it is transport material placed in cotton wool for use only when war comes. I want to accumulate that reserve so that, when mobilisation arrives, we may not find ourselves as deficient in transport as we did in Mesopotamia. The initial expense is of course considerable. The recurring expenditure is comparatively small. And I therefore hope that in that direction, as he suggests, we may be able to effect further economies.

Sir, it will not be necessary for me to repeat what I said in another place the day before yesterday, for I think most Honourable Members were present, and I hope that on that occasion I made myself clear. The only point which I would like to repeat here, and concerning which I desire that there should be no room for misunderstanding; is that I cannot

contemplate any further reduction in the numbers of the fighting troops. It has been suggested that, though I may not reduce their numbers, I may possibly replace, change or alter their actual composition. It is possible. I will consider it sympathetically and I will see if it can be done, but at the moment I do not see where economy is to be made in that direction.

There are two more points. Firstly, I want Honourable Members to realise, when they look at the large figure of military expenditure of about 60 crores, that no less than 11 crores of that consists of the non-effective vote and 9 crores of which is entirely absorbed for pensions for poor people who have been wounded, mutilated, or their families and 2 crores of it is expenditure which though it figures in the 60 crores, comes back to Government as revenue in the shape of customs and so forth which we have to pay on articles we are obliged to import. At any rate, there are 11 crores which really do not constitute a part of the expenditure of the fighting services and I think that ought to be remembered. When you take that into consideration, and when you realise that the proportion which the military expenditure bears to the total revenues of India—and I include in that of course the provincial revenues—is only 28 per cent. instead of 50 per cent. as I have heard it sometimes quoted, and when 11 crores is really not expended upon the fighting services but consists of the non-effective vote, I do not think you can say that the military expenditure is really very high, especially when you consider the enormous extent of the frontiers of India and the immense responsibilities that have to be safeguarded. When you compare India with the other Dominions you must remember, that in no other Dominion of the British Crown have you got a potential and turbulent neighbour conterminous with some 400 or 500 miles of your land frontier. In that respect India is unique. There is no other place in the whole of the Empire where the situation is similar, and it is for that reason that you always have to be prepared for immediate and serious operations in the event of a period of strained relations suddenly supervening. Furthermore, remember that this amount of about 60 crores includes not only your Army but also the whole of your Air Force and the whole of your Indian Marine, which, together, absorb rather more than 2 crores of rupees even after the reductions recommended by the Inchcape Committee have been carried into effect.

Sir, I rather doubt if I should be in order in referring to certain statements which were made by Honourable Members in another place. I believe I should be exceeding the limits of custom in this Council if I did so refer to them.

(At this stage the Honourable the President resumed the Chair.)

But, without making any direct allusion to the speeches that were made in the other place, I may observe in general that to my mind very valuable contributions and proposals were put forward and much valuable and constructive criticism was made regarding the military problem as a whole. References were made to the development, increase and amplification of the Territorial army. It was likewise said that, in view of the future development of this country on self-governing lines, the consideration and the eventual solution of this military problem was absolutely essential. Now in that I am in entire agreement. I would examine, I would experiment, I would do everything that is possible in all directions to find gradually the solution to this problem because it is of first class importance

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to the future development of a self-governing India, and I would be only too glad if some solution could be found. I said in another place that education was the foundation and the only channel through which the Indianisation of the commissioned ranks was possible, and that is true. Therefore, the speed at which it will be possible to carry out any satisfactory scheme of Indianisation must be slow. It cannot be rapid but we can make a beginning, and I contend that a beginning has been made in the only direction through which eventual solution is possible. It exists in the Prince of Wales' Dehra Dun College of to-day. It is not enough. We want several similar colleges and we want, as one Honourable Member suggested, education before the age at which boys go to Dehra Dun. For that I have already made provision. To-day two schools are being constructed in the Punjab in the shape of the King George's Schools. The foundations were laid by His Royal Highness the Prince of Wales and I am in great hopes that these schools will be opened within a few months from now. What we find at Dehra Dun is that boys of 12 and 13, who in England would have already been several years at a private school, come to Dehra Dun without any primary education and without ever having been to school at all. Their education is of the lowest possible standard, and it is for that reason that we want to take the boys as young as possible, 7 and 8 years old, and send them to school for 3 or 4 years before they go to Dehra Dun.

Now, I will not go into the difficulties of this problem of primary and secondary education for Indian boys. Believe me—and I have examined it very very thoroughly—it bristles with difficulties; but I agree these must be faced. I am only too anxious to accept the assistance of any Honourable Member who can and will give me his help, for we must go on with this problem until in the end, by perseverance and continued effort, we eventually find a satisfactory solution.

THE HONOURABLE LALA SUKHBIR SINHA (United Provinces Northern : Non-Muhammadan): Sir, the Budget estimates put before this House are much more satisfactory and gratifying than those of previous years, especially because the Budget is balanced and not only balanced, but it is the first surplus Budget after the war. In previous years we had to face deficit after deficit, and I think it is due to our present Finance Minister that, within one year, he has been able to place before us a surplus Budget. Last year he was in great difficulty in balancing the Budget and he had to propose the raising of the salt duty from Rs. 1-4-0 to Rs. 2-8-0. There was great agitation throughout the country, but anyhow the duty was raised and the surplus is due to the raising of that duty and to the consequent growth of revenue, together with a great deal of retrenchment in expenditure as recommended by the Inchcape Committee. However, the surplus is there and it is most gratifying that our Budget is a surplus one. We expect a bigger surplus next year, especially through a further retrenchment in expenditure. My friends Sir Umar Hayat Khan and the Nawab of Loharu said this morning that, looking to the efficiency of the Army, there is hardly any scope for further retrenchment there, but I may assure them there is hardly any Member in this House or in the other House who wishes to impair the efficiency of the Army. We do not suggest any thing that might impair the efficiency of the Army; what we suggest is that, looking to the efficiency of the Army, the expenditure should still

be curtailed. We are thankful to His Excellency the Commander-in-Chief that he has made retrenchments and that he is willing and prepared to make further retrenchments, as he has just said. If we consider the Inchcape Committee's report, we find that the expenditure on the Army can be reduced to 50 crores of rupees. I do not know whether it is possible or not, but I do think that there is still further scope for retrenchment in military expenditure. As my Honourable friend, Sir Dinshaw Wacha has said, if the Army Amalgamation Scheme is modified, if the Indianisation question as regards the rank and file and the officers is taken up seriously, then there is still a great deal of scope in this direction.

As regards the surplus, the Finance Minister has put two proposals before us. The first is that half the surplus should go towards the reduction of the salt tax from Rs. 2-8 to Rs. 2, and the other half to the reduction of Provincial contributions made to the Central Government. The second is that, if this House and the Assembly agree, the whole surplus may go to the reduction of the salt tax. I would like to suggest that, considering public opinion throughout the country, considering the agitation made last year, considering that salt is a necessity of life and the high rate at which it is at present selling, namely, 8 seers in place of 16 seers, it would be fair and reasonable to use this surplus for the reduction of the salt duty. Sir, as all of us know, this was an emergency measure last year and it was certified by the Viceroy in order to balance the Budget. But now that the time has come when the Finance Minister is fortunate enough to have a surplus, I think it is just and fair to use that surplus for the reduction of the salt duty. I quite agree that the reduction of Provincial contributions is also necessary and should be effected. But, considering the importance of salt as an article of daily consumption, I consider that the surplus should be applied first to the reduction of the salt duty and the Provincial contributions should wait till next year when we hope to have a bigger surplus, in which case the contributions from the Provinces should be reduced either in part or in whole. That will depend upon the amount of the surplus, but Provincial contributions are bound to be reduced, because in every province we find that nation-building departments are suffering from want of money, and therefore next year we shall see to that. But this year I strongly suggest that this surplus should go towards the reduction of the salt duty from Rs. 2-8 to Rs. 1-4.

THE HONOURABLE SIRDAR CHARANJIT SINGH (Punjab: Nominated Non-Official): Sir, I should like to congratulate the Honourable Finance Member on the clear and lucid Budget he has put before the House, dealing as it does with a great many subjects and a great mass of figures with the easy confidence which betrays the hand of a master in finance. It must be a source of satisfaction to the Government as it is to this House that this year's Budget is not only a balanced Budget but it is a surplus Budget. I believe, Sir, that it is a clear indication that the era of unbalanced Budgets has come to an end, and that India has begun to tread upon a brighter and a happier pathway. The great war, which created a tremendous upheaval all over the world, was responsible for a considerable increase in our expenditure also, but now that things are settling down, it is satisfactory to note from a perusal of the Budget that our expenditure is also gradually coming down. For the reduction in the military Budget we are obliged to His Excellency the Commander-in-Chief who, as most of us know, has addressed himself to this object with a businesslike energy. Regarding the Railway Budget, I am glad to find

[Sirdar Charanjit Singh.]

that the Finance Member has proposed its separation from the ordinary Budget. Railways, like any other commercial undertakings, should be run on commercial lines. It is, I think, a step in the right direction, and I hope it will in due course be carried out. The taxes, generally speaking, are very unevenly divided, and it is to be hoped that the Taxation Committee will be able to make recommendations to improve this state of affairs and remedy these defects. It is the wish of every Government and of every Finance Member to lighten the burden of the people, if they can conscientiously do so without impairing efficiency or sacrificing the best interests of good government. The Honourable Finance Member has shown, by reducing the salt tax, that he is also animated by the same feeling. We are offered Rs. 3,86,00,000 for the reduction of the salt tax and the Provincial contributions. Both these objects are equally deserving; the main object is that even the poorest people should be benefited by the surplus, and I think that by adopting the method proposed by the Finance Member, this object will be amply achieved. I therefore strongly support the proposal made by the Honourable the Finance Member.

THE HONOURABLE RAJA PRAMADA NATH RAY OF DIGHAPATIA (East Bengal: Non-Muhammadan): Sir, I join with others in congratulating the Honourable the Finance Member on presenting what may be called a prosperity Budget. I also thank His Excellency the Commander-in-Chief for being able to make retrenchments in the military expenditure aided by his able staff and his able Financial Adviser, but we hope that His Excellency will be able to make further reductions and bring down the military Budget to the lowest level suggested by the Inchcape Committee. And we also hope that he will be able to have an advisory committee for speedy Indianisation of the Army.

Sir, I congratulate the provinces which have been fortunate enough to receive rebates in Provincial contributions, and I hope it will fall to the lot of the remaining provinces to be treated in the same way next year, if possible. While on this subject, I may take the opportunity of mentioning here that Bengal has a just claim not only to be permanently relieved of its contribution to the Central Exchequer, but also to have the apportionment of her share of revenues reconsidered, inasmuch as it was fixed under an admitted miscalculation by the Meston Committee. If Bengal has been able to show a balanced budget this year; it is only because it has made extensive retrenchments in every department continuously for the last three years, totalling 1 crore and 51 lakhs. Besides it had to take recourse to additional taxation which is undoubtedly very unpopular, and which was not contemplated in the Meston Award. It will be seen that in 1920-21 the total receipts available as Bengal's own share were 11 crores and 12 lakhs, while in this year's budget they have gone down, in spite of the new taxes imposed, to 10 crores 22 lakhs, or 90 lakhs shorter than what was available in what I may call the pre-contribution year. On the other hand, the total revenues under all heads collected in Bengal are as much as 34 crores 16 lakhs, out of which Bengal's own share is only under 9 crores, and the rest, namely, over 25 crores, Bengal has to contribute to the Central Exchequer, and this is the biggest contribution from any one province, and much more than what all the other provinces put together, excepting Bombay, pay to the Central Government. It is, therefore, obvious that, if the rebate of 63 lakhs is withdrawn, Bengal would not even have sufficient to balance its Budget, leave alone any expenditure on what is known as nation-building departments. If the

rebate had not been available, there would have been a deficit of nearly 40 lakhs in 1922-23, 32 lakhs in 1923-24 and 27 lakhs in 1924-25, in spite of fresh taxation—a situation never contemplated by the Meston Committee, I am sure. We have absolutely no cause to be jealous of any other province; on the contrary, we are greatly pleased that four other provinces have been fortunate enough to secure a rebate this year. At the same time I feel it is the duty of every representative from Bengal to try and convince the Central Legislature that we are not getting the rebate of 68 lakhs merely as a matter of grace, as some would make out, but as a result of a special recommendation made by the Joint Parliamentary Committee to the Government of India. The Meston Committee blundered in making proper calculations, as it underestimated the normal expenditure, having based its calculations on the figures of only one year, namely, 1919-20, when expenditure was vigorously cut down, as it had been during the war, and also did not take into consideration the expenses with which the province has since been burdened, amongst which the Dacca University stands foremost.

I hope, in consideration of the peculiarly disadvantageous position in which Bombay and Bengal have been placed by the Meston Award, and in view of the fact that these are the two greatest industrial provinces in India, it will be considered a matter of great importance and urgency by the Government of India to revise the Meston settlement at the earliest opportunity by a Committee presided over by one who has had no previous connection with any of the provinces of India. But so long as the revision be not possible, the Government of India will, it is hoped, not do away with the rebate allowed to Bengal and paralyse the ordinary activities of the Government, as it is no longer possible to supplement the revenue by any fresh taxation, in view of the present condition of the province, nor is any further retrenchment likely without interfering with the efficiency of the different departments of the Government.

Now, coming to the question of the salt tax, I am afraid a mere rebate of eight annas would not go far to satisfy the people, as every hope was entertained that it would be brought down to its original level of Re. 1-4 in the Budget under discussion. If the Government had any justification for the enhancement of such an odious tax last year, they have absolutely none this year, as there is no such important question present as that of balancing the Budget. It is simply amazing that the Government believe that merely by the manipulation of the dealers they have lost two-thirds of the calculated increase from this tax. But, of course, Government know better and it is difficult for an outsider to say anything more.

As to the small reduction of the excise duty on motor spirit, it is certainly a small mercy for which those who are interested in motor transport, etc., ought to be thankful; but when they remember that in pre-war days they could buy petrol in Calcutta for twelve annas and in Bombay for Re. 1 per gallon, and when they also realise that although they are in its home country they have to pay much more for it than in any other country, they will be far from grateful and will be inclined to think (rightly or wrongly) that the powerful oil ring is exercising its nefarious influence against further reduction.

In conclusion, Sir, it is very satisfactory to note that the era of unbalanced Budgets is at an end, and that the financial equilibrium has been re-established, at least so far as the Central Government is concerned.

THE HONOURABLE LALA RAM SARAN DAS (Punjab: Non-Muhammadan): Sir, we find that this year Government have after all been able to balance the Budget though by mere paper entry and not by genuine revenue. The crushing taxation which has been a great burden to the country has not yet been reduced, and I shall congratulate the Finance Member when this crushing taxation is dispensed with. We are glad to see, Sir, that there has been a steady revival in trade. We have a surplus of 103 crores and 47 lakhs over our imports this year as against 62½ crores last year and against an adverse balance of 29.60 crores for the year before last. But at the same time, although trade is reviving, the bank rate continues very high. We are very grateful to the Government for the provision made by them under the currency emergency which was meant to keep down the rate of interest and not to let it exceed 8 per cent. The Imperial Bank of India has drawn over 12 crores, which is the maximum limit under the present regulation, and even then we find that the rate of interest is going up. It is 9 per cent. now and there are fears that it might go up to 10 per cent. In my humble opinion, Sir, the fixing of the sum available at each rise in the bank rate is too rigid, so that some other suitable method should be devised.

In this year, Sir, we find that the price of cotton has been about Rs. 21 per maund more than the normal. The production of India is about 50 lakhs of cotton bales per year, and in this commodity alone an additional sum of not less than Rs. 52½ crores is to be found. So, Sir, it is quite clear that the present method of utilising this emergency currency is not meeting the demand of the country. We find, Sir, that the expenditure on the Kabul and Nepal Legations is being unjustly paid by India, and so is the expenditure on the Persian Gulf and Persia. We cannot understand, Sir, when Canada is not paying the cost of the Legation at Washington, why India should be made to pay for the Legations at Kabul, and in Nepal and Persia.

We find, Sir, that, although our convict settlement has been practically withdrawn from the Andaman Islands, our yearly expenditure on the Andaman and Nicobar Islands is Rs. 41.19 lakhs, which even if we deduct the income of Rs. 14.18 lakhs, leaves us with a net expenditure of Rs. 27 lakhs. I do not find, Sir, that there is any necessity for India to keep up this expenditure, and in my opinion the Government would do well to let these Islands make their own Colony Government.

I find, Sir, in the Postal and Telegraph estimates the contract with the British India Steam Navigation Company for carrying mails by sea to various places has been increased by almost Rs. 5 lakhs a year. This Company used to carry mails previously at the rate of Rs. 10 lakhs a year, and now that demand is Rs. 15 lakhs, and in addition the contract is for 10 years. This is due to a monopoly, and I hope the Government will see that such monopolies do not survive.

Sir, we are thankful to Government for reducing the petrol excise duty. Petrol is now a monopoly of the Burma Oil Company in India. His Excellency Lord Curzon, in his time of office, stopped the Standard Oil Company taking over the Burma Oil fields, and that was a right step which was made to avoid a combine from getting a monopoly of practically the world's oil supply. The Attock Oil Company started working in the Punjab, and we see that that Company too has been swallowed up by the Burma Oil Company. The Burma Oil Company people are able to sell petrol cheaper in the British Isles than they can in India. This requires the serious attention of the Government, and I strongly urge that, in

order to reduce the price of petrol and increase our revenue, an export duty on petrol should be levied.

As far as the military expenditure is concerned, Sir, I think that it is still heavy. We are grateful to His Excellency the Commander-in-Chief for bringing down the figure even to a lower level than what was recommended by the Retrenchment Committee, but still we find that India cannot bear this big burden. As regards gratuities to surplus officers of the Army, I may say, Sir, that for this a sum of 39 lakhs has been provided as increase in expenditure in the Army Budget. In answer to my question in this Council on the 18th February last I was given the information that the total amount paid in India on account of gratuities to permanent officers of the Indian Army due to post-war requirements was as follows:

	Rs.
During 1922-23	51,27,104
From 1st April 1923, up to 31st December 1923	11,37,921

In addition payments on account of gratuities and allowances have been made in England to the following extent:

	Rs.
During 1922-23	69,39,748
From 1st April 1923 to 31st December 1923	57,42,045

Thus, Sir, we find that the total amount thus paid including the 39 lakhs, which should really be 58½ lakhs as it has been calculated on a two shilling exchange basis instead of a 1/4d. basis—adding this 58½ lakhs to the item which I have already mentioned it gives the big total of over Rs. 2,37,96,818 which is an enormous charge and which has been practically the result of employing more British officers to meet the demands of the great war. His Excellency the Commander-in-Chief assured the House that he will do his very best to get us a proper share from the British War Office. I hope we shall get back the major part of the money which has thus been spent. . . .

HIS EXCELLENCY THE COMMANDER-IN-CHIEF: So do I.

THE HONOURABLE LALA RAM SARAN DAS: As regards Indianisation of the Army, Sir, His Excellency has assured us that everything possible is being done in this direction. In this connection, Sir, I might say that in the case of the University Corps which have been raised in all the Provinces—even the officers in those University corps do not get any commissioned rank. I cannot understand why the students who qualify themselves in military training and who are on that account given the rank of officers in their own corps are to be debarred from getting the rank of a commissioned officer. . . .

HIS EXCELLENCY THE COMMANDER-IN-CHIEF: We have so far had no applications from officers in the Training Corps of Universities for permanent commissions. We have men in the Officers' Training Corps, but they have not asked for permanent commissions. Nor do I think that as a body they are anxious to accept permanent regular commissions.

THE HONOURABLE LALA RAM SARAN DAS: Do I understand from His Excellency the Commander-in-Chief that he will guarantee them permanent commissions if they apply?

HIS EXCELLENCY THE COMMANDER-IN-CHIEF: I certainly cannot guarantee anything. It will entirely depend upon their qualifications and standard of education they have attained, as well as their physical fitness, etc.

THE HONOURABLE LALA RAM SARAN DAS: In case His Excellency the Commander-in-Chief is kind enough to lay down a certain standard of qualification, it will be of great use to the students who want to get permanent commissions in the Army.

Sir, nautical training is a great necessity in India, and I request the Government to move in this direction soon.

Separation of the Railway Finance from the General Budget is very desirable on principle, and I strongly advocate it.

We find, Sir, that our greatest industry in India, namely, the steel industry is going from bad to worse, and in case this industry goes to ruin, India will lose very heavily and industrial progress will get a great set back. Therefore, I urge that all possible protection should be given to the steel industry.

We find, Sir, that South African Coal and coal from other countries is finding its way into India. It will be a source of revenue to India as well as an impetus to her own coal trade if an import duty on foreign coal were imposed. The Assembly passed a Resolution to that effect, and I hope the Honourable the Finance Member and the Government of India will see their way to accept the recommendation of that representative body.

The Madras Chamber of Commerce, or the Madras Merchants Association—I do not recollect which,—have strongly urged an increase in the export duty on raw hides. From what I can find from the papers that have been supplied to me, the duty would be desirable from the point of view of Indian interests.

As regards the capitation charges and the charge for the transport of British troops, His Excellency the Commander-in-Chief told us last year that that was the subject of communication between the Government of India and the War Office. Sir, I now like to know whether any decision has been arrived at in this matter.

As regards cotton duties, Sir, I might mention that, particularly at a time when the cotton industry is not doing well, the Government should see their way to abolish these duties and to help this industry when their help is essential.

I find that there is a very heavy duty on the import of commercial lorries and solid rubber tyres. As these things are not meant for luxury, but for commercial transport, I think the Government will do well to take the import duties off lorries and solid rubber tyres.

We are glad to find, Sir, that certain Railways have introduced coupé compartments in first and second class carriages. They are very comfortable and are popular and we hope that all the railways which have not hitherto adopted the coupé compartments will now do so. A man and his wife can travel very conveniently and comfortably in such coupé compartments. I would, Sir, also mention that this will easily solve the question of not reserving compartments for Europeans and Anglo-Indians.

THE HONOURABLE THE PRESIDENT: I would remind the Honourable Member that there is very little time and there are several other Members who wish to speak.

THE HONOURABLE LALA RAM SARAN DAS: Very well, Sir, I will close my remarks. I have only one other suggestion and that is, that all our foreign stores should be purchased on a rupee basis and not on the basis of the coin of the country from which they are imported, and that the salt duty should be brought down to Re. 1/4.

THE HONOURABLE MAJOR NAWAB MOHAMED AKBAR KHAN (North-West Frontier Province: Nominated Non-Official): Sir, I welcome the Budget so far as it has been put forward and I think that it is due solely to the efforts of the Honourable the Finance Member that such improvement has been made this year. I am told that the Honourable the Finance Member has taken much pains towards the working out of this Budget, but what appears to me surprising is the expenditure on Railways. This year, Sir, the expenditure to be incurred on Railways is something like Rs. 26,67,63,000 against a net receipt from the corresponding source of Rs. 30,94,93,000, whereas the revised expenditure of 1923-24 for the same was Rs. 26,90,87,000 against a net receipt in the last year of Rs. 32,37,87,000. It is quite evident, therefore, that the net receipt from Railways in 1923-24 exceeded the net receipt of 1924-25 by one and a half crores of rupees and that the expenditure on Railways in the year 1924-25 exceeds the expenditure of the last year by nearly 66 lakhs of rupees. I am at a loss to understand why the expenditure estimate of 1924-25 in connection with Railways is taken to be more than the last year when the income in 1924-25 from the same source is expected to be less than the past one. That is to say, we had expected that Railways would bring us more income and claim less expenditure, but I am sorry to realise that we were mistaken in entertaining such hopes. From the business point of view, the expenditure estimate on Railways for 1924-25 is to tell doubly on the Revenue estimate. The income is less and the expenditure is greater, which ought to be less than the actual receipt. Will the Honourable the Finance Member be pleased to explain the circumstances under which the expenditure estimate for 1924-25 in connection with Railways is estimated in excess of the last year when the income from the same for the year 1924-25 is expected to be deficient by one and a half crores of rupees. Am I to understand, Sir, that it is due to some new railways being constructed in some parts of India or on account of something else? I hope the Honourable Member will condescend to throw some light on this point.

Sir, this morning my friend, the Honourable Sir Umar Hayat Khan, advocated a forward policy on the Frontier. I for one, Sir, entirely dissociate myself from the views expressed by my friend, Sir Umar Hayat Khan. Sir, to be able to express an opinion on the frontier subject requires a life-long study. A man cannot express an opinion in a light-hearted and haphazard manner about a question of such magnitude, and a question of that nature requires very long study. My friend, the Malik Sahib, has dealt with the question in a very light-hearted manner and he thinks that his forward policy would not involve a very heavy expenditure on the Budget. I admit that India has got resources, but one point that I want to ask him is this: "Will the Finance Member give him sufficient money to carry out what he has been speaking of this morning?" To me it seems an impossibility. Consequently, I ask him, "What will he gain

[Major Nawab 'Mohamed Akbar Khan.]

by that forward policy?" Is the country beyond the administrative border a very rich one? Will not very heavy expenditure be incurred on the useless expedition? Will that bring in any remuneration? Will it be paying? I think not. Everything should be duly weighed before it is given expression to in this House. To perform the task about which my Honourable friend has been talking this morning is not a very easy question. We people, who live on the frontier, have studied the question, and I can assure this House that none of us are of that opinion. Last year an inquiry was made and the majority of the opinions expressed was not in favour of the forward policy. It is no use being an arm-chair expert and expressing your opinions. Your opinion must be expressed when you know the real state of affairs on the frontier. Coming and delivering a speech is quite easy. But to carry your speech into action is a different job. I hope that my Honourable friend, Sir Umar Hayat Khan, when he expresses his views again, will be kind enough to see to the expenditure side of the expedition, which will involve us in a useless and unprofitable expenditure.

THE HONOURABLE SARDAR JOGENDRA SINGH (Punjab: Sikh): At this late hour I will only make a few remarks regarding how this Budget affects us. There are two or three things which are essential; the foremost being a stable currency. The Honourable the Finance Member in his speech in Bombay and in his replies to the Chamber of Commerce has explained his future exchange policy, but he has said little regarding giving us a stable currency. The silver rupee, as he himself told us, is a token coin on the same level as the paper rupee note. The question is nearly a century old. Stable currency is our urgent need and I want to invite the attention of the Finance Member most earnestly to this. The second question, and I will not detain the House long in explaining it, is the need of the creation of agricultural credits. It is known to everybody who has to deal with agriculture how indebted we are and how limited are our resources. What we need is agricultural credit if agriculture is to make any progress. The third matter to which I wish to draw the attention of the House is some kind of provision for the provinces to raise loans. Now when the provinces wish to raise loans, there is some kind of difficulty and they do not seem to have free access to the market. It is absolutely necessary that some kind of provision should be made so that the provinces, whenever they require money for productive works, may be able to raise money easily. I want to invite the attention of the Finance Member to another fact; it is that a very large amount of duty is collected on sugar. He might devote part of that for promoting the manufacture of refined sugar and promotion of the growing of good sugar-canes. The Finance Department in the last five years has reaped an enormous harvest from the sugar duty, but not a penny has been devoted so far as the cultivation and promotion of the sugar industry is concerned, in spite of the clear recommendations of the Sugar Committee. Then, Sir, the Finance Member has put proposals before the House regarding the use of the available surplus. He has promised large contributions to the provinces. He does not favour the reduction of the salt duty and Mr. Bell in a very clear speech supports this view on economic grounds. He said that the remission of salt duty on economic grounds is not to be considered. I am one with Mr. Bell that if the economic grounds are strong enough to prevent the remission of the salt duty, it should remain, but when you come to consider the other proposal the objection of the Finance Department does not seem to be strong. You propose to give certain sums to provinces, which after

all are not very large; it is not only men that would profit but the men and the beasts both require salt and as the Finance Member's speech itself shows, there is a fall in consumption. The men may not have reduced salt but they have possibly starved the beasts. He could not therefore do better than reduce the salt duty to Rs. 1-4-0 and abolish it some day. I will not at this stage enter into the question of army expenditure. His Excellency the Commander-in-Chief in the course of his very convincing speech gave an assurance to this House that he is most earnestly considering the question of reducing expenditure on the one side, keeping the army efficient on the other, and at the same time Indianising the services. We who have been connected with the Army for generations know what it means. We expect His Excellency the Commander-in-Chief to create large reserves and utilise the man power that is available in the country in training them for military service. The Honourable Sir Dinshaw Wacha in his speech advised us that we should really confine ourselves to matters relating to policy, and on this point before I conclude I want to say that the steel frame which India needs and which India will need whether it is made from Indian material or foreign material needs all the strength that we can give it. The steel frame is not composed only of civil servants but is really largely supported by the Army, the men who dedicate their lives to their country and are prepared to give their lives, at any moment they may be called upon to do so. But what we expect is that in making up this steel frame more and more Indian material may be used, and that the steel frame may be strengthened so that the administration of the country may continue to prosper. We must sink our differences and realize, Indians and Englishmen, that we are working for one cause only, and that cause the prosperity of India, and if we for the moment forget our differences which are not on the whole very material and work together with mutual good-will, the progress of India would be greater than it has been for the last 8 or 10 years. (Hear, hear). In conclusion, I should like to invite the attention of the Finance Member to the promotion of industries, to the promotion of agriculture, to the promotion of irrigation, to the creation of wealth rather than to the question of retrenchment. For years India has been starved. What we need is the creation of new wealth, and for that we need courage and enterprise which I think will be forthcoming if Indians and Englishmen would sink their differences and work together in the great cause.

THE HONOURABLE SAIYID RAZA ALI (United Provinces East: Muhammadan): Sir, I just wish to offer a very few observations on one aspect only of the Budget, namely, the military aspect. I must at once say, Sir, that the speech delivered by His Excellency the Commander-in-Chief has gone a long way to remove the apprehensions that were created in my mind by a newspaper report of the speech that he made elsewhere. For my part I must at once say that in desiring to offer criticisms on the military aspect of the Budget the main object of the Indian Legislature is not to belittle the great services that are being rendered both by British and Indian troops that are under His Excellency's charge, but to bring about a state of affairs under which it should not be impossible for India to co-operate, if I may say so, with the Military Department on the question of finance. Sir, the Commander-in-Chief in a speech which, if he will permit me to say so, was very lucid so far as it went, though unfortunately it did not go far enough, made his position clear by pointing out that, so far as the minor questions are concerned, he was prepared to consider them patiently, but at the same time he made it quite clear that

[Saiyid Raza Ali.]

unfortunately it was not possible for him to embark on any broad departures of policy involving the outlay on the army in India. In this connection he reminded the House that India had a border of about 400 to 500 miles, and that there was no country in the world which had to keep watch and ward over such a long border. Sir, the very brief reply I would make to His Excellency on this point would be that India had a border equally long in the year 1902-03, and yet, as His Excellency is well aware, the military Budget did not cost us more than 16½ millions sterling.

HIS EXCELLENCY THE COMMANDER-IN-CHIEF: May I point out to the Honourable Member that in those days soldiers were very much cheaper.

THE HONOURABLE SAIYID RAZA ALI: In fact, Sir, His Excellency was good enough to point that out in the course of his speech to which I listened very attentively. I know that this is the contention of His Excellency the Commander-in-Chief, but in the printed speech of the Finance Member, the special attention of Honourable Members has been drawn to the tendency of prices to go down. As a matter of fact I find percentages have also been worked out. The tendency is indeed for the cost of living to go down. It may not have reached the same level as obtained in the year 1913-14, but surely the tendency is to go down. Therefore, Sir, let us see what the present Budget amounts to. As I have mentioned, we started in 1902-03 with a military expenditure of £16½ million. It is instructive to note that this went up in 1913-14 to £19½ million. I am speaking of course in round figures. Then five years later, namely when we take the year 1918-19, we find that the Military Budget stood at £44½ million, more than double the sum of 1913-14 and in the present year, when the Finance Member has exercised all his skill, all his ingenuity, to bring down the Military expenditure, we find that it amounts to no less than £40 million. Sir, I do not think it is a valid contention to urge that the cost of living is solely responsible for this enormous and tremendous rise. What, Sir, has been the military expenditure in England in recent years? We find that if we take the case of the Army alone—as we know, there defence consists of three arms—we find that although in 1922-23 the budgetted figure was £62 million, it went down in 1923-24, namely, the current year, to £52 million, a decrease of £10 million. Coming to the Navy, we find that starting with £82 million in the year 1921-22, it went down to £64 million in the next year, and again there was a decrease to £61 million in the year 1923-24, namely, the current year. I have taken the Budget figures, Sir. I have no doubt that when we get the actual figures, it will be found that a more considerable reduction has been effected under these two arms than is shown by the figures I have given. I am not unmindful of the fact that a small increase in the British Budget has taken place in the case of the Air Force, but that increase is by no means a considerable one. The increase amounts to £2 million, whereas the savings that have been effected amount to more than £81 million. Sir, having these figures before us, knowing, as we do, that Germany has gone, that Russia is lying low, that Japan is a friend of the British Government, and that with America we have not only no quarrel but we have no cause of quarrel in the years to come. May I ask His Excellency the Commander-in-Chief is it fair, is it just, is it reasonable, to insist that India's Budget, even in a year of favourable conditions like these, should not amount to less than £40 million, namely, Rs. 60 crores? I say, Sir, that that figure

gives every true lover of India serious cause for anxiety. The real question that will have to be decided by the Government in consultation with the people is, who is to decide how much money should be spent on our defence? Sir, let me make it quite clear that I am not one of those who would exclusively give the power of deciding this point to even a distinguished soldier like His Excellency the Commander-in-Chief. Sir, it is for the representatives of the people and the Government of this country to decide as to how much money should be spent on defence and it is for His Excellency to decide in what manner that money should be spent. how much of it should be

HIS EXCELLENCY THE COMMANDER-IN-CHIEF: May I just say that it is also the Commander-in-Chief's duty to decide whether this country is adequately defended or whether it is not. I speak with a full sense of responsibility, and I hope the Honourable Member will appreciate that I am the responsible person who has to advise the Government.

THE HONOURABLE SAIYID RAZA ALI: Sir, there is not a word that I have uttered without being deeply sensible of its meaning

THE HONOURABLE THE PRESIDENT: I must remind the Honourable Member that many other Honourable Members still wish to speak.

THE HONOURABLE SAIYID RAZA ALI: I am sorry. I will leave it at that. I appreciate every word that has fallen from His Excellency. But this, Sir, is a question of principle. It is for His Excellency to advise and decide on methods of defence that India should employ. His Excellency's advice on this question would be entitled to our highest respect; but I submit, Sir,—and that is where I differ from His Excellency—it is not for him to have the final word on the question, and that is the crux of the whole matter. That is the question that will have to be fought out one day. It is for the representatives of the people to say "We give you so much money; please employ it to the greatest advantage of the country." It is for His Excellency to say how much should be spent on the air force, how much on cavalry, how much on infantry, and so on. Therefore, Sir, I would wind up only by saying that our present military expenditure is a very serious matter. I again say that I am not prepared to take His Excellency's speech, sympathetic though it was, as the last word on the subject, and I expect and the country expects His Excellency to bring down the Budget to the figure recommended by the Inchcape Committee, namely, 50 crores, and not a pie more than that.

THE HONOURABLE DR. DWARKANATH MITTER (West Bengal: Non-Muhammadan): Sir, I join heartily in the congratulations which have been offered to the Honourable the Finance Member on the very interesting Financial Statement which he has presented to the Council this year. After several lean years which have been years of recurring deficits we have been presented this year with a Budget which shows a real surplus of 3 crores 36 lakhs. With such a large surplus at his disposal one would have expected the Honourable the Finance Member would recommend the reduction of the salt duty from Rs. 2-8 to Re. 1-4 per maund—the duty which existed before it was doubled to meet an extraordinary situation, namely, the balancing of the Budget of 1923-24. This was all the more necessary as the doubling of the salt tax was in the teeth of the opposition of the Legislative Assembly and of ten Honourable

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Members of this House. I venture to think that it is by no means prudent or desirable to keep on a tax after the necessity for its initial imposition has ceased to exist. The taxation was, as I have already indicated, resorted to at a time when the Government found itself face to face with what it considered to be a grave financial difficulty in order to enable it to balance revenue and expenditure. Such taxation ought to be continued only so long as this strained state of finance lasts. Sir, to retain a tax so imposed side by side with a large surplus seems to be opposed to all the received canons of good finance. Nothing can be more indefensible than to raise from the people a larger revenue than is fairly needed for the requirements of the people. Major Baring (afterwards Lord Cromer) when presenting the Financial Statement of 1882-3 said:

"It is of course desirable to estimate for a moderate surplus. But to keep on taxes in order to secure too large a surplus is unjustifiable."

It seems to me, however, that the Honourable the Finance Member would have recommended the reduction of the salt duty to its original level had he not allowed the issue to be complicated by the consideration of the necessity of reducing the Provincial contributions. The Honourable the Finance Member, it must be said in fairness to him, recognises the soundness of the position that the question of the reduction of the salt tax is to be looked at from a standpoint which includes considerations wider than those which are purely financial and economic. The Finance Member states rightly enough that it is a national question which ought to be looked at from a national standpoint. But he is not prepared to give full practical effect to it by following it to its logical consequences. He would give partial effect to it by reducing the duty to Rs. 2. Sir, in a country so poor as India is, it is essential that the weight of public burdens should be kept as light as possible. The salt duty question in India is essentially a poor man's question, for it is the poorer many—and not the richer few—who eat more salt when it is cheap and less when it is dear. Rs. 2 per maund is indeed a very heavy tax on a prime necessary of life which, as a distinguished political economist said, should be as free as the air we breathe and the water we drink. To my mind a low duty on salt places at the disposal of the Government a valuable financial reserve, and it is now beyond cavil or controversy that the relief accorded directly benefits the poorer classes of the community. The Honourable the Finance Member observes:

"We can if we like reduce the salt tax to Re. 1/4 but by doing so we do a definite disservice to the true interests of Indian finances."

Sir, in these observations of the Honourable Sir Basil Blackett I can discern the underlying idea of belief that the imposition of a tax of Rs. 2 on salt does not press very heavily on the people and that the opposition, which he must then have anticipated would be one based on sentimental reasons or other reasons than economic. I can assure the Honourable the Finance Member that my grounds are neither sentimental nor political. The reduction of the salt tax to its original level will be appreciated in the millions of Indian homes where even common salt is regarded as a luxury. In lightening the salt tax the Government would lighten in no small measure the hard destiny of the toiling masses who constitute the real people and who ought to be their first care. A distinguished and bril-

liant Viceroy of India while referring to the salt tax as the tax that touches all classes down to the very humblest said :

" My view has always been that, as the revenue of this country comes in the main from the people of the country, it is to the people that the disposable surplus, if there be one, should return. And who are the people of whom I speak? They are the patient, humble millions, toiling at the well and at the plough knowing little of Budgets, but very painfully aware of the narrow margin between sufficiency and indigence. It is to them that my heart goes out."

I can only earnestly trust that the Honourable Sir Basil Blackett will feel for the toiling millions this year as the Viceroy felt and will reduce the tax to its original level. Let him look at it from the National standpoint which is not to be gauged by the benefit which some provinces receive—but which is to be judged by the measure of relief granted to the toiling masses of India who, as I have already said, constitute the real people. I fully realize that the Honourable the Finance Member's recommendations for a partial reduction may be justified by his anxiety about the future of India's finances. The Honourable the Finance Member feels that the effect of the reduction to Re. 1/4 would be that there would be no surplus to be utilised for the reduction in the Provincial contributions and that the Department of Sanitation and Education in some of the Provinces would be neglected and the improvements necessitated by the reforms would be retarded. It is quite likely that such a result might follow; and the Honourable the Finance Member will have to look to other sources for Provincial contributions if the Provinces cannot do without them. I can however make only one suggestion and that is this. The 2 crores which are held in suspense pending the decision of the Privy Council might be utilised for meeting such emergent expenditure which may be absolutely necessary for carrying on the administration in any of the four Provinces who would have got the reduction in their contributions in case the duty was reduced to Rs. 2 per maund. For it is not likely that the Privy Council will decide before the beginning of the next financial year. I am not unmindful, however, of the criticism to which this arrangement might be open, namely, you cannot base permanent reductions in the Provincial contributions on money which is available on certain contingencies.

The next question to which I desire to direct the attention of the House is the somewhat perplexing question of the separation of Railway finance from General finance. What the effect of the separation will be has been explained at page 211, paragraph 40. I need not quote from that.

The merits of the new settlements proposed are explained therein and in the opinion of Sir Basil Blackett there is no reform which offers greater attractions and greater benefits to our finances and our Railways alike. I am also not unmindful of the recommendations of the Acworth Committee which favours separation. But one serious obstacle to the change proposed is the provision of the Government of India Act, which renders it essential that all the Railway expenditure must be considered by the Legislative Assembly and their vote taken with regard to the said expenditure.

THE HONOURABLE SIR BASIL BLACKETT: There is no obstacle, Sir.

THE HONOURABLE DR. DWARKANATH MITTER: Will you kindly listen to the next sentence. This provision which is contained in section 67A (5) of the Government of India Act, is absolutely inconsistent with separation, and I do not think that this new system can be given effect to without the amendment of the Government of India Act in this behalf. But it is said that the object might be gained by the establishment of a convention by which the Assembly will continue to vote the money for the

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Railways in a form but they will not in practice require of the Railways strict adherence to the figures laid down annually in advance. To me it seems that you cannot through the medium of convention override the intention of the Legislature. In England the conventions of the constitution make up the constitutional morality of the day. They are all constantly acted upon and since they cannot be enforced by a court of law have no claim to be considered laws. They will be found, however, on careful examination, to possess one common quality or property. They are all rules for determining the mode in which the discretionary powers of the Crown or of the Ministers as servants of the Crown ought to be exercised. The Statute gives no discretion to the Legislative Assembly in the matter. It is not a mere matter of legislative procedure which you can change by means of a convention. For this view I have the high authority of Professor Dicey who is a great authority on constitutional law. If reform is needed it can only be by legislation. But, assuming, Sir, the legal objection can be met, one would be tempted to think that the authority of the Legislative Assembly over the Railways would be sensibly diminished.

THE HONOURABLE THE PRESIDENT: Order, order, when I called upon the Honourable Member very late in the evening I had no idea he intended to read a written speech. I supposed he was going to make a few remarks.

THE HONOURABLE DR. DWARKANATH MITTER: I would indicate this. It seems there was a sensible diminution of the powers of the Legislative Assembly. It is a subject on the merits of which I can only speak with diffidence. If the reform means an abrogation of the powers of the Legislative Assembly or the Government of India in any way, it has not my support.

The next thing I wish to say is with regard to Provincial contributions. It seems Sir Basil Blackett has not considered the case of Bengal and its plight under the Meston award. Whereas he allows permanent reductions from other Provinces, he only refers in an indirect way to the question of Bengal's permanent reduction.

With regard to military expenditure, I have only one word to say, that we appreciate the spirit in which the matter has been approached by His Excellency the Commander-in-Chief. There is a general demand that military expenditure should be further reduced, and I feel sure that His Excellency the Commander-in-Chief, who must have noticed the almost complete unanimity of the opinion of this House that there should be further reduction, will co-operate with the House in this matter.

THE HONOURABLE SIR BASIL BLACKETT (Finance Member): Sir, twice during the course of the delightful hour which was devoted this morning to eulogies on yourself on the occasion of your new appointment, you rather basely, as it seemed to me, tried to find an escape from the sincere praises of your friends through attributing to me an insincere desire to get immediately to the discussion of the Budget. I did not intervene at the time, though I should have liked to have done so, because I felt I should have been intruding on a happy family gathering and I might have made myself unpopular had I gloated over the capture that had been made for the other Council to which I belong and for the other House to which I belong.

THE HONOURABLE DR. SIR DEVA PRASAD SARVADHIKARY: I hope you will spare the Honourable Member for this Council.

THE HONOURABLE SIR BASIL BLACKETT: I should like, although it is a little past the time, to join in hearty congratulations to everybody but yourself on the acquisition that has been secured for the Government of India and the Home Membership.

I will not say very much more about the subject of military expenditure which has taken up a considerable portion of the discussion in this House. I should like first to refer to the remarks of the last speaker but one who drew attention to the fall in the total expenditure on the Army Budget in England during the last two or three years. He seemed to think that what we had done in this country compared very unfavourably with the results in England. It is a common bit of rhetoric I find to talk about the ever growing military expenditure in this country, the continually increasing burden. I should like to repeat some figures I have already given elsewhere. The actual expenditure in 1920-21 was 87 crores 38 lakhs net military expenditure. In 1921-22 it was 69 crores and 81 lakhs. In 1922-23 it was 65 crores and 11 lakhs. In 1923-24, according to our latest estimate, it is 59 crores and 74 lakhs. That is a reduction from 1920-21 to 1923-24 of no less than 27½ crores. It still stands at a high figure, Sir, as I have said elsewhere, but I cannot pass the continued statement that we have an ever-growing military expenditure.

The subject of the separation of Railway from General Finance has been mentioned by several speakers. I think that every one, except the last speaker, has been generally favourable to the proposal. I should like to assure the last speaker that we have also high legal authority for believing that what we propose is entirely possible within the limits of the Government of India Act. In the second place, I should like to say that there seems to be a misapprehension in some quarters among those who are hesitant about this proposed change, as to its effect on the control of the Finance Department of the Government of India over the Railway Department of the Government of India and of the control of the Assembly over the Railway Department. Now, Sir, no change whatsoever is being proposed in the extent of the control either of the Finance Department or of the Legislature. On the contrary it is my belief that with the changes that have been made last year in the appointment of a Financial Commissioner of Railways, in accordance with the recommendations of the Retrenchment Committee, and with the working out of those changes in connection with separation, the control of the Finance Department over the Railway Department finance has been very greatly improved. That is certainly the view of the Commerce Member who gloats over the fact because he knows its value; and it is certainly my view. The change that is proposed—the essence of the change that is proposed—is that that control should no longer be exercised by the Finance Member and the Finance Department for the purpose of raiding the railways for the benefit of general finance, but that it should be exercised for the purpose of enabling the railways to earn their money at less expense and carry on the services which they carry on for the country and its transportation at a cheaper rate and give better service. It is the purpose for which control is exercised that is to be changed—nothing else. There is no change in the extent of the control. On the contrary, I believe that both the control of the Finance Department and the control of the Assembly, as it will be worked out, will be increased. But it will not be exercised simply for the sake of obtaining money from the railways which those railways have not really earned.

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That has been the difficulty. For years we have taken money from the railways which they have not earned and occasionally railways have come back to us and taken money from us at a time when we badly wanted it, because, owing to previous under-expenditure, they were in a condition that did not allow them to go on paying us the amount that we hoped to get from them. The subject is a technical one, and I do not wish to go very much further into it to-day, but I do assure the House that that is the kernel of the matter. It is to run the Railways for their primary purpose, to transport passengers and goods at the quickest rate and at the least cost that is compatible with the essential requirements, and at the same time to secure that the railways should pay to the State a fair return on the amount which it has invested in those Railways. I lay down three propositions: the first is that the railways of a country should not be subsidised by the taxpayer; the second is that the railways of a country should not be used as a method of indirect taxation; and the third that would follow from these two, would be that the railways, if they are in the hands of the State, should pay annually to the State in addition to the full amount of interest on the capital invested in those railways by the State, some further contribution in view of the fact that the State lends to the railways its credit and that the State would obtain income-tax from those railways if they were in private hands, but that after paying the whole interest and an additional contribution, anything further that the railways can earn ought to be used either for cheapening transport or for improving it. I was very much interested to find so many Members referring to this subject and to the subject of debt reduction, because I believe that one of the most important things that we have to do, if we want to go ahead, in order to put our finances finally in order after the disturbances caused by the war, is to deal with these major problems which, as I said in my Budget speech, are of an importance which extends far beyond the immediate year ahead of us. As regards the subject of debt reduction, it has been suggested by several Members in this House that they would like to have an opportunity of discussing the subject at somewhat greater length than it was possible for them to do under your stern guidance to-day, especially as a good many of them had other subjects to speak on as well. That is a matter on which I can express no opinion, but I see no reason why, if an Honourable Member wishes to have the subject discussed, he might not make arrangements, at any rate in the September Session, by a Resolution on the subject to bring the matter before the House.

The criticisms that have been made, I think, were chiefly those brought forward by Mr. Bell in a speech on which I should like to congratulate him and the House. I stated in my Budget speech that the periods which were suggested were not the only possible or the only reasonable ones, and he suggested slightly different ones. I will not enter into the general question. But I should like to ask him, with reference to New Delhi whether his suggestion to spread it over thirty years is his final view, when he considers that the generation that is to come will certainly have to pay extra expenditure for the upkeep of New Delhi and ought not therefore to be charged for very long with interest on the money spent on building it. (*The Honourable Dr. Sir Deva Prasad Sarvadhikary*: "Is thirty years the life of New Delhi?") I hope that New Delhi will live for ever. But I do not think that the taxpayer who has to pay the extra cost for the occupation of New Delhi should also be expected to repay the whole of the original cost of building it. Another subject connected with debt was mentioned by

think by Mr. Sethna, the non-expenditure of the special additional provision of 80 lakhs of rupees for depreciation funds. Now, the position as regards that is that, under our contract with the holders of the two 5 per cent. loans, we have to set aside each year a certain sum of money to be applied in purchasing that debt in the market when it stands below its issue price. One of these issues stands well above its issue price. We cannot therefore use the obligatory depreciation fund for the purpose. The other is rapidly inclining towards its issue price and I do not think that, in view of the fact that we have a continuous programme of borrowing at present, we ought necessarily to be in a hurry to push it up above the level of its comparative level with other stocks simply because we have a large sum in hand. Surely a depreciation fund which exists for the purpose of keeping up the price of stock ought not to be accumulated unduly. When we are unable to spend the whole of the contractual fund, is it necessary to make special addition to it? It might be suggested that it is desirable to divert that special 80 lakhs to the general sinking fund. I do not think that was Mr. Sethna's suggestion. If it was, of course it would mean that we should be embarking on a programme of dealing with our debt at a rate considerably faster than the rate which I have suggested tentatively on the basis of the figures included in my Budget speech.

Mr. Samaldas spoke about the post office cash certificates and the possibilities of encouragement of co-operative and industrial banks. Now, it is my belief that nothing succeeds like success, that post office cash certificates, by encouraging the habit of saving, automatically increase the popularity of other methods of saving. That I think has been the experience all over the world,—that encouragement of saving in one direction improves the general tendency to save all round. That certainly was the experience of England during the war when the campaign for the sale of national savings certificates was carried on, and it is also true since the war. It does not result in any reduction in the deposits in the post office and other savings banks, in a reduction in the amounts that were invested in the building societies and the co-operative societies, but it brings about a general increase all round. The campaign for saving which brought in hundreds of millions into the cash certificates did not take money away from other forms of saving but increased the tendency to save. I gather that Mr. Lalubhai's point was that it would be desirable that we should spend more money, that the Government of India should spend more money, on providing working capital for agricultural banks and industrial banks. I hold strongly, Sir, that it is not the function either of the Government of India or of the Imperial Bank to find the working capital for industrial enterprises. It is their duty no doubt, in certain directions, to encourage industrial enterprise of all sorts, but the use of Government money to bolster up every kind of institution, to make people expect Government assistance instead of relying on self-help, is, I believe, not the way to secure enduring results.

Mr. Lalubhai Samaldas asked also how much of the 2 crores which we shall have to pay back to the railways in the event of the judgment of the Privy Council going against us will come back to the Government. I have not got exact figures, but a good part of it will go back to the railway companies. What does come back to the Government will mostly come back in the form of a reduction of their capital expenditure. It is a payment out of our income of last year. What comes back will be mainly in reduction of the capital expenditure on the railways. It does not come back as income to any large extent.

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Mr. Sarnaldas went on to suggest that the 8 crores which require to be written off from the value of the stores held by the Railway Department ought to be charged against the revenue of next year, 1924-25, and that it is unsound to spread it over a period of ten years. He further asked why in the Railway Memorandum a period of five years only was mentioned whereas ten years is mentioned in the Budget speech. The reason for the last difference is simply that the Railway Department were only budgetting for five years ahead. They were only dealing with a five year programme. They believe that it is quite probable that, granted the railway separation, they will succeed in paying off the whole of the 3 crores out of the surplus profits within five years. There is no difference of intention between the two statements. As regards the question of the soundness or otherwise of the proposal, I am delighted to welcome Saul among the Prophets. As far as I remember, last year he was not quite so certain about the soundness of providing a Budget balance and had even some belief that if he could not find it in better ways, we might possibly find it by charging to capital things that we had hitherto charged to revenue. But I am delighted to welcome him and to see that the leaven of last year is working. But I think that I can answer his suggestion. That 3 crores is in reality an addition to our accumulated deficits. That is really what has happened. It is really a concealed addition to the deficits that have been incurred since the war. We only discovered it this year, but it is a concealed addition and I think that it is reasonable, when you are spreading over a period of 25 years according to my suggestion (or even longer according to other suggestions) the repayment of those deficits, that you should in this particular case make a provision which does not charge the sum against the revenue of this year only, but spreads it over a maximum of ten years. It must be remembered that it is a purely book transaction. The money has been spent; the goods have been bought; they have been held in stock, but their value is not what was spent on them. It is really a loss that has been incurred in actual fact. It is not a new payment of 3 crores which we provide by borrowing.

THE HONOURABLE SIR MANECKJI DADABHOY: Can you not dispose it off by auction?

THE HONOURABLE SIR BASIL BLACKETT: The question of the disposal of the stores is a quite different one. I am afraid that some of them will have to be disposed of by auction and I hope Sir Maneckji Dadabhoy will be willing to buy some of them.

I come now to a series of connected subjects, exchange, the question of expansion of currency and the credit to revenue of that part of the Gold Standard Reserve which is in excess of 40 million sterling. As regards the latter the arrangement made after 1920 in accordance with a suggestion of the Babington Smith Report was that any portion of the Gold Standard Reserve, in excess of 40 million sterling that is all the automatic increases in the Reserve caused by the earnings of the securities in which it is invested, should be used for cancelling what are known as the created securities in the Paper Currency Reserve or more popularly for the purpose of deflation. Last year—in the Budget for the current year—it was proposed and accepted by the Assembly and by this House that allocation of this particular sum to contraction of the currency should not be continued for the year 1923-24, but that the sum in question, which is cash actually coming in, should be used as part of our revenue in the same way as had already been done in the case of the earnings of the Paper Currency Reserve

about which a similar suggestion had been made by the Babington Smith Report. Now we have learnt a good deal about currency that we did not know at the time when the Babington Smith Committee issued its report, but I think it is sufficient for me to say without arguing the matter that at the present moment, to go in for special deflation by paying in rupees in this country and cancelling rupees against the earnings of the Gold Standard Reserve is not a desirable proceeding. It has exactly the opposite effect to that expansion of the currency which several Members have been speaking about to-day. We ought to be free, I think, to effect a contraction of the currency with reference to the requirements of the market and not simply on a formula without reference to those requirements. Had we been using the formula that was in force two or three years ago we should have had to contract the currency rather violently by 6 or 7 crores this year just at a time when it was being expanded under the Paper Currency Act of last summer and being further expanded by the issue of paper currency in this country against sums remitted Home. More than one Honourable Member mentioned the question of exchange. I do not think I can add anything to the absence of reasons which I have given for fixing on 1s. 4½d. as the best shot that can be made for Budget purposes. Anything that I say might be quoted in evidence against me. But as regards the question of the methods of remittance it was suggested that it was not desirable to effect large remittances in the winter because at that time we are taking money from this country when it is required for the purposes of the trade and business here. My answer to that is that, first, remittance of money to London does not take it away from here because it is only a remittance transaction. Secondly, remittance of money to London is a method by which we have been able to expand the currency by 12 crores, by way of special addition to the currency during the winter against sterling in London. That is a perfectly legitimate expansion at a time of stringent money conditions, made possible by the very fact that we have effected our remittances in excess for the moment of our absolute needs in London. By doing so, as the House is aware, we have been able to build up a position of considerable strength in London which makes it possible for us to avoid, as everybody will agree to the great advantage of this country, the necessity of any external loan this year.

On the question of the expansion of the currency on the stringency which has occurred in the money market I think I must confess that it is a subject which is so difficult that it is almost impossible to deal with it even reasonably satisfactorily in this speech. We made a fresh experiment last summer in passing a Paper Currency Act increasing from five to twelve crores the maximum that could be advanced from the Paper Currency Reserve to the Imperial Bank in time of need against *hundis*. As a matter of fact it would not have helped us if we had passed a higher maximum than 12 crores because the Imperial Banks have the greatest difficulty in securing the necessary amount of *hundis* as it is, so that 12 crores would have been a practical maximum even if the legal figure had been higher. But, as I have said, we have been able to add to that expansion a parallel expansion of 12 crores by the creation of a paper currency against sterling in London making the total expansion during this winter 24 crores. Yet, in spite of that expansion, the money market has been in a position of even greater stringency than a year ago. What is the cause of that stringency? The simple answer is that we live in the northern hemisphere, that crops come in and have to be paid for in the autumn and during the winter when they are being moved, that currency goes up country and a larger amount

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of currency circulates at that time. The reason for special stringency this year, as far as I can make out, is that the price of cotton was particularly high and that for some reason, whether because it was not a good marriage year or on some other account, the amount of bullion offtake has been less than might have been expected in a period of such prosperity. The price of cotton has affected the situation in two ways. First of all, it has caused a larger amount of cash to go upcountry to pay for the cotton owing to the price being high, and secondly that money has come back more slowly because, cotton prices being high, cotton manufactured goods have been high and people have been less willing to buy them. The only ultimate solution of this problem is I am sure an improved banking situation. Until the average agriculturist is in the habit of taking his cash to a local bank so that it no longer becomes locked up for months but is in circulation all the time, we shall have this problem with us. Certainly the situation requires very close watching. We have still the final experience of the year to come through, we still have to find out how contraction is to be effected and in what way it will react upon market conditions, because, as I have said, we have expanded the currency by 24 crores and, if we are going to contract it by a corresponding 24 crores during the summer, the market will be seriously interested in the effect that such contraction will have.

On the subject of the Tariff Board's report, I do not think I can say more than that we have just received signed proof sheets of that report. So we are just in the position of having received the report.

Several Honourable Members referred to the price of petrol and to the reduction in petrol duty. I should like to correct one mis-statement that was made. The price of petrol in London to-day is higher than the price in India if the excise were excluded; that is to say, the difference between the price in London and the price in India is less than is represented by the six-anna excise duty here. This is partly due to the recent rise in price in London. But we may well hope that the difference between the prices in the two countries will shortly be made even smaller, as presumably the reduction of $1\frac{1}{2}$ annas in the excise duty will very quickly be reflected in a reduction of the price.

Mr. Bell asked some question about the effect of the Inchcape Committee's reductions; he drew attention to some discrepancies, as they seemed to be, between our statements as to the effect that had been given to these reductions and the figures which he noticed. I have already said that in the case of the military expenditure we have in fact given effect to slightly larger reductions than were recommended by the Retrenchment Committee,—we have done a little better than the Retrenchment Committee's figure, up to date. His Excellency the Commander-in-Chief was left a certain amount of discretion in the matter, and, though in some cases he has not carried out the exact reductions recommended by the Retrenchment Committee, he has been able to find others, so that the total effect on the military Budget is that a larger reduction has been made than was actually recommended, than was specially recommended, by the Retrenchment Committee. I need not enter into the disturbing element of the $2\frac{1}{2}$ crores of non-recurrent reductions in the military expenditure which were made last year and which could not be repeated this year, which makes the comparison between the two years a little intricate. On the Civil side, I think it is also true, though I have

not got the exact figures, that in the estimate for 1924-25 we shall have made the full reduction, so far as value is concerned, recommended by the Retrenchment Committee, and possibly a little more. I have no doubt, though I have not looked into the actual discrepancy, that the explanation of the discrepancy to which Mr. Bell draws attention is that some part of the Inchcape Committee's reductions were definitely non-recurrent, in particular, the reduction in the programme revenue expenditure of the railways. That was definitely non-recurrent. If allowance is made for that, and for the increase of, I believe, over 4 crores in interest charges as compared with 1922-23, the discrepancy is probably more than fully explained. The difference between the railway figures for this year and the last year, to which attention was drawn by the Honourable Member behind me, is also explained I think mainly by that non-recurrent cut that was made last year in programme revenue expenditure. That was of course simply a postponement of absolutely unavoidable expenditure; it was simply postponing making good, keeping up to the mark, our railway properties. It is a sort of reduction that may be justified in a real emergency but which has to be made good afterwards, and it is that sort of disturbing element in our annual Budgets that we hope we shall get rid of by the proposals regarding separation.

I am not sure whether the House will desire me to say more than what was said yesterday in another place in regard to the
 6 P.M. Secretary of State's alleged condemnation of the salt tax. But I do think that some of the things that have been said here to-day are not entirely fair either to the Secretary of State or to the Government of India. Let Honourable Members bear this fact in mind. The Budget of the Government of India was fully known to, and approved by, the Secretary of State; their recommendations, including their recommendation—a strong recommendation—of a two rupee salt duty had received his full approval and support. Yet he is supposed to have got up almost on the day on which the final proposals in regard to this year's Budget were committed to the printer and to have condemned the salt tax. Now, is it conceivable that that was done? The Secretary of State says that he had not for a moment any such intention in mind. Honourable Members say that there has been some kind of backstairs influence brought to bear. I ask them, is it conceivable that a Secretary of State would intentionally get up and condemn as an iniquitous and a horrible impost a tax which just at that moment he had authorised the Government of India to introduce and indeed to recommend to the Indian Legislature with his full support and approval. It is quite inconceivable to me and I have no doubt that the Secretary of State had been entirely misunderstood. I am afraid that a good many Members of this House suffer from the same bad education in history which the Secretary of State has outgrown. He said that he had been brought up to believe certain things about salt duties in general, that it had been ingrained in his brains that a salt duty was a wicked thing but he did not say, and never for a moment meant, that when he had grown up he had not put away that childish belief. I think the difficulty in India is that people are unwilling to face the true facts. Because they have grown up in the belief that a salt tax is something objectionable, nothing will convenience them ever to begin even to consider in their minds whether that is true or wholly true. It has been said to me by a gentleman, whom I will not name because it will be unfair to him but a very well known and respected Indian Member of the Legislature, that

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the fact is that this belief in the wickedness of the salt tax is an ineradicable financial heresy in India. The Government of India put forward proposals dealing with their surplus of 336 lakhs, which I notice one of my Honourable friends, I think it was Mr. Sethna, said was not a real surplus, because we overestimated our revenue. The Government of India have put forward proposals for dealing with that surplus by dividing it as to 180 lakhs in the reduction of the salt duty to Rs. 2 per maund and as to Rs. 150 lakhs in making a beginning in reduction of Provincial contributions. Various views have been expressed in this House as to that proposal to-day and I am glad to notice that the fact that the problem is a problem which has to be considered—and considered on its merits—and an answer given—has been recognised in this House more generally than (I was disappointed to observe) it was recognised in another place. Mr. Natesan gave us a boiling torrent of prepared oratory, the gist of which was a little difficult to catch, but the conclusion to which the torrent boiled down, as far as I could see, was that it was wrong of the Government to have given the responsibility to the Assembly, that they ought to have taken the responsibility upon themselves and that the salt tax was bad and Provincial contributions were bad and we ought to use the whole of the money for both purposes. He did not explain how we were to get the money, except by a general statement that military expenditure must be reduced. Now, I quite understand the desire of this House for a reduction of military expenditure. But does anybody in this House believe that, if the most ardent demands of the most ardent Swarajists were accepted to-day, it will be possible to reduce the military Budget for 1924-25 by an anna?

THE HONOURABLE SAIYID RAZA ALI: I am not a Swarajist, but I believe it can be reduced.

THE HONOURABLE SIR BASIL BLACKETT: On the contrary, I believe, and this has been said by more than one Member of this House, that the immediate effect would necessarily be an increase of expenditure. If you are going to get this Indianised army—and I do not for one moment suggest that it is not most desirable or that it should not come as early as possible—it is necessary that I should try and place certain facts before you. For this army, education is, at any rate, urgently necessary and money must be spent on education. Mr. Lalubhai Samaldas, I think, actually said that he would be willing to give more money for this purpose but he did not say where it was to come from. (*A Voice*: "By fresh taxation") Fresh taxation, presumably. So long as we are dealing with the problem of 1924-25, though I quite recognise that in this discussion the discussion of the Indianisation of the army and its ultimate expenditure is quite relevant, any suggestion that we can get more money by reducing military expenditure this year is, I honestly believe, illusory. We are engaged in a process of bringing down our military expenditure. Instead of ever growing it is ever diminishing for the last four years. We hope to bring it down further but it can only be done gradually. Therefore, relevant as the subject of military expenditure is to this debate, any suggestion that miracles can be achieved in other directions this year by the reduction of military expenditure does not hold water. It is no good looking to reduction of military expenditure in 1924-25 to find money for reduction in Provincial contributions or to find money with which to reduce the salt tax.

THE HONOURABLE MR. PHIROZE C. SETHNA: In how many years, then, does the Government expect to bring it down to 50 crores?

THE HONOURABLE SIR BASIL BLACKETT: I do not suppose that I shall be Finance Member for so long. So I do not want to bind my successor to any promise.

THE HONOURABLE MR. G. A. NATESAN: What is the rate at which you yourself will reduce it?

THE HONOURABLE SIR BASIL BLACKETT: If you look at the expenditure for 1922-23 you will find that military expenditure was 65 crores. It was 59 crores in 1923-24. Is not that fast enough? But I will make one prophecy that it will not go on going down as fast as that. Obviously it is a question of time and good-will. It depends on the course of prices, among other things, but not entirely. Although it would be very attractive to begin a campaign for a reduction of prices in order to reduce the military expenditure, I do not think that Mr. Sethna would approve of this method. Prices must be left to follow natural courses. But I do quite sincerely draw attention to this fact that those in this House who have spoken on this subject and have recommended a tax of Re. 1-4 on salt have, I think, confessedly done so on grounds which are something other than economic. It is not that they hold that the retention of the salt duty at Rs. 2, which would add only one and a half anna per head per annum to the expenditure of each member of the population, involves an appreciable burden upon the taxpayer. $1\frac{1}{2}$ annas per head, per annum, is all that is involved in the difference between the rate of Rs. 1-4 and Rs. 2, less than half a rupee per family per year. I agree that figures do not represent the whole story. I am always suspicious of figures which pretend to present the picture as it represents itself to every one of the 800 millions odd of people. Obviously a figure of $1\frac{1}{2}$ annas is rather a different one to Sir Maneckji Dadabhoy than it is to me for example

THE HONOURABLE DR. SIR DEVA PRASAD SARVADHIKARY: Eight annas would get a family a lotah, according to Major Baring, many years ago.

THE HONOURABLE SIR BASIL BLACKETT: Eight annas would get a family a lotah. Eight annas would go a long way to educate a family, and that is what I personally am anxious to do with that eight annas. The choice is really between the two. It is simply a question whether you will begin to provide a little for that increased expenditure on education and sanitation, which is so urgently desired by the Ministers throughout the Provinces, whether you will begin this year, or whether you will postpone it for, I am afraid, two years at least. That is not the only reason for the Government's recommending the Rs. 2 salt tax. The choice between the two is a choice between the use of a surplus this year which will be continued next, for if you keep the salt tax at Rs. 2 this year, you are certain, on the basis of existing expenditure and taxation, that your receipts in the following year will not be reduced by your own action to something below your expenditure as you see it this moment, but if you reduce it to Rs. 1-4, you are putting a gap of over Rs. 2 crores between yourself and what you can see at the moment of the amount you require

[Sir Basil Blackett.]

to balance your expenditure a year hence. If the money goes to the Provinces, the recurrent assets of the Government of India are reduced only by the Rs. 150 lakhs. If the money is used to reduce the salt duty to Rs. 1-4, you are reducing your recurrent revenue as compared with Rs. 2 by some Rs. 3 crores a year, and you are creating for yourself a difficulty for 1925-26. Something has been said of what Mr. Gokhale would do with a surplus. I am sure, as between the two views that have been expressed, Mr. Gokhale would not have advocated giving away this year a surplus that would have left a possible deficit the year after. And that is a serious financial argument, quite independent of the other argument in regard to the beginning of expenditure on the improvement of education and the beginning of action to get rid of these Provincial contributions. I have been accused of trying to foment Provincial jealousies, and it seems still to linger in some people's minds that I am responsible for the particular Provinces that have been chosen to get relief. That is laid down by the Devolution Rules, and I have had nothing to do with it. It is laid down in accordance with the rules which were framed at the time when the Meston award was originally made. The only exception that was made to these Rules is the case of Bengal.

As regards the case of Bengal which was mentioned by more than one speaker, the reason that nothing was said about a contribution to Bengal other than somewhat jocular references in the Budget speech is that the question does not arise this year. The question will no doubt arise next year; and it is clearly a very different question which will have to be considered in the light of what happens this year—whether Provincial Contributions are reduced at all this year or not. If no reduction is made this year in the Provincial Contributions, obviously the argument for continuing the special relief to Bengal, however strong it may have been, will have lost some of its force. On the other hand, it will be certainly an argument that has very strong force if this year there has been a reduction in the contributions of other Provinces. I do not think I need say very much more about the Meston settlement itself. We admit that it possibly has deficiencies, but I am sure that it will be much more easy to look impartially into those deficiencies and to consider the framing of a new and better settlement when the purely temporary accretions of the Meston award—namely, the Provincial contributions—have been seriously tackled. I am really afraid we are getting into a dangerous position. The Government come forward this year with a proposal which suggests that a very small surplus—it is not the large surplus that some body spoke of—that a very small surplus should be divided between the reduction of the salt duty and the beginning of a reduction of Provincial contributions. Supposing next year we have a similar small surplus, Bombay, Bengal and others might say “This must be used for reducing postage—it is going to help the country much more than reducing Madras's contribution—let us use it to reduce postage, or let us use it to reduce the tax on motor cars,”—all very good uses no doubt, but I do think we ought to recognise that we have 9 crores between us and a really balanced Budget, and that it is not fair that we should continue the purely temporary accretions of the Meston award indefinitely because we ourselves would like to do something else with our surplus. Is that the position this year, or is it simply that owing to the very special arguments which apply in the case of salt—to this financial heresy about the salt duty which seems to have taken hold of India—is that the reason why Provinces are not being treated as we

think they ought to be treated this year? If that is so, the position is not absolutely lost. But I put it to this House that they must consider whether they are not going to go on from bad to worse, whether one year after another we shall not be putting pressure on ourselves to reduce Government of India taxes and leave the Provinces with their Provincial contributions unreduced? So far as I am concerned this year, I am very much attracted by the Honourable Sir Maneckji Dadabhoy's suggestion that the duty—I gather that it was his suggestion—should remain at Rs. 2-8-0, that the surplus should be set apart for the Famine Insurance Fund. You could get the same results by setting it apart for the reduction of debt, so that we should then go into next year with a clearer knowledge as to where we are. The Honourable Mr. Sethna would have been able to find out whether it was a real surplus or not, and our interest charges would be a little lower because we should have paid some of our debt, and we should be altogether on a sounder basis. Moreover, the traders whose common sense has been impugned by Members of this House would not escape our collecting revenue from them. The salt traders would go off with a little less. But that is not the proposal made by the Government of India. I am very glad to see that a good many Members of this House have considered this proposal and realised the strength of the arguments for the retention of the salt tax at Rs. 2. I appeal to those who have for the moment been specially attracted by the reduction of the tax to Rs. 1-4-0 to think again and consider whether a difference of 1½ annas per head per annum is a thing that they should lay stress upon, and thereby deny justice to several Provinces and deny the opportunity for more education and more sanitation.

THE HONOURABLE SAIYID RAZA ALI: Will the reduction in Provincial contributions be permanent?

THE HONOURABLE SIR BASIL BLACKETT: Yes, that is to say, the relief will be permanent, subject to the power that must remain in the Central Government in case of any emergency to call for further contributions.

THE HONOURABLE SAIYID RAZA ALI: Where will you find money from next year?

THE HONOURABLE SIR BASIL BLACKETT: From the Rs. 2 salt tax.

THE HONOURABLE LALA RAM SARAN DAS: The Honourable the Finance Member has said that I am wrong in saying that the price of petrol in London is lower than the price in India. As far as my information goes, the price of petrol in London varies from 1s. 4½d. to 1s. 6½d., which at 1s. 4d. to the rupee is equal to Rs. 1-0-6 to Rs. 1-2-6 per gallon. In India, the price in Calcutta is Rs. 1-12-6, in Bombay Rs. 1-11-0 and in Delhi Rs. 2-4-6 per gallon or an average rate of Rs. 1-14-4 per gallon. If we deduct even the excise duty of 4 as. 6 p., the rate works out to Rs. 1-10-4 per gallon.

THE HONOURABLE MR. D. T. CHADWICK (Secretary, Commerce): May I rise to explain this point, Sir? I do not know from what source the Honourable Member has quoted these prices. A little while ago the price in London went up by 4½d.

THE HONOURABLE MR. PHIROZE C. SETHNA: I think 14 days ago it was 1s. 10½d.

THE HONOURABLE MR. D. T. CHADWICK: The prices went up only 10 days ago.

THE HONOURABLE THE PRESIDENT: That concludes the business before the House.

The Council then adjourned till Eleven of the Clock on Monday, the 10th March 1924.