

Thursday, 5th March, 1925

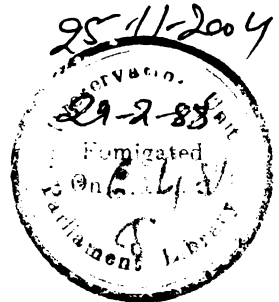
# THE COUNCIL OF STATE DEBATES

## Volume V

*(20th January to 26th March 1925)*

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### FIFTH SESSION OF THE COUNCIL OF STATE, 1925



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# COUNCIL OF STATE.

Thursday, 5th March, 1925.

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

## GENERAL DISCUSSION OF THE GENERAL BUDGET.

THE HONOURABLE THE PRESIDENT: The House will proceed to the general discussion of Part II of the Budget. As Honourable Members are aware, the Standing Orders vest in the Chair the power to fix a time limit for speeches. I am reluctant to exercise that power, partly because hitherto it has never been found necessary in this House, and partly because, if I do fix a time limit, I shall feel myself bound to observe it strictly and to ask Honourable Members also to observe it strictly, which in certain cases may prove inconvenient. At the same time I would remind Honourable Members that there are probably many Members who will want to speak and that those who wish to make long speeches should bear that in mind. My own opinion is that 20 minutes probably should be sufficient for every Member in the House.

The general discussion will now proceed.

THE HONOURABLE COLONEL NAWAB SIR UMAR HAYAT KHAN (West Punjab: Muhammadan): Sir, it is customary every year to congratulate the Finance Member on the year's Budget, but this year is a particular one when, owing to his strong policy, the string of deficits have now turned into a surplus and for this our congratulations should be also special. Being the representative of Muhammadans I cannot allow this occasion to pass as I must espouse their cause. Just the other day, Sir, there was a Resolution about their services and, as I have already spoken on that, I will not say anything on the matter except to thank the Government for their pronouncement. Muhammadans being in the minority, they do not accept any money spent on any reforms or any sort of Government, in which their voice would be drowned, because they feel that their interests are interwoven with this Government and if anything, God forbid, befell this Government, they consider that their turn would be the next. As most of the Muhammadans are also agriculturists in my part of the country I must say something also about their critical condition. A very great poet said:

*"Harbalaē ki zeasman aed*

*Khana-i-Anwari name joyed",*

which means that "any calamity which comes down from Heaven," before it reaches the earth, it asks for the address of Anwari." In the same way any money which is needed or any tax which is to be levied, it is said that it is intended for the zamindars. We are very much afraid, Sir, that even our creation, the Taxation Committee, instead of bringing the others on a par with us, may go against us by taxing us again. My province, Sir,

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suffered particularly when the salt duty was decreased because the province which had to pay the contribution to the Central Government, taxed the zamindars, by levying very high water rates. It is known that all the bogus war-cries about salt were only to frighten the Government. I am sorry that, when it was once seen that these threats were nothing, next year the question was dropped and the salt tax was not levied. If the Central Government would not levy it, I would ask that this may be made a provincial revenue. Many times before, Sir, in this Council and other places, this thing has been brought to the notice of the Government, that the provinces ought to be self-contained and they should levy taxes, whatever lies in their boundaries, and only pay a certain sum towards the Central Government; and I am sure that if this was done my province would be the first to levy the salt tax so as to get relief from that water rate which has been just levied and which is a great hardship to us.

Then, again, Sir, if the salt tax were levied and we had money, there would be lots of places where money would be required, for instance, education and sanitation. When assigning money to various provinces, Government could easily lay down a condition that all this money which has been given to the provinces out of the salt tax will go straight for sanitation and education, and I think this would be taxing the people direct for their own benefit, and if it was spent like this I am sure that even the agitators would not clamour very much as they generally do, because the agitation about the salt tax was only a threat. I know, Sir, that during the Rowlatt Act, it was not that the country was in any way against it, but it was only the men here in the Councils who said that the country was behind them and when once they had threatened the Government, then they got the people to follow, but when the people had got into trouble by following them once, they were not going to follow them when they threatened about salt. There are also very good institutions, Sir, like the Tibbya College of Delhi and the Vaid and Hakims which deserve funds as dispensaries are not sufficient in the country and they never will be. People always will have to resort to these and if money is spent to bring them up-to-date in some institutions which will teach the present-day science, I think it will be a great addition to medical aid and beneficial to the people. I suggest that the Central Government should now, or whenever possible, lay down a policy of permanent settlement in places where there is no chance of any enhancement of revenue, or at any rate very long terms of settlements, because every day settlements are rather troublesome to the people and it agitates their minds uselessly, and this is not for the good of the country.

I have always kept foremost in my mind throughout my long career in the Councils the welfare of the Army. It is not only because that I belong to the martial classes and to a province from which the martial classes predominate in the Army, but I really feel for the security of the country and all the progress that we are making would be in vain if we had not a sufficient army to save us from external aggression. Also, things sometimes point to internal trouble, and whenever there has been trouble, during the Mutiny and afterwards, we have found that the railway lines and telegraph lines are first cut. On such occasions the cavalry will be the arm most useful. But what do we see? We see that the whole of the cavalry has been cut by a half. The numbers of the cavalry are now half of what they were. It is the cavalry that takes longer to drill

and prepare its soldiers. Then, Sir, for the cavalry horses are most needed. It is a matter of common knowledge that from Arabia, wherefrom we used to get Arab horses, we cannot get any horses now, because most of them were commandeered during the last war by the Turks and now, when the new fire-arms have come into existence, the tribes there have been fighting against each other in Arabia and many horses have been shot. There is therefore not a sufficient number that we can purchase. In Australia, they have begun to breed a different type of horse for their own use and they find that they get more benefit by keeping sheep than by keeping horses. Therefore, our supply of horses from Australia is also diminishing. It is for this that Government allotted lands on horse breeding conditions and people also knowing this have formed a society called the Horse Breeding and Show Society, and most of the Members of the House who are interested in horses would have seen their work during the last show at Delhi. When all this is happening, Sir, I am sorry to say that the Remount Department has withdrawn their patronage from the Amritsar area. That requires a small sum and if Government could see their way to keep this area open for a year, I think there would be a very good surplus in the Budget next year and there would be no need for withdrawing the Sind horses from that area. I know that people do feel very much about it and if that area is abandoned there would be naturally a diminution in the breed of horses to that extent. Also, Sir, whenever any community gets money together and wants a college or a school, Government always come to its aid by giving the other half. In the same way, when any local body wants to have a good road or something else, if they can get half the money, the Central Government does not fail to give another half. The Army is a central subject, and when the society has got a good deal of money together, I think it is time that Government should patronise it and give it some money, because it is not only for the good of the people but it is also for the good of the Remount Department which means a help to the Government. It has been said that some crores have been cut from the Army Budget. If this money was not curtailed, I think we could have had very good transport aeroplanes which could shift large bodies of men from one place to another if the telegraph lines and railway lines were cut. But when you cut a large amount of money from the Army, I would say that it is much *minus* its efficiency. No doubt our Finance Member has praised His Excellency the Commander-in-Chief for effecting this economy, but I do not join in this for the reason that our great soldiers are very much disciplined and they know how to obey orders, and I think it is in obedience to the orders that this has been done. I wish His Excellency had resisted it. By this I think he would have got more money which would have been good for the Army.

Then, Sir, we are now crying for a national army which is given us in the shape of the Territorial Force, etc. I am President of the Advisory Committees of this Force in my Province, and as such I do not want to criticise it, because it is my duty to make the best of a bad job. But as a member of Council I think to get money out of the Army Budget for this force, is not a correct charge on it. That money is being spent for political purposes in order to stop the criticisms of the politically minded people and therefore it is the Political Department or the Civil Department which ought to give the money and not the Army. Some people want to make a national army. Well they may have the idea of a nation, but if you take the general masses, I do not think they have got that idea, because the word "India" conveys the same idea as when you talk of

[Sir Umar Hayat Khan.]

"Europe". India is just as big as Europe *minus* Russia and we cannot speak of the Germans and the French as one nation. I do not know how we can make the Muhammadans, the twice-born Hindus, the Sudras, the Pathans, the Baluchis and other different classes into one nation. If you get the non-martial classes and bring them into the fighting line, it is just the same as making a toy terrier fight a bull dog. I think that the money for this force should not be taken out of the Army Budget.

Then, Sir, we are all thankful when it is considered that the Army should be Indianised. But for the King's commissions, the difficulty is that those who belong to the martial classes are zamindars and not very wealthy people. These cannot educate their sons at Dehra Dun and then send them to Sandhurst in England. It is only the wealthy people who are generally non-martial that can do this. So, if more money was spared and not cut from the Army, it could be spent on scholarships by which these people could be educated, because if the non-martial people were made officers to lead the army, it would not bring about good results.

THE HONOURABLE SIR MANECKJI DADABHOY (Central Provinces : General): Sir, the Finance Member happily is in the fortunate and proud position of presenting a surplus Budget this year. In the last ten years we had seven years of deficit Budgets and three years of surplus ones. The long spell of misfortune which this country had was broken by the presentation of a slender surplus last year. The present financial position, if it is to be considered to be a stable one, has been reached by heavy sacrifices which the people of this country have made. In the five years immediately preceding last year we had to meet a deficit of Rs. 100 crores, and in order to recoup that loss the country was called upon to go in for a large burden of taxation to the extent of nearly Rs. 45 crores. The surplus which we happily find to-day has been achieved by the country as a result of the heavy sacrifices made at great inconvenience and privation. This oppressive burden of taxation was resented at the time by the people generally in India. Sir Basil Blackett has told us of the advent of prosperous times in this country. I may not wholly share that optimistic view just at present, because except in the matter of heavy imports in this country and an increase in our customs revenue by 2.71 crores there has not been such a general response in the matter of trade as the Finance Member has stated. I quite realise that the tea trade is prosperous, that the trade in pulse and grain has also made some progress by considerable expansion of exports, and that in other minor directions by a somewhat brighter outlook the country has been benefited. On the other hand, the textile industry is still going through a critical period unprecedented in the history of the trade. It is now living on its reserves, or I may say it is eating away very fast its reserves and will shortly be confronted with a situation which will cause a terrible crisis in this country. Sir, though these small improvements have taken place and a surplus Budget has been presented, I would be remiss in my duty if I did not give credit to the Finance Member and his most able and indefatigable Secretary and his talented Department for the vigilant watch that they have kept over our finances during the last year. It was a bold and courageous policy which was adopted by Sir Basil Blackett in the first instance of going in for a well devised system of new taxation, and it is by a careful conservation of the country's resources and finances that the present position has been attained. Sir, we all hope that the progress which has been made will be continued

and that India in future will have a series of Budgets which will dissipate all apprehensions about fresh taxation and make the country more independent and prosperous.

Sir, the Finance Member has presented the country with a surplus of Rs. 3.24 or practically 3½ crores. I am afraid that that surplus does not represent the true financial position of the country. This figure of Rs. 3.24 crores has been arrived at by making two important modifications in the financial policy of the Government of India. In the first instance, they have adjusted against the revenues of 1923-24 the whole of the discount charges amounting to Rs. 82 lakhs on the 1923 loan. This amount is not an insignificant one. Now, the Finance Member has very candidly admitted that the Government had originally decided to spread this figure of Rs. 82 lakhs over a period of years. But for some reason which I cannot possibly comprehend he has thought it necessary to immediately adjust this amount. Sir, I do not ascribe any sinister motive to Government. I for one would not for a moment urge that this amount has been kept up the sleeve of Government for any unforeseen purpose, and really concealed from the people. But I fail to understand the expediency of this method or policy. The Finance Member, during the last two years since he has assumed charge of his office, has been doing his best to put the finances of this country on a commercial and businesslike basis. He has endeavoured his best to separate the railway finance from the general finance for the purpose of strengthening our general financial position and preventing it from violent fluctuations in the future. Now, all my commercial colleagues who are in this Council will bear me out when I say that it is the usual practice, when a new loan is floated, or when a new company is floated, to spread the preliminary charges over a certain number of years and to gradually absorb those preliminary charges as the revenues come in. Last year this was done, and the Finance Department rigorously advocated a definite policy of spreading such charges over a number of years. In the second instance they have transferred from the suspense account and charged against the revenue of the year certain expenditure, namely, Rs. 3.41 crores consisting of loans and advances to the Persian Government. This is not the occasion to say anything about this loan to the Persian Government. I will not speak about the propriety of this loan. Whether the Imperial Government ought to bear wholly this charge or the Government of India is a question to which I shall not presently refer, but this action has been taken on the strength of a dubious plea raised by the Finance Member that the practice of the British Treasury is to treat such outgoings as expenditure against the revenue of the year instead of keeping them in suspense. Now, I do not think it was advisable to make a wholesale importation of the British practice into this country, especially when we had so many anxious and troublesome years, when our finances have not yet been rehabilitated, when our surpluses are not large enough to go in even for a small reduction of taxation and when the urgent necessities of the various provinces have still to be met. If we take therefore into account these two items of 82 lakhs and 3.41 crores it comes to 4.23 crores, which added to our surplus of 3.24 brings our surplus much over 7 crores. It is this policy of skilful adjustments which the Government of India have adopted of reducing our surplus artificially that will prevent the acceptance of certain claims of the various provinces and of certain imposts which are regarded by the country as wholly unjust and inexpedient. Sir, in this connection I will only make one observation. If this Persian debt was of

[Sir Maneckji Dadabhoy.]

a doubtful and irrecoverable character my Honourable colleague will be perfectly justified in writing it off this year, but I have the assurance of the Finance Member himself that it is not so. The fact that this book adjustment has been made does not of course in any way affect the liability of the Persian Government with whom negotiations are pending for the recovery of the debt. If the debt is recoverable, I say that there is no warrant or justification at this critical time, when India wants large surplus as for distribution, to appropriate and make a book adjustment of this nature.

Sir, I have now very few minutes left at my disposal. I shall first take up the important question of the distribution of this surplus. I have often protested against the general policy adopted by the Government of India in this connection. As regards the surplus of 3·24 crores which has now been attained and the major portion of which the Government of India propose to distribute among the four provinces, I have nothing much to say. I congratulate my Madras friends here as well as my friends from the United Provinces and the Punjab on their good luck. I do not grudge them what is their rightful due. The Honourable the Finance Member has very rightly stated that the policy of the Government of India is to gradually work up towards the total extinction of the provincial contributions, and I congratulate my Honourable friend Sir Basil Blackett on his good fortune in being this year in a position to partially fulfil the pledge which he gave to the Council last year and on various other occasions when the question of provincial contributions was discussed. The general and inflexible principle of State policy in the case of a surplus is that the claims of the general tax-payer should be first and foremost considered. It is the usual practice when a surplus takes place that the general tax-payer necessarily first comes in. He comes in ordinarily in the shape of a reduction of taxation. There is no hope this year for that achievement. There is no hope even for the next three or four years that any general reduction in taxation will or can possibly take place. Even if this rate of progress in the matter of obtaining surpluses is maintained, it will take not less than three years to wipe off these provincial contributions. I submit that if the policy or determination of the Government of India is not to afford any relief to the general tax-payer at all till these provincial contributions have been wholly wiped off,—I say with great respect to Sir Basil Blackett that it is a policy which is liable to be seriously questioned not only in this House but in the country at large. I do not discount the claims of the provinces on the generosity of the central revenues. I admit that the Meston Settlement was not a just settlement which scandalously overlooked the rights of some provinces and which hardly did justice to others, but at the same time it is very significant that that settlement has not yet been definitely revised and the Government ought not to lose any opportunity of reopening the whole question at an early date. Sir, this is however another matter and beside the point for immediate consideration to-day. Sir Basil Blackett has at any rate definitely announced that he is prepared to distribute 2½ crores and reserve 74 lakhs out of the surplus of 3·24 as a margin against possible disappointments or misadventures during 1925-26. Misadventures in finance will always happen. No Finance Minister however able, however cautious, however astute and prudent, can possibly avoid misadventures in finance. Finance is a subject which is very difficult to



control. I cannot see any reason why the 72 lakhs should be kept in reserve as a margin of safety when the estimates of revenue for 1925-26 have been based on most conservative figures. The estimates of that year which have been based on conservative lines do not admit or warrant in my opinion a reservation of such a big slice out of the small surplus of 3·24, more particularly when the Government have already kept up their sleeve a surplus of 4·25, as I pointed out in the early part of my debate. I think, Sir, the country has a right to get back this money in some shape or other. My friend Sir Basil Blackett knows very well as any other financier that the revenues of the Government of India are very elastic, that the very essence of that elasticity has come to his rescue to a certain extent on this occasion after the sagacious and cautious manner in which he had framed his previous year's Budget. Even Sir Basil Blackett in his speech admits the force of this argument and I will quote a small passage from his budget speech. He says :

“ We are entitled to hold that India is not altogether without a reservoir of financial power stored against a rainless day.”

I say after that admission of the Finance Minister his further apprehension about any future contingency and the reservation of 72 lakhs as a margin against possible disappointments and misadventures is in my opinion not justified.

Then the next question resolves itself into this—how is this money to be appropriated and I may unhesitatingly say that, if the Government of India decide to reappportion this balance of undisposed of surplus, Bombay has a superior claim to obtain this amount. Sir, I need not remind my Honourable friend the Finance Member of the great resentment this Budget has caused in the Bombay Presidency. The total neglect of the claims of that Presidency to obtain some redress and the entire absence of all reference in the Budget to their demand for the remission of the cotton excise duty has caused considerable disappointment and resentment. Sir, I was one of those who signed the majority report of the Fiscal Commission. The difference between the minority and the majority recommendation of the Fiscal Commission was that the majority considered that excise on cloth was not an unjustifiable duty for the purpose of raising revenue or effecting equilibrium if necessary in the country's finances. The minority were opposed to that view. I say here that the conclusions of the majority report support my view, and it is on the strength of that majority report that I appeal to the Finance Minister to reconsider this question carefully and, when the Finance Bill comes up for discussion before the other House, at least give this saving of 72 lakhs towards relieving the pressure of this excise duty. Sir, an excise duty on production of cloth is unjustifiable from all points of view. There is another question besides the illegality of the impost and Bombay and the rest of industrial India consider it a political indignity that an impost of such a character should continue to exist, an impost indefensible from all points of view and which could only be supported by the loss of the prestige of Government. Sir, the Government have to fulfil the promise which has been given by a Viceroy to this country. Lord Hardinge made it clear in unequivocal terms that if there was a surplus, the excise duty would be partly remitted or abolished. You cannot discard that pledge. This Council is in all honour, the Finance Department is in all honour, bound to fulfil that pledge.

[Sir Maneckji Dadabhoy.]

Sir, there are one or two other matters to which I should like to briefly refer before I conclude as they are very significant. I am glad that the Finance Member with his clearness and prescience has, in consonance with the Resolution passed in this Council, provided 4.78 crores for the reduction or avoidance of the public debt. Sir, this country, as I have already informed you, is deeply indebted to Sir Basil Blackett for inaugurating a sagacious fiscal policy which in time will not only raise the credit of this country, but will enable us to float our loans at cheaper rates of interest and on more advantageous terms and make our financial position very strong. I am sorry that of late there has been ill-considered opposition in the Assembly against this prudent step which my Honourable Colleague has taken. It is a step in the right direction and I assure Sir Basil Blackett that in propounding his scheme he has not only the confidence but the approbation of the commercial communities all over India. He shall be supported in his Resolution to see that this policy is firmly carried out, and that, if necessary, the policy and the scheme are both materially extended when our financial position improves.

Sir, the Finance Minister has referred to the evasion of the super-tax. I am not surprised at it. This unfortunate super-tax which has been kept on for all these years at such a high level cannot possibly be retained indefinitely without causing trouble. The Government of India will have to revise their policy at an early date in the matter of payment of super-tax. I concede that my Honourable friend Sir Basil Blackett would be perfectly justified in bringing up any Bill before this Council for preventing evasions of payment of the duty. I shall be only too glad to support such a measure and he will have the assistance of the entire Council in devising means for preventing evasions of duty. But, Sir, let me as a friendly critic of Government point out that you are persistently following a policy which will lead you in the long run into serious trouble. You have already alienated many of the commercial communities in India who have been your staunchest friends in the past and who have always supported you by subscribing freely to your loans. You have altogether alienated the Marwari community. There is a very strong feeling in the country against retaining this tax at such a high level. This high level with income-tax amounts to about 7 annas in the rupee when the income exceeds 5 lakhs of rupees. I say that this policy is destructive of all industrial initiative and enterprise. In England a heavy super-tax was imposed for the payment of war debts and to meet the expenditure of the great war. In India the super-tax was imposed after the war had terminated and as a means of rehabilitating our revenues. The policy in England has been since the Armistice one of gradual reduction of income-tax. The policy in India has been one of supineness and stagnation all throughout. No attempts have been made to reconsider the reduction of this tax. I know that nothing will be said in the Assembly against super-tax. The Assembly, constituted of many Swarajists who are always ready and willing to cause differences between the Government and the people, will not bravely and courageously attack the policy of the Government in this connection which serves their ends. But as a friend of Government I speak on this occasion and emphatically say that it will be a ruinous policy in the long run. In what I have said on this subject, I assure the Council I have no axe of mine to grind.

Sir, one word more and I have done. I cannot help thanking on behalf of this Council His Excellency the Commander-in-Chief for making a substantial reduction of  $3\frac{1}{2}$  crores in the military expenditure of this country. We all take our hats off to His Excellency and join in the tribute of gratitude which Sir Basil Blackett has paid to him. I say that I hope His Excellency with his towering personality, his rigid control of the military expenditure, will still further bring it down to the figure which the Inchcape Committee has recommended, and I have no doubt that His Excellency in time will be able to achieve that end. Even Sir Basil Blackett is very hopeful. At the end of his speech he says that a further reduction of military expenditure as such will be a great relief to the country. For half the revenues of India to be spent on the Army is a position which the country cannot look upon with equanimity. I know things are changing. Prices are coming down and in time our military expenditure may be also substantially reduced, and I hope that a time will come when we shall be able to congratulate His Excellency the Commander-in-Chief or his successor on effecting great retrenchments in the military expenditure and in reshaping the military policy, which has been a bye-word and has caused so much disaffection and controversy in the country.

THE HONOURABLE MR. J. W. A. BELL (Bengal Chamber of Commerce): Sir, I have again the great pleasure of congratulating my Honourable friends, Sir Basil Blackett and Mr. McWatters on the very satisfactory Budget which they have been able to place before the country. I would in particular like to congratulate my Honourable friend, Mr. McWatters, on his budget speech. To deliver a speech of 45 minutes duration, a speech bristling with figures and technicalities without reference to his notes was an exceptionally fine effort (Hear, hear). Apart from that, his speech indicated the extraordinary grasp of the financial position of the country possessed by my Honourable friend, and it explained in a very lucid way some obscure points in the statements which he placed before us.

In the time at my disposal it is not possible to enter in detail into the mass of figures placed in our hands the other day, and my remarks must therefore be of a somewhat general nature. Dealing with the figures for last year, there are two points that seem to call for notice, and these have also been mentioned by my Honourable friend, Sir Maneckji Dadabhoy. The first is the debit of the 82 lakhs to the revenue of that year in respect of discount charges on the 1923 loan, and the second is the debit of Rs. 3,41,00,000 to the revenue for that year in respect of certain loans made to Persia years ago and apparently now found to be irrecoverable (*The Honourable Sir Basil Blackett*: "No.") I may say at once that I do not take quite the same view of these items as my Honourable friend, Sir Maneckji Dadabhoy. It is quite true that in the case of any well-conducted Company such items would be spread over a long number of years, but I have been brought up in a different school in which the thing to do is to write off everything so long as you have anything to write it off with (Laughter). I therefore take no objection to the action of the Finance Department in writing off these two items. But there is an important difference between them. The first was a liability which we knew about. We knew that it existed, and that some day we should have to meet it. With regard to the second however, it was a liability of which we knew nothing. It has apparently been hanging over our heads for a long number of years, and yet we have heard nothing

[Mr. J. W. A. Bell.]

about it. It comes rather as a shock to find over half of the real surplus in a favourable financial year, wiped off in meeting it. I do not want to go into what is past and done with, but I think Honourable Members would like to know, and I think it is only fair that they should know, from my Honourable friend, whether there are any other liabilities of this kind hanging over our heads (Hear, hear), for which provision will have to be made in some future Budget.

With regard to the figures of the current year, Honourable Members will probably welcome the improvement in trade indicated in the customs figures, but they may observe with some misgiving that the protective duties, which most of them advocated last June, have resulted in a burden on the country amounting to 2½ crores. That is only part of the burden, and most of the Honourable Members who then voted for protective duties, are, I think now beginning to realize who has got to bear that burden. (*An Honourable Member*: "We are getting back one crore I think.")

The question of exchange during the current year I only refer to, in order to acknowledge that when last year I suggested that the Honourable Finance Member would be safer in taking an average of less than 1:4½d. I was over-cautious. I worded my speech at the time perhaps rather in a mean way, so that, whether exchange went up or down, no one would be able to say exactly that I was wrong (Laughter). I fancy I must have been suffering from the atmosphere of the Finance Department, an atmosphere of excessive caution. But I am free to admit that although most of the factors which regulate exchange seemed at the time to point to a lower rate, the more optimistic view taken by my Honourable friend has been justified and more than justified.

I do not wish too often to refer to the policy of protection, but in dealing with budget figures one is constantly reminded of it. Honourable Members will no doubt observe that within a few months of the passing of a certain Act in Simla last June a further burden has been placed on the public, and that before the end of this month a sum of 62 lakhs will have been paid in bounties, and that is not the end of the thing by a long way.

Now that the storm that was raised over the recommendations of the Lee Report has passed away, and that Honourable Members who were opposed to these recommendations have had time for further reflection, I do not think that there is any Honourable Member in this House who will grudge the provision of 25 lakhs which has been made in order to implement these recommendations and to increase the salaries of, and make certain passage concessions to, officers and their families belonging to the superior services. I think it will be felt that, if not to the extent that we should have liked, at least to some extent the just claims of these services have been recognized.

It would take too long to deal with them in detail, but I would recommend Honourable Members to carefully study the paragraphs in my Honourable friend's speech—these have been referred to by my Honourable friend, Sir Maneckji Dadabhoy also—dealing with the public debt and the reduction of public debt. The provision that has been made is not one that will lay a serious burden on the finances of the country. In fact if

it might be criticized at all, it is because it is perhaps insufficient; but it will have a wide-reaching effect in establishing credit, and in engendering confidence in the financial position of India throughout the world.

I have read with great interest the paragraphs in the Honourable Sir Basil Blackett's speech dealing, under the heading of payments for next year, with the subject of exchange. While I am in agreement with him up to a certain point as to the advantage to India of a high rate of exchange, I feel that his arguments will meet with a certain amount of criticism, because while the country, as a whole, may strike a balance as between the advantages and disadvantages of a high rate of exchange, those who suffer from the disadvantages are not always those who benefit by the advantages. In other words, there are always a certain number to whom a high rate of exchange is a definite disadvantage, and there are always a certain number to whom a low rate of exchange is a definite advantage, and these are not always the same people. When my Honourable friend comes in

12 NOON. paragraph 46 of his speech to the question of stability, I am wholly with him. What the country really needs is not a high rate of exchange, and is not a low rate of exchange but stability over a long period. (Hear, hear.)

In dealing with the estimates for next year, my Honourable friend gives prominence to the continued reduction in military expenditure. This is all to the good, and gives point to the arguments of those who in the past have held that the military expenditure of the country was too high. But a country with great responsibilities cannot take great risks, and I trust that the Government of India, in their anxiety to make the very greatest reductions, will not sacrifice efficiency to economy. (Hear, hear.)

In speaking of military expenditure, I should like to say how much gratified I am, and I am sure the feeling is shared by almost all the Honourable Members of this House, to find that provision has been made for 45 lakhs in order to grant certain increases of pay and passage concessions to officers of the Indian Army. While we may regard these increases of pay and passage concessions with a certain amount of satisfaction, I think everyone will agree that they have been withheld far too long.

There are a number of other points to which I should have liked to refer. One of them is the commercialisation of accounts. But I feel that there will be many other Honourable Members who will be anxious to speak.

I shall therefore pass on to the distribution of the surplus in the coming year.

In this connection I would like to say that, while in no way abating what she considers her just claim to have the provincial contribution wrongly imposed on her by the Meston Committee entirely cancelled, Bengal will be very grateful to the Government of India and the Finance Department for the remission of her provincial contribution for three years longer that has just been announced. (*The Honourable Sir Maneckji Dadabhoy*: "You have got a three years' moratorium now: that ought to satisfy you.") That is what I am thanking Government for. I will not discuss the remark made by the Honourable Sir Basil Blackett to the effect that under certain circumstances the claim of Bengal to this remission would not have been a good one because I think that as a fair-minded statesman cognisant of all the facts, my Honourable friend does not believe that himself. He probably said it in order to pacify Bombay. (*The Honourable Sir Basil Blackett*: "I did not say it")

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Bengal also rejoices in no ungrudging spirit in the fact that it has been possible to make very substantial reductions in the provincial contributions of Madras, the Punjab, the United Provinces and Burma. We trust that, in the not too distant future it will be possible to cancel all provincial contributions, even including those of Bombay; because we feel that, until this is done, it will not, in the first place, be possible for the provinces, financially embarrassed as they are, to develop along their own lines, and it will not, in the second place, be possible for the Government of India to turn their attention to the reduction of other taxation which is so seriously at the present time hampering the normal development of the country.

THE HONOURABLE MR. PHIROZE C. SETHNA (Bombay: Non-Muhamadan): From early in January in every year speculation is rife in the country as to whether the Finance Member will be able to present what may be called a prosperity or what might be regarded as an adversity budget, and if therefore taxation would be decreased in some shape or form or would require to be increased to meet deficits. For weeks back this year the public have been expecting a large surplus and the consequent repeal of excise duty, a possible reduction in postage and telegraph charges, and perhaps a reduction in the amounts of provincial contributions. All honour to Sir Basil Blackett for turning the corner after five successive deficit years and launching us again into surpluses. It was high time that this result was attained particularly after the increase of several crores of rupees in taxation since the date of the Reforms. There is a surplus of 3.24 crores because exchange is taken at 18*d*. If it were taken at last year's average rate of 17½*d*., this figure of 3.24 would, of course, be considerably reduced. As the Honourable the Finance Member has for his budget calculations taken exchange at 18*d*. we may assume that he regards it as an impossibility that it will go lower or we may assume that Government will do all in their power to prevent its going lower, and this assumption is strengthened by their proposal in paragraph 68 relating to Ways and Means where a reduction of the cash balance in London by 17.9 crores is proposed.

Sir, the Honourable the Finance Member has unburdened himself at great length and has attacked that school of thought which is of opinion that a high exchange is detrimental to Indian interests. I was agreeably surprised to find that my Honourable friend, Mr. Bell, also does not agree with him in all particulars. This, Sir, is a very vexed question. It is a question which one cannot afford to reply to adequately during the short time at the disposal of the Honourable Members when discussing the whole Budget. I take it that Sir Basil's remarks are aimed at the Indian Merchants Chamber of Bombay. Ample opportunity, I am sure, will be afforded to us in the year to be able to do so. My Honourable friend, Sir Basil Blackett, with his usual courtesy will, when he is on his way to Europe a few days hence on short leave, I hope, honour the Chamber with a visit, a body of which I have the honour to be the President this year, and which body Sir Basil has visited before and discussed similar matters with. (*The Honourable Sir Dinshaw Wacha*: "You are persuading him.") Sir Dinshaw Wacha says—persuading him. No. persuasion will not be necessary. We promise we will not spoil his holiday. What we do promise is to give him sufficient food (Laughter) for thought and reflection. (*The Honourable Sir Arthur Froom*: "For the voyage?") Yes, for the voyage in the hope that if we don't succeed in converting him he will when

he returns to India at least admit that there is very much to be said on the other side and that perhaps he is not justified in being as emphatic as he is in the opinions he has expressed in his budget speech.

The tendency in all countries is and ought to be to reduce expenditure and consequently taxation. The Secretary to the United States Treasury in his annual report to Congress points out that in the past four years the tax per head of its population has dropped from \$ 54 to \$ 27 and the public expenditure from sixty-five hundred million dollars to thirty-five hundred million. Forecasting further tax reduction he declares that those already effected have been a great service to business and he utters a warning against using taxation as a field of socialistic experiment or as a club with which to punish success. Our high rates in India for income-tax and super-tax, our high postal and telegraph rates, high railway fares and freights, all combine to retard our commercial progress.

Take again that eminent banker Mr. Reginald McKenna, who as Chairman of one of the "big five" at its annual meeting observed the other day that:

"the pressure of taxes which is far heavier in England than anywhere in the world is too great; for our present taxation eats deep into the reserves which are indispensable for business expansion; and we cannot develop as we would wish without increased capital resources. Economy in national expenditure is vital."

India certainly is not the heaviest taxed country in the world, but comparing its wealth with that of other countries, it cannot be denied that India is not taxed lightly. We have in front of us the dread of the recommendations of the Taxation Committee now sitting to whom I may commend the unanimous recommendations of the Royal Commission presided over by Mr. Justice Sim in regard to taxation in New Zealand.

I join with the previous speakers in endorsing what they have said in regard to military expenditure, and we thank both His Excellency the Commander-in-Chief and the Honourable Sir Basil Blackett for the reductions that have already been effected. We do hope that this expenditure will come down very soon to the figure suggested by the Inchcape Committee, namely, 50 crores, and that it may go down yet lower as soon as possible, for the country holds that there is scope for such decline.

We now come to the allocation of the surplus as proposed by the Honourable the Finance Member. They have not given universal satisfaction, but of course nothing that he can propose would satisfy all parties concerned. It is therefore that we have got to consider the reasons which have influenced the Honourable Member in making the allocations that he has done. He is all in all for affording relief to the provinces in their provincial contributions and we find that Bengal is unduly favoured. We cannot account for that partiality unless it be, as one may be inclined to believe in what I think is a fact, that the Honourable Member first saw the light of day in the capital city of that fair province.

In this morning's papers we have an account of the speech delivered in the Bengal Legislative Council by the Honourable Mr. Donald. He says that as a result of the remission of the Bengal contribution of 63 lakhs to the Imperial revenues for three years there will be a surplus this year of 30 lakhs. Why, therefore, I ask was there a complete remission of 63 lakhs granted to Bengal and for a full three years when the Government of India themselves do not know whether in the next two years there will be as handsome or no surplus at all in their own Budget? In this morning's

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papers, again, we have the Budget figure of the Punjab, Madras and Assam, and according to these figures, there is a surplus of 10 lakhs in the Punjab, 21½ lakhs in Madras and 24½ lakhs in Assam.

THE HONOURABLE MR. G. A. NATESAN (Madras: Nominated Non-Official): In Madras it is including the remission.

THE HONOURABLE MR. PHIROZE C. SETHNA: Yes, with the reduction there is this surplus.

THE HONOURABLE MR. G. A. NATESAN: We have lost one crore over the floods last year.

THE HONOURABLE MR. PHIROZE C. SETHNA: Any way, in spite of that loss of one crore, Madras will now be able to have a surplus of 21½ lakhs. Take the case of Bombay. Bombay is faced with a deficit of 41 lakhs, but it seems that Bombay has no place in the thoughts of the Government of India. Bombay is evidently a step-child.

Rupees 2½ crores are proposed to be divided amongst four provinces. Bombay is not amongst these four, because it does not stand high up in the Devolution Rules. Bombay, like Bengal, has always clamoured that the Meston Committee settlement did them great harm, and they have asked for a revision, but nothing has been done so far. The Meston Committee believed that provincial sources of income in Bombay would go on gradually increasing. What are the facts? Our land revenue is at a stand-still. Our excise revenue, under the policy which Government have accepted, is declining gradually, and what is more, it will be completely extinguished within the next few years. The only financial hope of Bombay therefore lies, as I have said before, in a complete revision of the Meston Settlement, and the sooner the Government take it in hand the better. Bombay is an industrial province and in a normal year, the Bombay Presidency contributes as much as one-third of the total revenue which the Government of India derive under the head Income-tax and Super-tax. Therefore, the best course would be to allow Bombay and Bengal a fair percentage of their income-tax incomes.

Since the war boom, there has been considerable depression in trade all over the country. But it may be said that this depression has lifted everywhere else except in Bombay. Even the Finance Member himself recognises this. Reference has been made to the state of the mill industry by my Honourable friend Sir Maneckji Dadabhoy. The Honourable Sir Basil Blackett has made reference to this in two different places. In the first place, in paragraph 12 he says that "the hopeful prospects entertained by the cotton industry have not yet materialised" and he goes on to say that he hopes that the corner will soon be turned. We, who are in the trade, do not believe that this is going to materialise for yet a long while. Sir Maneckji has explained what the state of the industry is at the present moment. I would go further and say that during the entire history of the cotton industry, never has it been in a worse plight than it is at the present moment, and if to-day cotton mills are able to meet their losses, it is only because during the boom period they were able to lay by large reserves from which they are disgorging at the present time to meet their heavy losses, and, but for this fact, very many mills would have gone to the wall. So heavy are the losses on the Bombay side that the Government of India will find that there will be a diminution in the revenue from income-tax and super-tax of more than one crore of rupees. I do not



know if I am right. I should be very glad if my Honourable friend the Finance Member would confirm me or correct me in the statement that I am making. I said before that the Honourable the Finance Member had made reference to the state of the Bombay Presidency at the present moment in two places in the budget speech. The second reference is in paragraph 81 where dealing with the refund of duty on stores he has given a dole of 13 1/3 lakhs to Bombay in regard to which he says:

"It might be thought inequitable in present circumstances to refuse to continue the refund in the case of Bombay",

and rightly so. He knows that the position of Bombay is by no means satisfactory. If Bombay has been left in the cold so far as remission or reduction in the matter of its provincial contribution, it has fared infinitely worse in the matter of its excise duty. There is no greater wrong under the British administration done to the country than the imposition and continuance of this tax, and it is a serious blot on its financial policy. Government themselves are committed to its removal. The Assembly has demanded it. It passed a Resolution to that effect a few months back and yet not a word appears in the budget speech of the Honourable the Finance Member in regard to it. Relief has been extended to five provinces. Relief has also been extended to the Services in the way of higher pay and emoluments as recommended by the Lee Commission and against the wishes of the people, but the Honourable the Finance Member does not choose to say one single word in regard to this vexed question of repealing this excise duty. In one place, the Honourable the Finance Member says that the amount of 1½ crores for Raisina, which used to be larger in previous years, will not recur hereafter. May I ask, therefore, if this is not a proper opportunity to avail of and remit the excise duty?

THE HONOURABLE SIR BASIL BLACKETT: Raisina is charged to capital.

THE HONOURABLE MR. PHIROZE C. SETHNA: I stand corrected.

Then, Sir, I take the other point which was taken by Sir Maneckji Dadabhoy in regard to the writing off of 82 lakhs discount charges and 3.41 crores of loans and advances to the Persian Government. As regards the difference of opinion between the Honourable Sir Maneckji Dadabhoy and the Honourable Mr. Bell whether this amount should have been written off at once or spread over a number of years, I agree with Sir Maneckji Dadabhoy and in support of that I will quote my Honourable friend Sir Basil Blackett himself against himself. I quote from paragraph 28 of his last year's budget speech where he said:

"Of the total on the 31st March, 1924, 11.88 crores are due to the discount at which some of the loans were issued. This liability is treated as an interest charge under our system of book-keeping and is being extinguished by annual appropriations from revenue within the period of each loan."

I agree with the Honourable Mr. Bell in the point that he made that surely we ought to have known long before and we ought to know in the future what amounts there are in the so-called suspense account. The Government of India must know that this is practically a bad debt or they would not propose to write it off in a single year. If a loan was given to Persia it could not be said to be in the interests of India. It certainly was, at any rate, very largely in the Imperial interests. If, therefore, this loan is not repaid by the Persian Government it will be for the Home Government to settle this affair with the Persian Government, and if the Persian Government is unable to pay, the Home Government will very easily be able

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to get from the Persian Government more concessions for oil and other things and thus recoup themselves. But as between India and England this half share of Rs. 3.41 crores ought to be repaid by the Home Government to the Government of India and this amount removed from the suspense account.

I have mentioned these items in regard to the loan to Persia and others and I also refer to the unallotted amount of Rs. 74 lakhs in this year's Budget to show that if Government had the will they certainly could have repealed the excise duties this year. The mere fact that they have not done so feeds the suspicion that is in the minds of all, I mean, of Indians, that thereby there is an attempt to still further help Lancashire as long as possible and not to have any trouble with Japan. I cannot help believing that, though the Labour Government did very little for India during the short time they were in office, we Indians do believe that were they in power to-day they would have done justice to us so far as the excise duty is concerned. (*The Honourable Mr. J. W. A. Bell*: Oh, would they?) My Honourable friend questions it. I said Indians, believe this. Again I cannot believe that His Excellency Lord Reading's Government with a Finance Member like Sir Basil Blackett with the broad outlook that he possesses, and with the sense of justice that he displays, could not possibly have recommended the repeal of the excise duty, and if there is no mention of it in the Budget it must be because of the opposition from the Home Government constituted as it is at the present day.

In this morning's telegrams there is one to the effect that the Secretary of State for India has invited His Excellency the Viceroy to go home in April next on a short leave not exceeding four months in order to secure an opportunity of personal discussion between His Excellency the Viceroy and the Secretary of State, and that Lord Reading has accepted that invitation. I am sure that very many important matters will be discussed between the Viceroy and the Secretary of State, notably the Muddiman Committee report, but I do hope that His Excellency will lay before the Secretary of State the one most important matter from our point of view, namely, the repeal of the excise duty, and get it repealed. We have reason to be thankful to Sir Basil Blackett for the relief he has afforded to motorists by remitting two annas in the excise duty on petrol. In his own words, if the Government had repealed the entire excise duty of six annas on home produced and 8½ annas on imported petrol, the loss would not have been very considerable to Government, but the gain to the motorists would have been very great indeed because motor cars are no longer a luxury but a necessity of life. In this connection I would refer to some very pertinent remarks made by the Chairman of the Motor Trades Association in Calcutta some three weeks back. In the first place he said that the high rate of 30 per cent. customs duty which is charged on motor cars kills the British car industry. If the rate were lower and as British cars are now made in larger numbers it would become possible for an intending purchaser to get for the same amount of money which he is prepared to spend for a British car instead of an American car, if the 30 per cent. duty were appreciably lowered. He also pointed out that in the official year ending 31st March, 1924, out of a total customs revenue of Rs. 41 crores the motor traders and motor users paid as customs duty and excise duty on petrol as large a sum as 169½ lakhs. He further showed that between the customs duty and the municipal and provincial taxes the motor traders and motor users in this country contribute annually

annually as much as one per cent. of the total revenue of the country and further that this one per cent. was contributed by such a small fraction as 1/500th part of the total population. I will conclude my remarks under this head with another pertinent quotation from the speech of the same speaker. He said:

"When all the importers are considered the Indian motorist pays at least 50 per cent. more than in England and I have yet to learn that in any country the motor industry is so severely handicapped. Even so backward a country as Persia has decided not to levy any duties at all on lorry transport for five years."

While talking of customs duties I should like to refer in brief to the remarks I made last year in connection with the import into Indian States which have an outlet to the sea of some goods which are by far in excess of the consuming capacity of the subjects of those States. The wonder is that the imports to these ports are only of such goods on which the highest rate of duty is imposed, such as silks, matches, etc., and there is no explanation why goods on which the rate of duty is small are not imported there. The inference is clear, Government are losing a very large revenue and what is more a premium is set on dishonesty. The evil I know is growing and not abating, and I hope Government will look into this matter carefully.

I wish just to make one more remark and that with regard to post and telegraph charges. The Finance Member is very apologetic in regard to his not being able to bring about any reduction in these. I know that the Postmaster General in the Labour administration estimated that the reduction of the letter postage in the United Kingdom to 1d. would mean a revenue deficit of 5 million pounds. Tens of thousands of others disagreed with this view, and I may inform the Finance Member—if by any chance he does not know it—that the New Zealand Government which only fifteen months back reintroduced Imperial penny postage and anticipated a deficit under the head of postal charges of £600,000, made, on the other hand, a profit of a like sum. Doubling postage halves, and cheapening postage doubles business transactions, and if therefore Government lose by lowering the rates of postage they will certainly more than make up in what they earn in the way of added revenue in customs, railway freights, of income-tax and various other sources.

Sir, the Finance Member concluded his speech by reminding us of his family motto, and a very excellent one "*Nous travaillerone en espérance*." May I remind him of that well-known Roman motto "*Salus populi suprema lux*", and if the Government of India will only follow that motto whenever and wherever possible there will be a much better understanding between the people and the Government.

THE HONOURABLE MR. G. A. NATESAN: (Madras: Nominated Non-official). Sir, I should like to confess at once that I approach the Budget this year in a better mood and with a happier frame of mind than I did last year. I am very glad that the first consideration at the hands of the Government of India and the Honourable the Finance Member has been the reduction of provincial contributions. I would like to point out particularly with reference to the observations of my Honourable friend, Mr. Sethna—and I am proud of the fact—that the Finance Member in my province waited to know exactly how much relief was going to be given by the Central Government and then announced his Budget. If he had followed the procedure adopted in some of the other provinces and had announced his Budget at an earlier date he would also have cried before the world that he had a deficit Budget. That is a factor that ought to be

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taken into consideration and I am happy that in this matter the Finance Member of my province has adopted a very straight and frank attitude. I would like to point out that despite the reduction given us my province still suffers a great deal from the disastrous effects of the floods last year. I will not take more than a minute in mentioning about the floods. I had the privilege of describing to this House the disastrous effects of the floods. I wish my Honourable friend Sir Muhammad Habibullah were here because he was still recently on the Executive Council of Madras and he knows the damage done to my province not only to the Government but to the people at large. It has been of such a terrific character that its consequences will be felt for some years to come. Not only will the land revenue be diminished during the forthcoming year, but it will be diminished for some years to come and more than anything else the Government there is now put to the very difficult and almost impossible task of giving relief to the land owners by finding means, and suggestions have been made that they should be given advances to clear sand from the fields which in some cases, according to the official statement, was as high as 16 feet. I happen to be a Fellow of the Madras University for over 15 years. A proposal has now been made to start an Andhra University. The claims of that University are being pressed hard. More money will have to be found for it sooner or later, and we expect something more from the Provincial Government very soon. Not only that. Medical relief in the province of Madras has not been quite as adequate as it ought to be and the Honourable Minister particularly with the help of the new Governor, Lord Goschen, who has had considerable experience of hospital work, is trying to enunciate a new policy of having hospitals in as many places as possible so that medical relief may be brought to the door of the poor. We want more funds for that. Then there is the Public Works Department which has been hampered for years and they have what is known as the Mettur project and projects for introducing electric power, and money is required for these. Then again there is another very fine and laudable proposal enunciated by the Law Member to bring justice to the door of the poor and there is a proposal to have itinerant judges. All these require money and the sooner an attempt is made to wipe off these provincial contributions the better will it be not only for Madras, but for other provinces as well.

I would also like to point out to the Finance Member that this question of provincial contribution is like a running sore. In the first place the exaction of these provincial contributions from Madras and other provinces embitters the relations of the Provincial and the Central Government and I am sure he is not unaware of the fact that in many provinces civilians who have had long experience have themselves joined in an agitation privately and sometimes publicly in denouncing this impost as iniquitous and have started an agitation which certainly has not been unheard of in this House itself. It is high time therefore that something is done to wipe off these contributions altogether. As I said before, this Meston Award is a running sore. The reforms scheme was unfortunately started under very unhappy auspices and the feeling was to a great extent due to the belief in the minds of many people and also according to the public testimony given by our Ministers, to their being hampered for lack of funds. In many matters they were embarrassed not only by extraneous circumstances, but by internal troubles, political and otherwise.

The provinces should therefore be certainly freed from those unjust contributions, so that they may have money to administer satisfactorily certain departments which have been transferred to them.

When two years ago a proposal was made in the Legislative Assembly for giving relief to my province, certain non-official Members from Bombay adopted a dog-in-the-manger policy, though I will not adopt that policy to-day and I am very proud to say that a non-official European friend was telling me that as soon as these provincial contributions are wiped off he himself will be the first to plead for the removal of the Indian excise duty. But if to-day I happen to urge for the consideration of the Finance Minister the removal of the excise duty, it is because I happened to read as a journalist the criticism of a very well informed correspondent who has written to the *London Times* urging the removal of the cotton excise duty. I think he has made out a good case. I will only read a short paragraph:

"India's real competitor is Japan . . . Japan has successfully shut out Indian goods from her market by the adoption of high protective duties and is exporting to India an increasing quantity of her own piece-goods which although made from cotton grown in India are being sold at a price that is below the cost price of the indigenous article."

It will certainly be unfortunate if some mills are forced to close down, for it means loss of livelihood to perhaps thousands of people working in these mills. I will not press this point further because it has been pressed with a considerable amount of force and enthusiasm, perhaps more than what the case warranted. A case has been made out for the consideration of the Finance Department in this matter also.

I am particularly happy that provision has been made in the Budget for improving the Pusa Agricultural Institute and some other educational institutions. I was very much interested the other day in listening to the speech of His Excellency the Viceroy at the Delhi Convocation, where he pointed out that though education was a transferred subject it will be a mistake to suppose that the Central Government have no interest in it. On the other hand, he was anxious that, having regard to the growing needs of India in respect of educational and other matters, the Central Government should be constantly in touch with and do something for the promotion of the cause of education. I am anxious that the Central Government, if not this year, at least in the years to come, should devote a considerable sum which will more or less be supplementing the work which the research institutes and other industrial institutes are doing at the present day. I am anxious that a good well-equipped Central Technological Institute should be instituted in this country. It may be in Delhi or in some other place. I would also point out that the old argument that there is not enough opportunity here for people to learn the practical application of these studies should not stand in the way because the Government are going to have a Mining School. There are other technical institutes and great industrial concerns in this country where, after a course in the Central Technological Institute, young men could be sent for practical training in workshops. That is an old cry and it is pathetic to recall that the late Mr. Gokhale pleaded for this several years ago and the Government of India have yet to pay any heed to this.

My Honourable friend Sir Maneckji Dadabhoy said that if the Finance Member is considering a reduction of the taxation it must be the removal of the super-tax and he went so far as to say that, though people in the

[Mr. G. A. Natesan.]

other place might object, no one will be found here who will object. I feel that I should be wanting in my duty to myself and to this House if I did not state that if this super-tax is removed before other taxes which are a burden on the poor are removed, I should unhesitatingly get up and object to it. I should like to point out that my Honourable friend Mr. Sethna has commended the proposal for reduction of the motor petrol duty. I should feel more happy if the duty on kerosene had claimed the attention of the Finance Minister. It means a crore, but remember that we are after all making this Budget for the benefit of the people of India, and the people of India are poor. In the poorest home, in the remotest corner of the country, you find an ordinary poor man who earns probably 8 annas a day using a tin lamp with kerosene and a reduction in the kerosene oil duty would undoubtedly appeal more to the people at large than perhaps a reduction in the petrol duty.

I come now to another Department. It was my privilege to talk here last year about military expenditure and I very much regret that last year I talked so rapidly, and His Excellency the Commander-in-Chief made a complaint of it and very justly. I propose this year to slacken my speed and to make certain observations in the hope that my appeal will not only be heard by His Excellency the Commander-in-Chief, but that it will be taken in the spirit in which I utter it. The country expects very much relief from the reduction of military expenditure, which, though every effort has been made in the direction of retrenchment, can still in the opinion of many be cut down to the level suggested by the Inchcape Committee. This question of Indian military expenditure is an old old cry. And I want to make this observation for the hearing of Sir Basil Blackett also, that not only with regard to the military but in other Departments also, there has long been a feeling, there is still a feeling, and the feeling is growing greater—it may be just or it may be unjust: it may be reasonable or it may be unreasonable—but there is a feeling and all statesmen must reckon with it: there is a feeling that in many matters the interests of India are being subordinated to the interests of Great Britain. My Honourable friend Mr. Phiroze Sethna very rightly gave a case in point. There is a very strong feeling that if India has to bear a share of the loan to Persia,—and India certainly has an interest in Persia, though our interest is small compared with that of Great Britain,—in that matter certainly there is a feeling that the bulk of the loan should have come out of the British exchequer and not out of the exchequer of India.

THE HONOURABLE SIR BASIL BLACKETT: May I just interrupt to say that that is exactly what did happen? The amount of the loan was at least twice the amount that India paid. That was India's share of a much larger amount.

THE HONOURABLE MR. G. A. NATESAN: My case is that in all these matters India is being asked to pay a much higher share than really she should be asked to pay. And if these matters were pressed further, if this was a national Government identified with the interests of the people and fighting their case properly, it would have made out a better case than under the stress of circumstance and different political conditions it is at present able to do. Now, Sir, with regard to military expenditure and military policy, I should state at once that if I am making these remarks it is nothing personally against the Department over which

His Excellency the Commander-in-Chief presides, who are unable to make headway against the vicious effects of the system which unfortunately he, like his colleagues in other Departments, has been forced to inherit. Our case is that the Army in India has always been in excess of the real requirements of India, and to the extent that it is in excess, the people of India, the poor tax-payer in this country, is being asked to pay more than he should. Our case is that for a long time military policy in India has been guided by the Imperial policy of Great Britain. I will not weary the House with the quotations of authorities for all this. But I would point out that the Government of India themselves of their own accord on several occasions, in their own despatches and through the mouth of their own Secretaries of State for India who represented her from time to time, have pointed out that in most of these military arrangements Indian interests have not been safeguarded, that in some other matters they have been positively injured. I would point out, for instance, that much of the Indian military expenditure at the present day is due to the Army Amalgamation scheme to which the Government of India were forced to give their assent, and such a man like the reputed and honoured Fawcett protested against it. On it he said:

"Suffice it to say it was forced on the Government of India in 1859 by the Home Government against almost the unanimous opinion of the most tried and experienced British officers who had served for a life-time in the army in this country, notably General . . . whose vigorous condemnation of it may well be read with profit in the note recorded by the East Indian Defence Committee of 1871-74."

I would point out again that he further protested:

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

More than anything else the Simla Army Commission presided over by Sir Ashley Eden in which also sat the late Lord Roberts discussed this question. They said:

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

HIS EXCELLENCY THE COMMANDER-IN-CHIEF: May I ask the Honourable Member what he is quoting from?

THE HONOURABLE MR. G. A. NATESAN: I am quoting from an extract from the report of the Simla Army Commission which was appointed in 1879.

HIS EXCELLENCY THE COMMANDER-IN-CHIEF: In 1879 I was not responsible.

THE HONOURABLE MR. G. A. NATESAN: Sir, I began by saying that these remarks are not intended personally against the distinguished and gallant soldier who presides over the Army Department, that unfortunately he happens to have inherited a system which is vicious and the evil legacy is making itself felt in many other evil consequences, and that the Indian tax-payer is at present paying more than he ought to. And I may as well say now what I intended to say later. I know His Excellency

[Mr. G. A. Natesan.]

the Commander-in-Chief will shortly be leaving India, that he will be translated to a higher sphere, and I ask His Excellency, the frank and honest soldier that he is, to tell in the new sphere of activity to which he may be called that there is a feeling. (Laughter.) I say that in that new and exalted sphere which I am sure His Excellency is going to fill he will be able authoritatively to tell the British Government and the War Office which has always been dominating us and which has subordinated Indian interests, that there is a strong feeling in the Assembly and even in this Council which is supposed to take a very sober and staid view of things that in regard to the administration of military policy in India and the expense to which this country is put—that there is a very strong feeling that Indian interests are being subordinated to those of Great Britain. As I have said the feeling may be right or it may be wrong; it may be reasonable or it may be unreasonable. But I am sure it is not asking too much to prefer a request to His Excellency the Commander-in-Chief that, when the time and opportunity arises, His Excellency should put it to them that there is this feeling and that the task of the wise statesman is to see that the earliest opportunity is taken to wipe off this feeling. I will not dwell any more upon this point. I only wish to state that in the interests of India, in the interests of those who are anxious that India should be within the ægis of the British Empire and fulfil its destinies, that everything should be done to place us in such a position that we might occupy an honourable place in the British Empire. If that is to be done it is necessary to remove the feeling of distrust prevailing in this country. His Excellency the Viceroy is shortly leaving us. His Excellency the Commander-in-Chief will leave us later. And I am sure that if high officials like these, with their great reputation, with their keen appreciation of England's responsibilities to India, will but communicate to the proper authorities at the proper time the unfortunate fact that there is a feeling of distrust in this country of the *bona fides* of British rule, it will be a great gain to the future relations of this country with the British Empire. It will be happier, it will be prouder than perhaps it is at present, for even those who feel some complaint, even those who doubt the *bona fides* of British rule, must be in a position to say that, despite the lapses and the defects of British rule in India, it has been for the benefit of India, and that its one object in the future will be the interests of India, that in all matters in which its interests and the interests of the Empire at large come into conflict the interests of India will not for a moment be allowed to be subordinated.

THE HONOURABLE SIR ARTHUR FROMM (Bombay Chamber of Commerce): Sir, like previous speakers I wish to congratulate the Finance Member on his Budget. My congratulations are not merely formal ones, but they are meant very sincerely; and in congratulating the Finance Member I think we should not forget the various other Departments of Government for the great move they have made during recent years towards economy. I cannot help thinking that the Finance Member must have derived very great assistance from the other Departments of Government in this respect, and not the least of all the Departments so ably presided over by His Excellency the Commander-in-Chief. I was a little disappointed to hear from the previous speaker another reference to this well-worn-out theme of the British Army being kept in India for the benefit of the home country. I for one would be the first to complain of undue extravagance in any Department, whether it is the Army or any other; but I think these criticisms come a little out of place when it is



so obvious that His Excellency the Commander-in-Chief, is doing all he can to cut down extravagance in the Army Department and in the Army generally over which he so ably presides, and I regret that these remarks have been introduced on this occasion. Madras possibly is so happily situated in this great country of India that it has no fears of an attack from over the border (*The Honourable Sir Maneckji Dadabhoy*: "What about the *Emden*?"), and Madras perhaps does not realize the necessity for troops like the provinces near the frontiers. Perhaps Madras appreciated the British Army not long ago during the Moplah rising. Again, I would point out to the Honourable Member who has just spoken that if the Home country wished to exploit India so much, a suitable contribution from India might be demanded for the benefit she derives from the British Navy. (*The Honourable Mr. G. A. Natesan*: "Whatever is just, we should be prepared to pay.")

I am sure Honourable Members of this House will appreciate the present form in which the accounts of the Posts and Telegraphs Department have been presented to us. As the Honourable Finance Member has pointed out in his speech, they have been commercialised and they are in that way much more understandable by all of us, and I congratulate him and the Department for presenting them in this manner. The Finance Member makes some special reference to the welcome recovery in trade. Undoubtedly there has been a good recovery in trade, but I would just like to add a word of warning, and that is the figures quoted are values. The Finance Member has pointed out that the prices of the goods which have been exported had risen considerably and this would in part be reflected in the higher figures shown in the export trade. I referred to this matter once before. I do not doubt that there has been a good recovery in exports from this country,—it has not been very marked on the Bombay side, but I think Bengal has been more fortunate,—the figures, however, that appear in the trade returns are not wholly indicative of a great increase in trade because when the prices go up, of course the trade return figures also increase.

I like the previous speakers congratulate the Finance Member—and here it is a little difficult to follow after speakers of such ability as is possessed by those Members who have got up before me and whose thoughts very naturally travel much in the same direction as those of all of us commercial Members—but I do congratulate the Finance Member on the arrangements he has made for the regularisation of the reduction of debt. We discussed this matter on the floor of the House—I think it was on a Resolution brought up by my Honourable friend, Sir Maneckji Dadabhoy,—last September, and I am very glad to see that this regularisation of the reduction of debt has been given effect to.

I see that the Finance Member has taken his courage in both hands and fixed exchange for the Budget for 1925-26 at 1s. 6d. This has been commented on by my Honourable friend, Mr. Sethna, and referred to by the Honourable Mr. Bell. I have very little to say on the subject except that I do not think my Honourable friend, Mr. Sethna, need fear anything very sinister from this action of the Finance Member. I think his recent policy has been apparent to all of us. That policy has been one of stability. Whether everybody is in agreement with him that that stability should take effect at 1s. 6d. or not is another matter, but as exchange has been hovering about that figure for some considerable time, I do not think that we should pick a quarrel with the Finance Member for fixing his exchange for next year at 1s. 6d.

[Sir Arthur Froom.]

Income-tax and super-tax have been referred to by one or two Members who have spoken before me, and in some ways I think with courage—because when a Member gets up and talks about the high rate of super-tax or the high rate of income-tax, he rather runs the risk of his being accused of speaking personally (Laughter). Well, that I am sure was far from the thoughts of the Honourable Sir Maneckji Dadabhoy. He was speaking in the interests of the country, in the interests of its trade, in the interests of the country's industries; and it is undoubtedly a fact that if the development of your industries is going to be handicapped by high rates of super-tax and income-tax, those industries will not be developed in the way they should be. I feel quite certain that the Honourable Finance Member recognizes that important point, and that he will give it his attention as soon as he possibly can.

I now come to the surplus, the disposal of the surplus of 3½ crores. I congratulated the Finance Member on his satisfactory Budget, but when he comes to his task of disposing of the surplus, I feel some sympathy for him. If there is no surplus, nobody can get anything: when there is a surplus everybody wants a bit. At the same time, as no doubt the Finance Member anticipates, I do not agree, in the matter of the reduction of provincial contributions, with the manner in which it has been done. The Finance

Department has followed the Meston Relations Committee's 1 P.M. proposals and recommendations. The statements and the figures supplied in their report have been proved to be fallacious. They have been admitted by the Honourable the Finance Member as being fallacious and why he should seek to apply them I cannot quite understand when the Province from which I come and which is obviously in need of money is left out altogether. I hardly need give figures, Sir, to support my contention, but Bombay is the most highly taxed province in India. The rate per head of taxation in Bombay works out to something like Rs. 8 per annum; for the people in Bengal the rate per head works out to something like Rs. 2 per annum. Madras, I believe, works out at Rs. 3½. And why, when Bombay has been taxing itself to keep its finances going, why should the Province be omitted from any help from the Government of India at a time when that help could be afforded passes my understanding altogether. (The Honourable Mr. G. A. Natesan: "Are you referring to the incidence of taxation?") The Honourable Mr. Natesan in speaking, I am glad, reminds me, that when he referred to the reduction for Madras of the provincial contribution by 126 lakhs, he patted his Government on the back for not producing their Budget before the Central Budget was announced because, if they had, they would have cried out: "We also are working with a deficit". Well, now that they have got their reduction of provincial contribution and their deficit is turned into a surplus of something like 21½ lakhs, I cannot help feeling that if he had received the Madras Budget the Finance Member might have taken it into consideration and given them not Rs. 126 lakhs but Rs. 100 lakhs so as to just balance their Budget. I think the Finance Department of the Government of Madras was very wise.

I have little more to say, Sir, but I do press the claims of Bombay. I hold that Bombay has shouldered its troubles manfully at a time when there was no money to be divided up, and I do think that at a time when the Central Government have some surplus money, they might have considered that Province's just claim. We don't grudge the moneys that the other provinces have got. We don't even grudge Bengal 63 lakhs per

annum for three years. We don't grudge these provinces getting relief, but we do feel that we have been left out of it and left out of it at a time when we in Bombay want money very very badly. I cannot think that the Finance Member can afford to ignore what has taken place in the Bombay Provincial Council, when all parties have united, any differences have been laid aside, the differences of each party, and they have united with Government to move the adjournment of the House as a protest against the way in which Bombay has been treated by the Government of India. I will leave that subject, now, Sir.

I will refer very briefly to the cotton excise. I have not a great deal to say about the cotton excise. The Honourable Member from Madras said he did not want to be a dog in the manger but he would remain in the manger as long as he did not get his provincial contributions entirely wiped off. Then the dog jumps out. Is that correct? (*The Honourable Mr. G. A. Natesan*: "I said we will not adopt the attitude of Bombay the dog-in-the-manger policy in regard to the removal of the excise duty?"). Well, I don't quite see the difference. Well, Sir, we have not spoken a great deal, or personally I have not pleaded this very vexed question of the cotton excise, very strongly while the Government have been in financial difficulties. I have not heard any Member of the Government or any Member of this House who has not admitted that this cotton excise tax in its inception was wrong. (*The Honourable Mr. Phiroze C. Sethna*: "Hear, hear,") And I do recommend Government that they should take early steps, if they cannot in one year wipe it off altogether, at any rate to reduce it; and when they have money available, they should do so, or why not get rid of it altogether? It has been a bogey of Government for many years. Why not take the step and say: Well, you can have your own excise. Transfer revenue from cotton excise from the Central Government to the provincial revenue and leave the provinces to deal with it themselves. That will be one way and it will relieve the Central Government of a great deal of embarrassment. In making that suggestion, though I would like to make it quite clear that it has no bearing on the reduction of the provincial contribution from Bombay.

Sir, I end as I began my speech. I congratulate the Honourable the Finance Member most heartily for the estimated results of the current year and I wish him every success during the coming year.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS (Punjab: Non-Muhammadan): Sir, I am sorry I cannot regard the present Budget as a very satisfactory one. It shows a surplus of 3.24 crores, but if we carefully go into the figures, we find that more surplus would have been shown. The Honourable the Finance Member has been overcautious to the extreme in framing his Budgets. What do we find, Sir? In 1923-24 Sir Basil Blackett estimated a deficit of 38 lakhs, but the actuals showed a surplus of about 6 crores. In 1924-25 the Honourable the Finance Member estimated a surplus of only 18 lakhs, but a surplus of 4 crores is now anticipated. I hope, Sir, at the expiry of the next year, there will be a much bigger surplus than the one he expects. It is disappointing to find, Sir, that the surplus has not been so equitably divided. I welcome the remission of the provincial contributions, but in that too I find that Bengal has been preferentially treated as compared to Bombay. This point has been touched upon by several speakers and so I need not dilate on it any longer, but this much I must say that, although the Government of Lord Hardinge promised the abolition of the cotton excise duty

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in case there was a surplus, in the present surplus year the Government have not done anything in the matter. Again in the face of the Resolution carried last year in the other House, Government have not been able to see their way to abolish this, I should call, unjust duty. On the other hand, we see that while the jute industry in Bengal has been allowed to prosper, a blow has been indirectly given to the cotton industry in Bombay. I hope that Government will see their way to abolish this duty immediately. It is an unjust duty and a very good case for its abolition has been made out by my Honourable friend, Mr. Sethna.

The military expenditure, Sir, I am sorry to say continues to be very heavy. It is said that Indianisation is being carried out on a large scale. What do we find? That out of 7,000 officers holding King's Commissions there are only 64 Indians. During the current year, Sir, this number has been only increased to 68, a paltry increase of 4 officers. Is that, Sir, just? In that case, Sir, how will the Indianisation of the Army be soon carried into effect? I hope His Excellency the Commander-in-Chief will kindly see his way to give effect to what he anticipated last year, that in future more Indians will be recruited and more King's Commissions will be given to Indians in the Indian Army. We find from the figures before us that last year the military expenditure was 3.50 crores less than it was anticipated. Although this 3½ crores of less expenditure was incurred, no loss in efficiency in the army seems to have taken place. When a saving like 3½ crores could be effected without any loss of efficiency to the Indian army, I think, Sir, at least 3½ crores ought to have been deducted from the army estimates of 1925-26.

I welcome the reduction in the excise duty on petrol and a similar reduction of 4½ annas in its import duty. The Honourable Mr. Natesan and other Members have dealt with this point, but I think that this has been done purely on a commercial consideration. The imports of petrol into India fell very heavily and it was right for the Government to reduce the duty on petrol to get increased revenue in imports. It is, Sir, deplorable to find that the price of liquid fuel in the interior of India is so very heavy. What we find in the Punjab is that the Attock Oil Company bases its price of liquid fuel on the prices of liquid fuel at Karachi *plus* the rate of freight to the station concerned. I think, Sir, this is too much and monopolies like this should be discouraged. The industries in the Punjab specially are at present suffering from very heavy coal freights, and when we have liquid fuel in our own province, we cannot get advantage of a good price there, and it is a pity to find that the price of liquid fuel at Rawalpindi, wherefrom practically the liquid fuel is distributed to all stations in Northern India, is much higher than the price at places three or four hundred miles distant from that place. This is an anomaly which cannot be understood.

It is a pity, Sir, that postal rates have not been reduced. I strongly endorse every word that the Honourable Mr. Sethna has said that, in case the postal rates are reduced, the increase in correspondence and the increase in the sale of post-cards alone will justify the reduction. Last year I mentioned that the burden of maintaining the Embassy at Kabul and our bearing the consular expenses in Persia ought to be met by the Imperial Government. I expected a reply from the Foreign and Political Member but no reply was given. When, Sir, the Embassy at Washington

is not paid by Canada, there is no justification why we in India should pay for the British Embassy in Kabul and also bear the charges for the Persian Consulates.

As regards the lump sum discount of 82 lakhs which has been debited to the present revenues, I agree with Sir Maneckji Dadabhoy, and, as has been rightly observed by the Honourable Mr. Sethna, our Finance Member ought to have adopted the very policy which he had advocated last year, namely, that such charges should be spread over a number of years. I find, Sir, that there is a very big sum provided for the purchase of stores in England. I advocate that stores should be purchased in India and British firms should be asked to put in tenders on the rupee basis for delivery in India. This will greatly reduce the locking up of money in carrying stocks and also save us from the exchange fluctuations.

All our Paper Currency Reserve is kept in England and although this point was taken up by Honourable Members of this House last year, no effort has been made to transfer, if not all, at least a major portion of it to India. There will be greater income in interest and our Budget will improve a great deal.

THE HONOURABLE MR. A. C. McWATTERS (Finance Secretary): Do I understand the Honourable Member to say that all our Paper Currency Reserve is kept in England?

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS: No, no. That is not what I meant. What I mean is that what is kept in England ought to be transferred to India. I ask His Excellency the Commander-in-Chief to be so kind as to throw open to Indians King's Commissions in the Royal Artillery and in the Royal Air Force. This is quite a fair demand and I think it ought to receive favourable consideration at the hands of the Government.

It is a pity to find, Sir, that the excise duty on kerosene oil has not been remitted. The Honourable Mr. Natesan has brought this point forward, and if I rightly remember, Sir, when a short time back I raised this question in this House, the Honourable the Commerce Member said that an understanding was arrived at between the Commerce Department and the Burma Oil Company that they will not increase the price of kerosene; and in case present duty on petrol was maintained their competition from foreign countries will be guarded by the imposition of this duty.

THE HONOURABLE MR. D. T. CHADWICK (Commerce Secretary): No, Sir. I fear the Honourable Member's recollection is wrong, and I would like him to refer to the debates.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS: If my recollection is wrong, I am sorry, but I think that there was some understanding of this sort under which the price of kerosene oil was regulated. I may have forgotten the details, but this much is certain. In order to keep the price of kerosene oil down the price of petrol was allowed to remain high. However, Sir, as this is a commodity used by the poorest and by all, this excise duty ought to have been abolished. I hope, Sir, that the Government will see their way to abolish this burden upon the poor.

As regards the duty on motor cars, I think, Sir, that what my Honourable friend Mr. Sethna has said is right. The import of British cars has greatly decreased and cheap American cars are finding favour. Although

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we find that at the present day owing to the tightness of the money market, India is flooded with cheap motor cars still, I think, Sir, that British cars ought to have a preference over all foreign made cars, and I think that Government should see their way to reduce the duty on at least commercial cars. Commercial cars replace the railways and are a great boon to the Zamindars. They carry all their produce to the railway station and in case this duty is reduced on commercial cars, I think it would be quite welcome.

I am glad to find that the North-Western Railway has taken the lead in introducing reduced return fares for upper class passengers. I hope that a similar step will be taken by the other railways and that they will also see their way to reduce the third class passenger fares.

There is one thing I wish to mention, and I mentioned it the other day, that Government are introducing the colour bar in their services by adopting the recommendations of the Lee Commission. This is causing great discontent among some sections of the Services and Government ought to see that this discontent which is quite legitimate is removed. We expect, Sir, that the Honourable Sir Basil Blackett will throw some light upon the results of the deputation of the Honourable Sir Bhupendra Nath Mitra to England to reconcile the war accounts. We do not know the result of that deputation and cannot say what has been the gain to India by it. This is an important matter and I hope the Honourable the Finance Member will throw some light on this question. With these few remarks I resume my seat.

THE HONOURABLE CHOWDHURI MUHAMMAD ISMAIL KHAN: (West Bengal: Muhammadan): Sir, before I begin to deal with the speech of the Honourable the Finance Member I must congratulate him on the untiring efforts and energy that he has devoted to the subject of Indian finance. There is no denying the fact that the slight improvement which is now visible in the horizon of the Indian financial sky is due to his able handling of it. I must further make my position clear by stating that whatever criticism is made by me will only be directed not against his ability of understanding the subject of finance, but against the system of administration in India of which he is also a part.

The Honourable the Finance Member in dealing with the subject of exchange has tried his utmost to demonstrate the fact that Government have always at heart the true interests of India. This is what he said:

"Neither he nor the Government of India have any interest whatsoever other than the interest of India in their minds."

Sir, if that had been the real attitude of the Government, India of to-day would not have been on the verge of financial ruin. It is the beaucrocratic policy dictated in the most autocratic way from Whitehall which has brought the Indian masses face to face with ruination and starvation. It is this financial policy which has crippled and strangled our once famous indigenous industries. Sir, prompted, as it were by the motive of ruining the once famous Dacca muslin industry and the industry of other silk fineries that Government levied the cotton excise duty. May I ask Government whether there is any other country in the world whose Government has thrust such an unjust tax on its subjects in the teeth of opposition from them? Is there any other instance of an unjust tax levied for the furtherance and development of a foreign industry at the

expense of the indigenous industry? I dare say No. It is only possible in a country like India which is helpless being under a foreign yoke and then, Sir, am I to understand that the contract for the purchase of Natal coal for the use of the Indian railways is for the development of the coal industry in India? Is it or is it not a fact that the press and the platform in India have made their voices worse by agitating for a counter-vailing duty on the South African coal? If so, what steps have Government taken to levy such duty which would have served double purposes, one, of increasing the revenue from customs, and the other, of protecting the Indian coal industry. Are all these to be taken as instances of Government's sincere efforts in watching India's true interests? Sir, instances are not wanting and they can be multiplied by dozens. When I go through the Honourable Sir Basil Blackett's speech further on I find that he has stated that Government stores were made liable to import duty for encouraging the Government's purchase of stores in India. Here also we find another glaring injustice to Indian industries. Protection has been accepted as a guiding principle in India and bounties are being granted to Tata steel, but in spite of all this, orders for foreign steel products are being placed outside India. I think these are cases which make our hearts sink within us and make us sceptics about the Government's *bona fides*.

In coming to the military expenditure I can congratulate neither the Finance Member nor His Excellency the Commander-in-Chief for fixing the expenditure at about Rs. 57 crores. Sir, the Retrenchment Committee in their report recommended that the military expenditure for 1923-24 should be fixed at about Rs. 57 crores and that with the gradual fall in prices it should within a number of years be brought down to Rs. 50 crores. Nay, they even went further and said that even this sum of Rs. 50 crores was more than the Indian tax-payer could bear. That being so, what justification has the Finance Member for taking the actuals of 1923-24 and the revised estimates for 1924-25 to be the normal military expenditure and thus to base his budget for military expenditure for 1925-26 at Rs. 57 crores? Sir, the prices have come down and are expected to come down further (*A Voice*: "Have they?") and therefore we have every reason to ask the Government to reduce the military expenditure further with a view ultimately to be brought down to the figure of Rs. 50 crores as was proposed by the Retrenchment Committee. The people of India are advancing towards self-government, which necessarily means that they should advance also in the matter of self-defence. To my utter surprise I do not find any scheme to have been brought forward for the extensive military training of Indians. I should go further and ask for a system of compulsory military training of every Indian adult for a number of years. Even if half-hearted measures have been begun like that of the formation of the University Training Corps, the men of such corps are never trained either in the Air Force or other branches of military career. Only the other day a Resolution was moved in the other House asking for the establishment of a well equipped military college in India. But alas! Government opposed it at every step. Is this the way in which the people of this country are being trained for self-government and self-defence?

I now come to the question of the Indianisation of the higher services of the Indian army. I do admit that Government are sending Indian cadets to Sandhurst, but the numbers are very small in comparison with the vastness of the Indian army. In my opinion sufficient steps have

[Haji Chowdhuri Muhammad Ismail Khan.]

not been taken to meet our insistent demand on this subject. The establishment of a military school at Dehra Dun is simply an eye-wash given to the Indian Legislature. We have been hoodwinked enough in the past and I think we are not to be further hoodwinked in the future. Sir, the military expenditure is the nightmare of India. There is no other country in the world which spends such a great percentage of its revenue on its army at the cost of the nation-building departments, such as education, public health, sanitation, medical relief, etc.

Then I come to the Post and Telegraph Departments. Here a great preface has been made out stating that the department should be run on commercial lines. The basic principle on which commercial concerns are run is that they must be made to yield a net profit, but what do we find here? The post office branch is working at a profit of nearly 29 lakhs after giving full effect to the Retrenchment Committee's recommendation, whereas, on the contrary, the Telegraph branch has not come under the retrenchment axe to the fullest extent though that branch is expected to run at a loss of nearly 26 lakhs in 1925-26. I hope Government will take steps to appoint forthwith a committee to investigate further means of retrenchment in that branch, so that like a commercial concern it may pay its own cost if it does not make any profit. In my opinion the telegraph branch is treated like the pet and spoilt child of the Government of India.

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

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

#### BILLS PASSED BY THE LEGISLATIVE ASSEMBLY LAID ON THE TABLE.

THE SECRETARY OF THE COUNCIL: Sir, in accordance with rule 25 of the Indian Legislative Rules, I lay on the table the following Bills which were passed by the Legislative Assembly at their meeting held to-day:

1. A Bill to amend the Indian Merchant Shipping Act, 1923, for certain purposes;
2. A Bill to amend the Cantonments (House-Accommodation) Act, 1923;
3. A Bill to provide for the better regulation of cotton ginning and cotton pressing factories.

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#### MESSAGE FROM THE LEGISLATIVE ASSEMBLY.

THE SECRETARY OF THE COUNCIL: Sir, a Message has been received from the Legislative Assembly. The Message runs as follows:

"I am directed to inform you that the Legislative Assembly have at their meeting held on the 5th March 1925 agreed without any amendment to the Bill further to amend the Indian Ports Act, 1908, which was passed by the Council of State at their meeting held on the 20th February 1925."



THE HONOURABLE DR. SIR DEVA PRASAD SARVADHIKARY (West Bengal: Non-Muhammadan): Sir, talking in this House on the Budget reminds me of the depressing atmosphere in which one had to talk in the pre-reform Council days. I had the honour of talking on the Budget in the Bengal Council before the Morley-Minto scheme. I had the honour of talking after the Morley-Minto reforms came, when we used to talk on larger sufferance but with no particular end in view, just a general sort of talk that led to nothing. The atmosphere came however, to be changed for three years in another place and when I came up here I was reminded of the familiar depressing atmosphere of the old Councils I was on before. Whether you are good enough to give 20 or 30 minutes or even the whole day to each Member really makes no difference. Our discussion fails absolutely to make any impression upon the situation because we have no power of the purse. Although the Finance Bill comes to us later on, the Finance Bill is and must be on the basis of the Budget that has been passed elsewhere, and we can do nothing, absolutely nothing, to influence the course of events in the slightest degree, except in conveying now and again pious hopes and wishes that in other years may lead to some result. The effect of this state of affairs is to impress the whole of our work in this House with an air of unreality. The Honourable Sir Maneckji Dadabhoy had occasion to make reference to another matter of slight recentness, to which I shall not refer. But I should like to refer to some more recent events. It was not quite as a result of the Resolution moved by my friend the Honourable Sir Maneckji Dadabhoy but possibly indirectly influencing it somehow that Sir Basil took up the question of debt redemption. To make things better understood by people who in his judgment counted more elsewhere he had a conference, possibly an informal conference, in consequence of some sort of pledge or understanding, for the purpose of arriving at a further understanding regarding this matter. Was even Sir Maneckji Dadabhoy asked to attend the conference? No. When the question of further relief to the steel industry—the relief may have been good for the country or it may have been quite the contrary—came up for consideration the first blessings were asked, which were also the last blessings as the case happened in another place, and this House, which will have to pass the Finance Bill on the basis of that fifty lakhs being added to the bounty Budget or whatever else you may call it, will have absolutely no further say in regard to the matter or have any information excepting what the newspapers convey or what the official reports of the proceedings contain. Well, Sir, one cannot take oneself seriously when one is talking on the Budget here in these circumstances and in an atmosphere like this. If one attempted to do so, why 20 minutes would be too short; as it is, 20 minutes may be too long.

Sir, I shall not take up the time of the House or my own short time by referring to matters that may be classed under what may be called financial pleasantries. Whether the 82 lakhs of rupees on account of discount on loan or the other Rs. 3 crores 24 lakhs that has been mentioned ought to have been deleted or spread over and allowed to go and swell the available surplus are matters that have been referred to already. Shortly speaking, I fully endorse those views in principle, and I believe that if at least a reasonable portion of it was available, the surplus would be higher. Sir, I was not able to agree to the scheme or even the outlines of the principle leading up to the proposal for debt redemption at this stage except so far as it is window dressing. I gave my reasons then, I shall not repeat

[Dr. Sir Deva Prasad Sarvadhikary.]

them. They hold good to-day. Sir Maneckji Dadabhoy has referred to the high taxation as a result of which what we are called upon to regard as a prosperity budget has been possible. He has referred to the fact that no relief is given to the general tax-payer. He has not referred to the fact that the salt duty is still oppressive. And some Members have referred to the fact that at all events the poor man's pice post-card has not been restored. Others have spoken of the kerosene taxation. Others again have spoken of high tax on motor cars, which I quite agree is no longer a luxury but is one of the fundamental factors in the industrial and economic life of India, least for those who can afford it. All these stand out. There has been no appreciable investment in what are called the nation-building departments, a phrase that I do adhere to in spite of objections that have been taken. We are thankful that a little has been added for improvement in Pusa and for research. Even little mercies one has to be thankful for, in the expectation that they will lead to some results that will warrant and call for more investment and more expenditure in that direction. But when all is said and done, the bare fact stands out that a highly-taxed country with slender economic resources has not been given adequate facilities for nation-building—I repeat that phrase. When that condition of things persists, and when loan is steadily kept added on it is premature, it is almost a *Bahaduri* scheme of economics to think of redemption of debt in the way in which it has been done. The credit of India is said to be improved to that extent, but are our resources large enough to admit of the scheme being taken up at this stage and carried to its legitimate consequences? I will not say that because we have done without it so long, we can go on doing without it for all time; but I do say that now is not the time when this should have been undertaken, at all events on the scale that has been indicated. My Honourable friend, Mr. Bell, rather doubts whether the scale was large enough or not. I differ from him, and say that if a real beginning had to be made, even if it was thought that in the present adverse circumstances a beginning could be made, it ought to have been on a less scale. That would have been instrumental in giving us a little more surplus, a surplus that would be useful in meeting many of the demands and requirements that have been brought out in the course of the speeches to-day and speeches elsewhere.

That, Sir, not having been done, one hardly knows how to call on the Government to do fundamental justice to the provinces. My friends from Bombay are naturally bitter. I sympathise with them. I can understand their resentment. I asked some of them as to whether they would like remission of the provincial contribution as against the remission or reduction of the excise duty, and some of them frankly said that they would rather do without provincial contributions at this stage than allow indefinite continuance of this black spot on our economic history, an excise duty which, whatever justification it may have had in the past as a revenue measure, has none now. I am quite in accord with my Bombay friends that at the earliest possible opportunity, if possible this year, steps should be taken for making at all events a beginning with the reduction, if complete remission is not possible. I do not flatter myself that this will benefit the consumer, but it will do indirect good and stabilise the Industry. My friends know that provincial contributions are given under the Devolution Rules—they may be good, bad or indifferent—and therefore

they would not profit much by their forced application. Sir, in this connection it is somewhat unfortunate that Sir Maneckji Dadabhoy should have spoken of the moratorium in reference to Bengal: I regret others, from provinces even like the Punjab which have nothing to do with the matter, should have spoken of the so-called favour done to Bengal. (*The Honourable Sir Maneckji Dadabhoy*: "I did not say that.") Sir, it is no favour done to Bengal; the barest act of justice has been attempted to be done, for which our gratitude is due to the Honourable Finance Member. He has put it in the only possible way, namely, that in view of Bengal's special claim for consideration emphasised by the Joint Select Committee of Parliament, this exemption was inevitable. The author of that scheme himself pleaded that this differentiation should be made; and I fully agree with the Honourable Mr. Sethna that the earliest possible opportunity should be taken of rev'ising the whole of the Meston Award and placing the provinces on their feet and enabling them to develop on their own lines and out of their own resources. Sir, the Honourable Mr. Sethna spoke of Bengal's 30 lakhs surplus because of this dole—well, I refuse to accept any dole. I accept it only as an act of justice which the Government of India have done us and for which all credit is due to them for the courage to do justice. This is how matters stand. Sir, in Bengal. Even with this three years' dole, the Bengal Government could not take up any work of improvement because, as has been very aptly said by a Member in connection with the provincial Budget, they cannot undertake any matters involving recurring expenditure. Unless they know exactly their financial position they cannot launch upon any undertakings involving permanent obligation. It was therefore their duty to agitate and see that they did not have to pay this provincial contribution again—but they might have a portion out of the export duty on jute. Well, that is a delicate and difficult matter into which I shall not now go but which we must press on later. My friend, the Honourable Mr. Sethna, and others have spoken of what Bombay pays in the way of income-tax. Well, Bengal pays a great deal more. The jute tax amounts to Rs. 3,35,000, her income-tax amounts to 6,11,000, and her customs duties are proportionately high. That, however, is a matter that I shall not go into now. I just indicate that it is not a dole or a charity that we are accepting. It is a bare act of justice which has to be followed up by an honest revision of the whole of the Meston Award under which the provinces can develop according to their own resources and on their own lines. Sir, we cannot talk of any prosperity budget or congratulate ourselves on favourable surplus balances, while the provinces are starving, while all the nation-building departments are starving, while taxation is as high as it is and while the Lee Commission has against popular wishes thrown unforeseen burdens on the Provinces, not only to provide steel frames but tin frames and brass frames as well. One has to be no doubt thankful that it is not as bad as it has been in years past and that is about as much as one can say and one feels again that one need not have been as bad in the past.

Sir, Sir Arthur Froom was impatient, notably impatient with the Honourable Mr. Natesan for having the hardihood of bringing up that hardy annual—the military expenditure. Sir, no Indian will be able to give himself rest until at all events a future Commander-in-Chief is able to bring down the military expenditure at least to the figure that the Incheape Committee has, I shall not say laid down, but has suggested and indicated

[Dr. Sir Deva Prasad Sarvadhikary.]

I believe with the assent of the Commander-in-Chief. And it will have to go down much more and will do so with quicker Indianisation in the national army. There was a very remarkable statement made by the gallant Colonel Sir Umar Hayat Khan. We are not and cannot be a nation he told us and therefore it is no good our talking of a national army and things of that kind. Sir, talk of that description does not help in smoothing down friction at this somewhat unfortunate crisis. Well, Sir, I do not know what my friend's idea of a nation is. Though earlier the racial idea was stronger than the political in regard to the term nation, in recent use the notion of political unity and independence is more prominent. The gallant Colonel is therefore wholly irrelevant and so are all who talk like him. If the army that he was serving with so notable credit was not a national army, well, I am afraid he will find himself in a somewhat uncomfortable position, for he would not, I am sure, with his high instincts agree to be a mercenary. That would be the inevitable logical consequence of his proposition. Why, Sir, our army is a national army and in which every constituent of the nation ought to have its proper place. We and every body else including the Commander-in-Chief is trying every day of our life our best to make that army as efficient and at the same time as inexpensive and as truly national as possible and to prepare our people for taking a worthy part in the development of that army and to make it more national in the true sense of the term. I quite understand, Sir, Indianisation cannot proceed on short notice. It is bound to take time. Reduction of expenditure with regard to a complicated machinery like the army which has gone on growing and swelling for years past cannot be done all in a day, and one must recognise that the Commander-in-Chief has been doing a great deal in that direction and that if more has not been possible that is no reason to say that all that could honestly be done has not been attempted. (*The Honourable Rai Bahadur Lala Ram Saran Das*: "But if it takes a thousand years"? ) I don't think any honest soldier thinks or says that it will take a thousand years but it will take a good few years, and what I regret in this Budget is the want of adequate provision for lessening that span of a thousand years or whatever it may be about which my friend from the Punjab has his apprehensions. I miss for example adequate arrangements for preparing and educating our people so that they may be able to take their place in the army programme. I cannot possibly agree with my Mussulman friend from Bengal behind me, when he was speaking of "hoodwinking" and "whitewashing" in connection with an admirable institution like the one at Dehra Dun. I do not know whether my friend availed himself of the opportunity afforded by the Commander-in-Chief for going there and studying things for himself. I have been there and I feel that not one Dehra Dun but ten will have to come before this question can be solved, and my one regret is, Sir, that there is not more provision in this connection in the Budget. I cannot possibly agree with my friend, Colonel Sir Umar Hayat Khan, that this is one of those what he calls toys—he spoke of toy terriers and bull dogs in another concern. I am not going into the question now but would warn him not to hold "contemptibles" in contempt. Dehra Dun is certainly not one of those educational toys which it is the duty of the civil authorities, according to the gallant Colonel, to take up and the costs of which the civil budget has to bear. It is one of those essential factors in nation-building—I repeat the phrase—without which no adequate conclusions can be arrived at. Nor does the question of costs of the Territorial

Army stand on that basis. My complaint is that there are not more of these schools and colleges and that there are not more of these facilities provided in the military Budget.

Well, Sir, a question has been asked as to what the Honourable Sir Bhupendra Nath Mitra was able to do with regard to his recent mission in England. Of course, I cannot anticipate the Commander-in-Chief's answers with regard to the matter, but this I think is generally known that if not on this occasion on previous occasions the services of Sir Bhupendra Nath Mitra were invaluable. If in spite of the difficulties that one meets, and will go on meeting in the War Office even when our worthy Commander-in-Chief is there to plead our cause, as we hope he will soon be doing—Sir Bhupendra Nath Mitra, under the advice and with the assistance of His Excellency Lord Rawlinson, was able to effect any reconciliation, as it has been called in the accounts, one has to be thankful for small mercies. That a great deal more could not be done is our misfortune, but one must not fail to recognise the immense service that Sir Bhupendra Nath Mitra was instrumental in rendering to this country and to the army. A slight recognition of such services was the conferment of Knighthood on him and his absorption into the Executive Council, where I hope he will not get spoiled as an unbending man of accounts and finance. He is soon coming to officiate as Finance Member and whether he will be able to make any more impression on the Finance Department than he could on the War Office one does not know. If he fails it will be more his misfortune than his fault. All the same it is a fine tribute to his career. He has risen from the accounts rank and knows every inch of his ground, and if between him and Sir Basil Blackett we cannot get some relief in the next Budget, why then the case of India financially speaking must be very bad indeed.

Sir, a great deal has been said about figures and facts of different kinds and their misreading and inadequate reading. One must confess that one who is not accustomed to read budget figures as they ought to be and are generally read by financiers, is apt to make mistakes, particularly when one cannot get expert advice of the kind for which we have long unsuccessfully pleaded. I should suggest, Sir, that expensive departments like the Department of Statistics and the Bureau of Public Information, which we have, should be deputed to collect scattered and seemingly irreconcilable figures and facts and be told off to prepare these ordered analysis in the shape of annual publications of the kind which Canada and South Africa (*The Honourable Sir Basil Blackett*: "And India"? ) and other Colonies have. I am not aware of any such Indian year Book as I have in mind and as Sir Basil Blackett by his interjection suggests. We could get all facts and figures collected like this and then it would be possible for Honourable Members and every body else to lay their hands on them. Added to this a publication like this would be a great advertisement for India outside and it would be possible for every body to get hold of facts about which there cannot be any doubts. That is a recommendation that I should like to make to the Departments concerned. They are doing admirable work in the publication of works like "India" "the Parliament of India", and "the India of to-day" series. There is no reason why these departments should not club their resources and give us something which will intelligently furnish collected facts and figures without having to go to a variety of Departments and making mistakes even in that process.

Sir, there is one branch of still Central subjects about which I desire to say one or two words and that is with regard to education. The

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Honourable Mr. Natesan has reminded the House of what His Excellency the Chancellor of the Delhi University which itself sadly wants resources for development, said the other day about this need of the Government of India being in direct touch with subjects like education and universities. That there is a considerable residuum of education and similar other interests still continuing in the Central Government cannot admit of a moment's doubt that is perfectly in accord with what I had the honour to submit to this House on various occasions, propositions from which some people have unfortunately dissented in this House and elsewhere. The Central Government cannot and must divorce themselves from cultural and nation-building interests at large. But, whether there is a residuum small or large of any of these interests, in regard to education or sanitation or irrigation, it is up to the Central Government to be fully in touch with the provinces in these matters and to lend their hand for adequate co-ordination and adequate handling in the central departments. From this point of view I miss very much, Sir, a provision for the Calcutta Minto Professorship in the Budget. I know there is some dispute regarding the method of accounting about it

3 P.M. and although it is not in the Budget, the money will be found somehow this year. I should very much deprecate any movement by which this almost last connection between the Central Government and the University of Calcutta should disappear. I also miss the increased grant which we all expected would appear in the Budget this year, for that admirable Institute of Sir Jagadish Chandra Bose, work in which has been commanding admiration all over the world. Sir Jagadish's Institute is having, now I believe, a lakh of rupees a year, and it was fully expected after His Excellency the Viceroy and H. E. the Governor of Bengal and other officials has visited the Institute and had seen the great work that was going on there that more assistance from the Central Government would be forthcoming to an institution which was making the name of India widely known outside India and more honoured. Apart from everything else, that by itself would be a reason for helping this worthy Institute and I say I miss the larger grant to my regret and surprise.

Reference has been made, Sir, with regard to the post-card. It is difficult to urge for this measure of reform this year in view of what has happened, but I appeal to the authorities, as I have done before, to see whether the space available to the user of the post-card and the money order form could not be considerably enlarged. That at all events would be a small relief pending the larger relief which they expect, namely, the reduction of postage rates. One must recognise that there is need for expansion in the Postal Department and one cannot have things both ways, reduction of postage and increase of the salaries and emoluments of postal or any other public servants. These two interests have however to be reconciled and I believe they can be. They have to be and are being reconciled everywhere else. I was going to refer to another Department of the Government of India, the Income-tax Department, which has been referred to in other concerns in regard specially to super-tax. If there are Government grievances with regard to super-tax there must also be grievances with regard to collection of income-tax itself on the lower basis. It is felt by many that Government do not get all that they are entitled to under the Act. If this be so, one reason why they do not get it, is that they do not pay their establishment well enough. It is a matter

that should be looked into. I had occasion to come in contact with the Income-tax subordinates' organisation. They are all combining themselves into unions, in this and other Government Departments. They have worthy objects in view, which should be appreciated. There are reasons to believe that they are not as well paid and treated as they might be. I shall not say anything with regard to super-tax. I am not likely to have to pay it in this life (Laughter). That is therefore no personal concern of mine, and I can take an impartial view. But I do join with the Honourable Mr. Natesan in thinking that a movement for its reduction will not be popular in the country at large.

THE HONOURABLE THE PRESIDENT: I think the Honourable Member had better take another glance at the clock.

THE HONOURABLE DR. SIR DEVA PRASAD SARVADHIKARY: I shall take the hint from you, Sir, and conclude.

HIS EXCELLENCY THE COMMANDER-IN-CHIEF: Sir, I do not propose to detain the House very long. I made a fairly full, and I think a frank, statement in another place yesterday which Honourable Members have probably had an opportunity of either hearing or seeing (*A Voice*: "Not yet") and I need not therefore repeat myself this afternoon before this Council.

THE HONOURABLE DR. SIR DEVA PRASAD SARVADHIKARY: We shall see it to-morrow, Sir, not to-day. It does not appear in print to-day.

HIS EXCELLENCY THE COMMANDER-IN-CHIEF: It will appear in print very soon. Anyway, I do not think it is worth repeating here what they will see in print before very many hours have passed. But certain references have been made to the Army and to the military expenditure by Honourable Members of this House in the course of this debate. I am not accustomed to such general agreement on the part of Honourable Members on the figures of military expenditure which has been reduced by some four crores and odd. That reduction has been, as I said in another place, largely brought about by a strict system of economy, by the assistance of the Inchcape Committee and by return to times which may be considered normal in comparison with what they were four or five years ago.

As regards the further remarks made by Honourable Members, I think there are really only two points to which I need make any definite reply. One was raised by the Honourable gentleman opposite and I am glad to say that I was on this occasion able to distinguish fairly clearly what he was saying, which was not the case on a former occasion. He has referred to a suspicion that exists throughout the country with regard to what are the intentions and what are the desires and policy of the Government as a whole in regard to the military policy and expenditure. I am afraid that there is no denying that suspicion does exist, and it is one of the greatest difficulties which as a Government and I as Commander-in-Chief have to overcome. I doubt whether we shall ever be successful in entirely overcoming it. After all, we are all suspicious when our interests are in the hands of somebody else whose actual motives and desires we do not fully understand. I suppose most of us own shares in various companies. We are always haunted by a sort of suspicion that the management of that particular company in which we are holding an interest is not always doing what is best for the interests of the shareholders. It is precisely the same when it comes to a Government. If we are not members of that Government, if we are only in the position of shareholders, we are tempted to have, and it is only human nature that we should have, a suspicion as to

[H. E. the Commander-in-Chief.]

whether our immediate interests are really being pushed, and sufficiently pushed, in the direction which we should ourselves desire. Therefore, I am afraid that nothing that I can say will really overcome the whole of that suspicion. We have done our best, we continue to do our best, to deserve a little more confidence. Suspicion is perhaps too strong a term, but it is a doubtful confidence, an anxiety as to whether our own particular interests are really being defended in the way that we ourselves would desire that they should be.

As regards the other point, Sir Deva Prasad Sarvadhikary has referred to a mission in which I took part last autumn in England in company with Sir Bhupendra Nath Mitra. From the financial point of view my Honourable friend, the Finance Member, will deal with this matter. But here, again, we have the same suspicion that the interests of India were perhaps not defended and pushed with the strength that they might have been by Sir Bhupendra Nath Mitra and myself, and I suppose that if I took Honourable Members with me and they had passed through the ordeal,—and it was a very strenuous time doing our very best to urge the case of India before the higher tribunals both at the War Office and elsewhere in England,—they would even then not believe that we had done very much because we had nothing to shew at that particular moment as a result. But, as I think the Finance Member will tell you, some of the consequences of what we were able then to accomplish will mature, and mature to the benefit of India at no very distant date.

In conclusion I observe that certain Honourable Members have predicted for me further employment. They suspect that at no very distant date I may be occupying an important position elsewhere. I doubt if they have any solid grounds for their prophecy. Indeed, I am doubtful where their information comes from, but I can assure the House that, if in the future I am in a position where I can in any way again fight for and further the interests not only of the army in India but of India as a whole, they may depend that I shall do so to the very best of my ability. (Loud applause.)

THE HONOURABLE MR. W. A. W. DAWN (Burma Chamber of Commerce): Sir, previous speakers have left little fresh for me to say, and in particular the Honourable Mr. Bell in his lucid speech has expressed my views on the points he dealt with better than I could have done myself. With him and other speakers, I join in the general satisfaction expressed in the Budget presented to us, and in congratulating the Government on their good fortune and good management. It was inevitable that the disposal of the sum of Rs. 82 lakhs and of Rs. 341 lakhs referred to in paragraph 11 of the Honourable the Finance Member's speech should be criticised. I have no objection to their being dealt with in this manner when the money is available. Should the loan to the Persian Government be recovered later, it will be no doubt a welcome windfall. I am sure the adoption of a system of commercial accounting in respect of the various Departments to which it can be applied so that they may stand on their own legs will meet with general approval. Reductions in the Army expenditure have been very large. It is to be hoped that, in the desire for further reduction, retrenchment will not be allowed to pass the bounds of prudence and safety.

There is one point which has not been referred to so far. In paragraph 34 of his speech the Honourable the Finance Member refers to the



measures taken to improve the credit of the country, and states that he has received from many quarters evidence of the greatly strengthened confidence of investors in the soundness of India's financial position and methods. I find striking confirmation of this in the quotation for the  $4\frac{1}{2}$  per cent. sterling loan of 1950-55—a typical Indian security. Last year this fell so low as  $82\frac{1}{2}$ , or below the original price of issue. The present rate is about  $89\frac{1}{2}$ , a rise of no less than nearly 3 points having taken place since the beginning of December. The highest price touched for this loan was 93, early in 1923. There is thus a long way to go before the degree of confidence which that rate denotes is restored, but it must be a matter for congratulation that the solicitude shown for the credit of India has so readily produced a change of sentiment in the London Stock Exchange, which is recognised as perhaps the best barometer of the financial standing and reputation of nations.

To turn to my own province. I am pleased to learn that Burma is to receive a reduction in her contribution of 7 lakhs. It is not a large sum but will go some way to pay for the extra duties on steel imports, which I gather will amount to 10 to 11 lakhs for the year 1924-25. Without wishing to labour the point unduly I may state that there is considerable soreness in Burma in connection with these steel duties: first because she was not excluded from the operation of the Bill that imposed them; and later because her request that the amount collected in enhanced duties on steel imported into Burma might be handed over to her has been refused. It is held that conditions in Burma differ so completely from those in other provinces, in that her imports are consumed within her own borders, that she might well have been excluded without embarrassing Government in other directions.

I have heard something of the misfortunes of other provinces, but Honourable Members appear to be unaware or indifferent to the sad plight of Burma. I learn from telegrams in the last few days that Burma's Budget for 1924-25 shows a deficit of Rs. 80 lakhs, and that for 1925-26 a deficit of Rs. 157 lakhs is estimated. Details are not yet available, but it is evident that, in addition to sympathy, assistance of a practical nature will be needed. While gratefully accepting the dole now given, I trust it is but the earnest of further favours to come, and that a portion at any rate of the Rs. 74 lakhs held in reserve against disappointments may find its way into the coffers of Burma.

**THE HONOURABLE MR. LALUBHAI SAMALDAS** (Bombay: Non-Muhammadan): When the Honourable the Finance Member faced the music in this House two years ago he was really in a very awkward position. He had come here with a definite intention of having the budget balanced and had to propose the increase in the Salt Tax. This year he must have faced the music even in the other place with a cheerful face, for he has now attained his goal for which he was working these two years. He perhaps remembers that a friend of mine said that Sir Basil Blackett had the face of a cherub but the methods of a tank. Perhaps the methods of a tank are necessary when a man is determined to attain one definite goal, and though Sir Basil Blackett is impervious to criticism as a tank is to hostile attacks—and I sometimes resent his imperviousness—he has attained the goal on which he has set his heart and I think he deserves the gratefulness of the country as a whole for having improved the credit of the country both inside and outside India. It would not be candid of me, who was so strongly opposed to his salt policy, if I did not say that we owe him a

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debt of gratitude though for the present financial position of the country he very often went against our wishes and did not care for small things that came in his way just like a tank which crushes everything that stands in its way. When I say this I do not mean to say that he has attained the final goal. He has attained one part of the goal, that is, to get a balanced budget and a surplus. The other part remains, and that is the constructive work that has to be done to improve the economic condition of the country. That part of the goal has to be attained by the Government of India. My suggestion that the Government of India should undertake this work cannot be brushed aside by saying that Agriculture, Industries, Co-operation, Forests or Excise are provincial subjects and in many cases transferred subjects and therefore the Government of India have nothing to do with them. The Government of India as the Central Government have a duty to the country. They realised this so far back as 1915, when Lord Hardinge was Viceroy. Of course at that time we did not have central and provincial divisions as marked as they are now. Lord Hardinge in a despatch to the Secretary of State dated the 26th November 1915 said:

"It is becoming increasingly clear that a definite and self-conscious policy of improving the industrial capabilities of India will have to be pursued after the war unless she is to become more and more a dumping ground for the manufactures of foreign nations who will be competing the more keenly for markets, the more it becomes apparent that the political future of the larger nations depends on their economic position. The attitude of the Indian public towards this important question is unanimous and cannot be left out of account. Manufacturers, politicians and the literate public have for long been pressing their demands for a definite and accepted policy of State aid to Indian industries; and the demand is one which evokes the sympathy of all classes of Indians whose position or intelligence leads them to take any degree of interest in such matters."

It may be said that this is all old history and that 8 years have elapsed since then. Have Government after the war done anything? On this subject I shall quote the authority of a man who is well known all over India. I mean Sir Theodore Morrison. Referring to the question of Indian unrest in a recent number of the *Nineteenth Century and After* he says:

"He (Sir Theodore Morrison) urges that the Government of India should extend education and enunciate its economic policy openly and assume responsibility for elevating the lives of the Indian people to a higher plane. Sir Theodore Morrison expressed the opinion that such a policy if courageously avowed and honestly carried out would elicit a great deal of private help and voluntary help from Indians. He believes that such a policy can only be carried out after consultation with Indians and largely through the agency of Indians and must be inspired by determination to raise the Indian people to a high place among nations, as sincere as the determination which inspired the makers of modern Japan."

Here is an ideal set forth for the Government of India. Will they accept the ideal and work up to it? They can only do it if the hearts of the Members opposite on the Government Benches beat in unison with the hearts of the masses of the people. Do they do so? Let them show by practical work that they feel for the country as much as we on this side feel for it. Mere lip sympathy will not do. We want action, action with if necessary money grants. I would not call them doles. And I assure the Honourable Members on the Government Benches that if they want any assistance of any kind from non-official Indians, it will be readily given. I want in this work the co-operation of my non-official European friends as much as my Indian non-official friends. I think that in this

work Government, the non-official Europeans and the non-official Indians should all combine, we should put our heads together and try our best to raise our country to a high level. I will only instance what Japan has done for her people. Will the Government here rise to the occasion? I would ask the Honourable the Finance Member and not only the Finance Member but also the Honourable the Commerce Member and the Honourable Member for Industries to do all they can in the matter of raising the economic, intellectual and physical level of my countrymen.

Sir, having realised a surplus, the Honourable the Finance Member wanted to dispose of it and he says that he wants to consider the claims of the various claimants. I think I am correct in saying that he used that word. Now, Sir, it is of course for his department to decide who are the best claimants. It is for us to push our claims and speaking, not as a Bombay man or as one who is interested in the mill industry to a certain extent, but as an Indian who feels that this is a political blot on the history of India, I must say that the levy of the cotton excise duty under orders from the Secretary of State ought to go. How it should be replaced is a matter which I should leave to the Finance Member, but I would point out that the mill industry of India which has done so much for the country is an industry of which Englishmen, both officials and non-officials, may be equally proud as showing what the Indians are capable of doing. Sir, the progress of that industry should not be retarded or should not be hampered in any way. The other claimants, namely, the Provincial Governments are there. Then there are the claims of the general tax-payer. It is up to the Finance Department to consider their claims. Provincial Governments have under the Meston Settlement a claim to a reduction of their provincial contributions and in a way I am glad that the Finance Member has seen his way to reduce them. I wish that as soon as possible all these provincial contributions should disappear from our finances. If it comes about, we shall, as he says, be in a better position to take up other works of a constructive nature and there will also be less of provincial jealousies and the provincial bickerings that are unfortunately going on between the provinces. In this country racial and communal divisions have existed. They are the bane of the country. For God's sake let us not have provincial jealousies added to them, and I hope that the Finance Member will see his way to remove the contributions entirely or revise the Meston Award.

I wanted to speak about the military budget but I do not think that after what His Excellency the Commander-in-Chief has said, and he said it in a way which has met with support from all sides of the House, namely, that he would look after the interests of India even after he leaves this country, I need say anything. As regards information being supplied to us in a better form or about details of accounting, I will go and see the Honourable Mr. Burdon or Mr. Brayne and explain to them what additional information should in my opinion be supplied to the Members. I shall not therefore take up the time of the Council with all those details.

Coming to the civil administration, before I take up the various departments concerned I would like to refer to two items on which so much stress has been laid by previous speakers. I mean the item of 82 lakhs of discount and the item of 341 lakhs of the Persian loan. Speaking of the first item I believe I heard the Honourable the Finance Member

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yesterday saying that except in the year 1923 the usual practice for the rupee loan was to write off the discount in the year the loan was raised. If I understood him aright this was an exceptional year and perhaps the exception was due to the fact that we had a deficit budget and the Honourable the Finance Member did not want to add to the deficit by writing off 82 lakhs in the usual way. Possibly he wanted to show a lower deficit by introducing a new system which he gave up the next year, if I understood him aright. I think the system might be kept on as it has been up to now. But there are two questions which I would like the Honourable the Finance Member to answer. One is the question raised by my friend the Honourable Mr. Sethna with reference to his speech of last year, when he said that some 11 crores, if I remember aright, were being kept on as discount and will be written off in years to come. I cannot understand if the old system of writing off these discounts every year was followed till 1923, how this large amount has accumulated. The other question I would like a reply to is that he said the above merely about the rupee loan—what is then the policy about sterling loan, and if it differs from that of the rupee loan, why? These are questions not only of interest from an academic point of view but are of interest from the practical point of view and I hope the Honourable the Finance Member will make his position quite clear.

Sir, the Finance Member has spoken about the exchange. He has spoken in a way which shows that he believes that people who raise a cry in favour of a low exchange are either unable to understand what they are talking about or are doing it on selfish ground. I wish specially, Sir, to draw the attention of the Finance Member to paragraph 41 of his speech. He said, referring to rise in sterling prices:

“The result has therefore been that during the period under consideration the rise in the rupee has had very little effect, if any, in the direction either of discouraging Indian exports or of encouraging imports into India.”

I want the Finance Member now to refer back to paragraph 14 of his speech, where he says:

“There is a falling off in the receipts under the heads ‘tobacco, matches and machinery’, but nearly every other head shows an increase, specially the revenue from the import duties on cotton piece-goods.”

Now if the income under the import duties on cotton piece-goods has increased, it means that there have been larger imports of cotton piece-goods during the year, and unless the Finance Member is able to explain that it is due to any other cause it is but reasonable to suppose that it may be due to the fact that the exchange was high.

THE HONOURABLE SIR BASIL BLACKETT: Imports were specially low the year before.

THE HONOURABLE MR. LALUBHAI SAMALDAS: I am merely referring to an apparent contradiction in his speech between paragraph 41 and the remarks made in paragraph 14. Sir, yesterday the Finance Member said that it was very unfair that he should be attacked as having sympathy with Calcutta and having rather a feeling of antipathy for Bombay. I am quite sure that whatever he does is for the good of all.

the provinces concerned; but when a remark like the following is made,— I am referring to paragraph 46, where after referring to the exchange policy he says:

“ I would admit at once that a sudden fall in exchange from 1s. 6d. to 1s. 4d. would put money into the pockets of individuals in Bombay and elsewhere. It would also no doubt for the moment benefit the Bombay cotton mills who would charge higher prices for their produce at the expense of the customer.”

If it is reasonable to infer that he thinks that in suggesting an alteration in the exchange policy of the Government the Bombay economists are fighting for their cause only, that is, for the selfish reasons of getting better prices for the produce of their mills or of getting better prices from imported goods—if this is so, all I can say is that the Finance Member is not able to understand the motives of the Bombay economists. I am not an economist, I am not quite able to follow the intricacies of the argument, but I know and I hope the Finance Member will give the economists, who fight for a particular kind of action, the credit of doing so from pure motives, in the interests of the country as a whole, and not only the sake of the Bombay cotton mills or for the sake of Bombay importers. The very fact, Sir, that he uses the words “ Bombay and elsewhere ” shows that although he knows that piece-goods are imported not only in Bombay but in Calcutta and Madras, he specially mentions Bombay; and that taken in conjunction with the treatment that Bombay has received both as regards Excise and the provincial contributions, has created a feeling in the minds—I will not say of Sir Basil Blackett because he is above that—but in the minds of the Government of India that Bombay people are making too much money and that they are making these recommendations on selfish grounds, for their own selfish motives and do not honestly think their course for the good of the whole country. I hope, Sir, if that idea is in the mind of the Honourable Sir Basil Blackett and the Government of India that he will divest himself of it. We want the country to progress as a whole, all the provinces together, and I am quite sure I am speaking for all of us here that we want the country to go hand in hand with all the provinces joined together, working for one goal to put our country on the same line as the most economically advanced and civilized nation in the world.

Sir, I have a few more questions of detail to ask the Finance Member which I hope he will refer to in his reply. In referring to the salt revenue he said that 1·31 lakhs more were realized for the last month of 1923, March, and that consequently there was a reduction of that amount from the budget estimate and the revised estimate. Sir, if during the 12 months or 11 months of 1923-24 an income of 7·73 crores was received from salt, after making allowance for the 1·31 crores which was taken over during March of last year, I think the Department has underestimated when for the full 12 months, when there has been no overdrawing in the first month, they are only estimating an income of 6·95 crores, that is, 78 lakhs less.

THE HONOURABLE SIR BASIL BLACKETT: May I explain the point. The explanation is quite simple. For the first six months of 1924-25 we were collecting part of our duty on the credit system at the rate of Rs. 2·8; and that is the cause of the extra revenue in 1924-25 as compared with 1925-26. The whole of our duty in 1925-26 will be collected at Rs. 1·4.

THE HONOURABLE MR. LALUBHAI SAMALDAS: I am thankful for that explanation. If that had been mentioned the question would have been clearer to us.

THE HONOURABLE SIR BASIL BLACKETT: It is in my speech.

THE HONOURABLE MR. LALUBHAI SAMALDAS: I have not been able to catch it. I hope he is right. Sir, I referred to the sale of salt only for one reason. I know that no Finance Member, not even the Honourable Sir Basil Blackett, can afford to raise the salt duty hereafter. But if that question does arise, I want him to realize that while in 1922-23 the consumption was 544 lakhs of maunds, in 1923-24 the consumption was 598, and in 1924-25 for 10 months only it has gone up to 489.

THE HONOURABLE SIR BASIL BLACKETT: What does the Honourable Member mean by consumption?

THE HONOURABLE MR. LALUBHAI SAMALDAS: I mean issues. Unless we know how the consumption takes place I can only refer to issues.

THE HONOURABLE THE PRESIDENT: I would remind the Honourable Member that by continuing his speech he will deprive other Members of their right to speak.

THE HONOURABLE MR. LALUBHAI SAMALDAS: All right, Sir, I will not continue.

THE HONOURABLE SIR S. K. M. ANNAMALAI CHETTIYAR (Madras: Non-Muhammadian): Sir, let me begin by congratulating the Honourable the Finance Member on his presentation of a surplus Budget this year also. We were faced last year with the alternative of choosing between the restoration of the duty on salt to its original figure and a reduction in the provincial contributions. The reduction of the provincial contributions had had to be postponed, and owing to the general improvement in the finances of the country this year some measure of relief to the provinces has been possible. I am sure the public will appreciate the care and ability which has been brought to bear by the Finance Member on the preparation of the Budget and the aim he has kept before himself of avoiding any fresh taxation. This year's Budget is interesting in many ways. For one thing the separation of railway from the general finances is a much-needed reform, and the advantages of such a separation have been clearly set forth in his speech. I trust the coming years will prove the wisdom of the policy now laid down. My Honourable friend, Sir Maneckji Dadabhoy, has told us this morning that the general taxpayer has got the first claim on the surplus. With all respect to him, I would say that he would be right in saying this only when the unjust impost under the Meston Award, under which some of the provinces suffer very heavily, is entirely removed. Sir, by careful economies and retrenchments the Finance Member has been able to have the military expenditure reduced to an appreciable extent with the co-operation of His Excellency the Commander-in-Chief. If, as foreshadowed in the Budget, further reductions are made in succeeding years, granting of course that we have normal years, greater and greater amounts of money can be had for the development of the resources of the country. We look forward to the day when the maximum military expenditure will be much less than the amount now budgetted for. I hope that His Excellency the Commander-in-Chief,

before he lays down the reins of his office, will explore all possible avenues of further reduction in the expenditure and help the country in its onward progress. I am sure he will effect the reduction in spite of the warnings and appeals made this morning by the gallant Member from the Punjab, to the effect that no further cut should be made in the military expenditure. Coming as I do from Madras, the province which has been made to suffer the most because of the impost under the Meston Award, I know what difficulties those in charge of the transferred Departments had to contend against on account of shortage of funds, and how they were forced to starve the nation-building departments. Her economy and prudence were penalized and for no other fault but that of husbanding her resources carefully, she was made to pay the largest contribution to the Central Exchequer. Starting with this handicap in working the reformed Government, it is no wonder that, with the best of intentions, the Ministers had been powerless to give effect to their schemes of education and sanitation and industrial and agricultural progress. Sir, the proposed remission of a part of her contribution will go some way towards assisting them to push on with their schemes for the amelioration of the conditions of the masses. Speaking for Madras, I am grateful to the Honourable the Finance Member, and the Government of India for this partial relief. Sir Basil Blackett has been able to provide funds this year, however small they may be, for research work and education and to give some minor reliefs to motorists and others by a reduction of duties. This I say just to show that he desires to meet the claims of all as far as possible. I should not however be understood as saying that the Finance Member has exhausted all sources or examined all possible ways of reductions in expenditure. More ways are still open to him. What I mean is this, that with a continuance of the spirit now animating him of working on in hope, he will do his best to effect further economies and reductions. Let me conclude by reading the observations of the Honourable Mr. McWatters. What he says is this:

"We hope that the corner has been turned and that we are actually advancing on the road to social progress. The Local Governments will now have an opportunity to develop in industry, agriculture, education and sanitation and such other services as would lead to enlightenment."

Let us all hope that the era of deficit budgets is over and that we are now in for a period of progress.

THE HONOURABLE SIR DINSHAW WACHA (Bombay: Nominated Non-official): Sir, I daresay none of the Honourable Members of this House will deny that there are two broad outstanding features of the Budget, on which the general public and our talented Finance Member may be justly congratulated. Those two features are, of course, the separation of railway finance from the general revenue, and, secondly, the reduction of debt. I lay the greatest stress on those two. As to the first I expatiated thereon only the other day when the Honourable Mr. Hindley gave us such a lucid useful explanation. I observed that this separation of railway finance was absolutely essential. In fact, I may say, Sir, that the emancipation of railway finance from the thralldom of general revenue was a step in the right direction, and I fervently hope that our railways being thus emancipated from the fetters of the general revenue would now proceed onward unhampered in their progress so as to be instrumental more and more in furthering the economic prosperity of the country. As to the reduction of debt, I can only say this that none

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here will deny that it is really one of the most important and fundamental functions of any Finance Member in any part of the world, for it will be readily admitted that were the national debt to be allowed to grow and grow without making provision for its steady diminution the country must go eventually to the wall. We do not want to see that India should go to the wall by allowing deficits after deficits to accumulate while surpluses, if any, are not first utilised for purposes of reducing it. Further, Sir, the reduction of the national debt is a fundamental duty of every Finance Member if the credit of the country internally and externally is to be the aim and object. For in such a circumstance alone the country will be able to borrow in future annually to the extent of its needs and that at a lower rate of interest.

Having said so much, I would, Sir, now refer to two other broad features of the Budget though these in their nature are of a controversial character. There are two schools of thought on those features. The first one is in reference to the exchange and currency question. I for one, Sir, am wholeheartedly in agreement with every word of the speech made by the Honourable the Finance Minister the other day. I think, Sir, he expressed therein not only his own views but the views of all the most distinguished international financiers and economists in the world. He said in other words what has been so often said not only at the Brussels Conference, but by all the great bankers, all the great merchants in England, and by similar authorities in and out of the Congress of the United States. When there is such a consensus of opinion on such a complicated subject as currency and exchange, both of which have been in a flux and requiring time to stabilise, I think the Honourable the Finance Member was perfectly correct in giving his reasons why there is still time wanted to reach that consummation. I think, Sir, stabilisation can only be reached when Europe is set at rest. Europe, of course, is now slowly but steadily moving on the high road to reconstruction which must steady international exchange. Improvement in that exchange will certainly go a great way to influence Indian exchange and bring it back, we all hope, to a sound and stable position. There are some impatient people who wish that Indian exchange must be stabilised at once and urge at this very moment. That cannot be done. I may be wrong, but that is my view. I know there is another school of thought in the Central Legislature of which the chief protagonist is Sir Purshotamdas Thakurdas. All the same I firmly say that what Sir Basil Blackett has said in his speech is what commends itself to all sound and practical businessmen in the world.

Then, Sir, the next broad feature of the Budget is military expenditure. It is really, Sir, a source of sincere gratification to me who has been a severe critic of that expenditure since 1885 to observe that we are going forward towards a substantial reduction therein which perhaps may soon reach a point that may be considered normal by all fairminded persons in this country, having regard to all probable and possible eventualities. A variety of factors have long long since somehow or other disturbed that steady improvement in military expenditure to that point which all may deem reasonable. There are yet disturbing elements to count with but which are on the way to be removed. The Commander-in-Chief however has told us we are now on the high way to further reduction. We have now reached a reduction to 56½ crores, and it is just possible that in a



year's time or two we may eventually bring back the military expenditure to 50 crores of rupees. In fact, the more that military expenditure, by economy or retrenchment and by wise administration, is brought down and down, the larger and the surer will be the benefit to the country; and I for one devoutly hope that with the improvement in the conditions in Europe, by and by, we may see a cycle of years of greater prosperity, free from war, which may greatly accelerate the material progress of all the countries in the world and with them that of India.

Having said so much, Sir, I do not want to detain the Council any longer except to have my brief say on two other questions which are, of course, uppermost in the minds of the Honourable Members here. The first one is with reference to the disposal of the surplus. Now, Sir, it has been looked at in two ways. The Finance Minister has been looking at it in one way, while a large majority of Members here, including myself, have been looking at it in another way. Of course, when there is a surplus, it must be allotted or aligned so as to give the least dissatisfaction to any class of interests. I think great wisdom lies in looking all round and seeing which are those interests that demand first attention out of the general cry for reduction of duties or taxes. Well, the unfortunate thing is that in this year's disposal of the surplus I greatly regret to say that the Finance Minister has shown less than that usual acumen which was expected. It is unfortunate that he has not carefully looked all round as he ought to have done. I agree that there are claims and claims. But there is one claim which the Finance Minister has strangely enough entirely ignored, and that is the claim put forward by Bombay. He seems to have bestowed no thought on it. In this matter the Finance Minister should survey like a judge and decide which claimant needs emergent justice and which needs urgent redress. Now I may ask Members of this Council whether of the two principal claimants before the bar of the Government of India so to say, is the Government of Bombay, heard at all? Is the Bombay cotton industry heard? None in this Council grudges that different provinces which are a little backward should be given relief from the coffers of the Government of India to balance their respective Budgets and so far there is nothing to be said. But while giving that relief, I am sorry to see that the Finance Minister has entirely ignored the fact that there is such a claimant as Bombay. The Bombay Presidency is wholly left out in the cold. But worse still is that the claimant who has been knocking at the door of the Government of India for the last thirty years is nowhere. This most patient claimant is not thought of at all! There is not a word about it in the financial statement. The Finance Member's speech ignores it as if it never had any existence! But the world is aware that the Bombay cotton industry exists and that India has greatly benefited by it these many years. On the claim then of the cotton industry in conjunction with that of the Bombay Presidency for relief in the allotment of provincial contribution I lay the greatest stress of all. I am one of the oldest inhabitants of Bombay who have from the beginning of the imposition of the cotton excise duty protested and protested against its inequity. It is an odious duty worse than income-tax in its burden, for the simple reason that while the income-tax is assessed on income, here the mill-owners of Bombay and other places are asked to do what?—to pay a tax on the production of cloth! Now, I challenge the Finance Minister to say whether in any part of the world there is a duty like this, a duty on home production. Has the United States ever

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put an excise duty on wheat or cotton or cloth, or an excise duty on motor cars? Has England done it, has France done it, has any country in the Continent of Europe done it? No, I decidedly say "No." It is a most odious duty and I am surprised that, notwithstanding that we have been knocking at the door of Government for the last thirty years, no relief has yet been given, and even after pledges given that the duty must go! I deeply regret to say these pledges have been written in water. Of course everybody has reminded the Finance Minister here that Lord Hardinge did say openly

4 P.M. in the Council that this duty must go. It is now nearly 8 years since his Lordship so declared that—8 years of patience have gone by. The patience of those engaged in the cotton industry has been exhausted, and yet the Finance Minister seems to have stuffed his ears with cotton. He seems to be oblivious of this particular claimant and has considered the claims of only one claimant, namely, those who have cried aloud for reduction of the provincial contribution. It is right that he should give relief to these claimants, but why, oh, why should he be deaf to the cries, longer and louder of the other claimant? Why is he deprived of that justice which he seeks? I tell you, Sir, that this kind of breach of faith on the part of the Government is to be greatly deplored. The Government know and the Finance Minister knows that for the last five years there has been a cry in the whole country—for what? That they cannot rely upon British faith! British faith is nowhere. To rely on it is said to be equivalent to relying on a broken reed. That is what has been widely said. I, of course, do not endorse that cry, but that it is made and made with bitterness, there is no doubt. Are or are not the Government going to remove this extremely prevailing general belief in the country? I say duty to the people demands on the part of the Government of India, that when a promise is made it should be solemnly and religiously fulfilled. It will ruin the Government of India if they go on like that for years and years together. I respectfully appeal to the Government of India, and I fervently appeal to the great Viceroy and Governor General, who has been so solicitous of rendering justice to this country, that the justice which is so long overdue to the cotton industry should no longer be withheld. I do hope, Sir, that when the Finance Bill comes before the Assembly, something will be done in this direction and that the Government of India themselves, including the Finance Member, will see that the great injustice which has been inflicted so long will be effectively redressed. It is not too late yet.

Another error of the Finance Member is this. He has reserved a sum of Rs. 75 lakhs for "contingencies". What are these contingencies? I have never known anything of the kind in any Indian Budget in the past. Perhaps there may be a year of deficient rainfall. There may be a famine, but in that case the Government of India can honourably fulfil their contract when the provinces are unable to defray famine charges in excess of the amount which they must provide. Indian finance may be "a gamble in rain". But it may be inquired whether that contingency has arisen? By all means provide for it when it does arise. But why, after providing for the provincial contributions, should this surplus at all be reserved and the claimant who has a right to the relief be ignored? Even supposing there was a deficient rainfall and there was a famine charge, that charge could not of course occur, and the claim could not be made till the next year while the 75 lakhs reserved properly belong to the current year. Why, I ask, should the Finance Member hold this amount in reserve? It is not fair

to the tax-payers; it is not fair to the public at large. May I therefore make an appeal to the Government of India to see that this kind of injustice is forthwith repaired. Well, Sir, I am sorry I have been obliged to say so much. I hope the Finance Member knows very well I am a warm supporter so far of his conduct and method of Indian finance. I consider him to be a very talented minister of public finance. He has come to India to place Indian finances on a sounder footing. He has already done a great deal of good during the last two years and I for my part am rather grieved at his present lapse. I say it in sorrow rather than in anger when I say that the Finance Minister has exercised less of his wise discretion when he has allowed this Budget to be disfigured by ignoring the repeal of the excise duty. I hope the Finance Minister will pardon me for my rather vigorous way of speaking on the subject. But I do feel, and I feel not only on behalf of Bombay but I feel on behalf of the whole of the cotton industry, that this thing should not be done. The cotton industry has been one of the mainstays of the revenue of the Government. Look at the income-tax and the other taxes which this industry has paid for years and years together. The industry would have seen darker days had it not been for the boom, as my Honourable friend Mr. Sethna has said. What prevents the Government of India from recouping this industry by putting a duty on the export of raw cotton to Japan? Look what the Japanese are doing. Japan imports cotton from India and in its turn exports yarn and cloth made from the imported Indian cotton which thus strongly competes with the stuffs made in India. Japan has not to pay a single rupee by way of freight one way or the other, whether it exports cotton goods or whether it imports raw cotton. It is the Japanese millowners, who are indirectly subsidised by the Japanese Government, that pay the whole of the freight. No wonder, so bountyfed, they are in a position to compete with India. India has established the industry for the last 50 years but it is now going partly to rack and ruin on account of the Japanese competition while the Government of India have not the courage to put an export duty on Indian cotton equal to or more than the cost of the freight to and fro. The childish reason is given that the Indian cotton cultivator will be highly disadvantaged. Nothing of the kind will happen. The cotton cultivators are very happy and they will be only too glad to see that more cotton is consumed in India with every prospect of cheaper cotton goods. The cotton which goes to Japan will be consumed in India. There will be no diminution in the demand for the raw staple to prejudice the cultivator. It is said that the Government of India are prevented from imposing an export duty on cotton going to Japan because of a secret Anglo-Japanese Commercial treaty. We have been told there is no such Anglo-Japanese commercial treaty. But if so, why do the Government refrain from putting an export duty on cotton going from India? But it is my belief that despite the contradiction there is something which prevents the Government of India from imposing an export duty. Four years ago I was asked by the Royal Society of Arts in England to read a paper on the Indian cotton industry. I wrote it and sent it there. My friend, Sir Charles Armstrong, Chairman of the Great Indian Peninsula Railway, read that paper before that Society. No less a person than the late Mr. Montagu was in the chair. There were many distinguished gentlemen present who also took part in the discussion. In my paper I had particularly referred to this question of the Japanese Competition and said that India had little to fear from Lancashire but a great deal from Japan. The

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Secretary of the Royal Society of Arts, wrote to me privately to say that the sentences referring to Japanese competition had to be deleted before the paper was read. What may be inferred from this deletion? Again, I remember, that some 2½ years ago, the Government of India or Bombay (I forget which) in one of their letters in reply to a representation of the Bombay Millowners' Association wished it to be known that it would be well for the Association to make no mention of Japan in their letters! I leave it to the Members of this House to draw their own inference from these incidents. There is, it is to be feared, a strong suspicion that some kind of agreement touching Anglo-Japanese commerce exists. Perhaps the Honourable the Finance Member will rise in his place when replying to the debate and contradict the existence of any such secret treaty with Japan. But perhaps diplomatic reasons are at the bottom. The Marvin episode in reference to a secret treaty with Russia should be recalled to memory. It was repudiated at first but very soon the truth was out to the great humiliation of the then Cabinet.

Lastly, can I say in 20 minutes all that I want to say? Here are the Government of India brewing and brewing and incubating on their budget four months before and when that is finished, one evening we are called to hear the speech of the Finance Member for an hour! On another day we are called to talk on that financial exposition for which purpose a Member is allowed just 20 minutes. What can one speak when on a single topic one cannot do justice for even half an hour? Of what use such a mockery of discussion? What can the Council do in reference to the Budget? And how can it advise and help the Government? Whenever the other House has done something which the Government do not like they ask for our support here. In other cases we are negligible. We always hear some Members from the Front Bench saying: "I must oppose. I must oppose. I must oppose." I must oppose what? Oppose their own opposition? Now, Sir, that is not a state of affairs which a wise and statesmanlike Government like the Government of India should adopt towards this Council. I think the policy and attitude towards the Council of State should be bettered. We are a very sober body, we give expression to sober thought and sound advice. Our words should be listened to—not only listened to, but acted upon. I earnestly appeal to you, Mr. Speaker, that you will at least most respectfully place our representation before the Governor General and see that in future the Budget is so allowed to be discussed here, that every member willing to speak is permitted sufficient time to have his say. Here is a Budget with a whole gamut of point after point of importance, and if one were to deal with them one might not finish them in even six hours. Here we are asked to do it in twenty minutes! That is the farce to which I have referred. It is a mockery. I wish that in a sober Council like this there ought to be no mockery of this character. And now as I wish to allow my Honourable friends who have not spoken to have their say I take my seat, but I do hope that financial statesmanship and wisdom will see the expediency of allowing fair and reasonable time for members to have their say in the immediate future.

THE HONOURABLE LALA SUKHBIR SINHA (United Provinces Northern: Non-Muhammadian): It is a great pity that none of the Members from the United Provinces on this side of the House were able to catch your eye to speak on this Budget and it is my good fortune to have been

able to get your permission to speak at this late hour. I am sorry I will not be able to talk on the Budget at length and shall have to be as brief as possible.

Sir, this is the second year of surplus. Last year the surplus was devoted to a reduction of the salt duty. That was welcomed throughout the country except by a few officials who were against it. This year the surplus is going to be given to the Provincial Governments, that is, their contributions will be reduced. I wholeheartedly agree with this proposal because there has been a cry from all provinces for reduction in their contributions, and on behalf of the United Provinces, I congratulate the Government of India, the Indian Legislature and the Finance Member that they have been able to reduce the contributions of the United Provinces by Rs. 57 lakhs. I quite sympathise with my Bombay friends when they grudge the reduction of contributions to other provinces. (*Several Honourable Members*: "We do not grudge them.") But I should like to point out that my province has still a deficit. This year they have shown a deficit of Rs. 37 lakhs, and besides that, they have had to suffer a great loss of about Rs. 1 crore, on account of heavy floods in the rivers. I personally sympathise with my Bombay friends that they also ought to get some relief, and hope that next year their province will get a reduction in their contributions. I hope that these provincial contributions will be abolished altogether very soon, if not next year. Sir, I think this good aspect of the Budget is not due so much to the increase in revenue as to the retrenchments and cuts made in the expenditure. If there had been no retrenchment or cut in the expenditure I am very doubtful whether there would have been any surplus in the estimates. The Military Department consumes about half of the central revenues and we must be grateful to His Excellency the Commander-in-Chief for making a cut from Rs. 65 crores two years ago to Rs. 56 crores this year. But still to my mind there is a large scope for reduction in this department. Of course, every care should be shown for the efficiency of the army, but there is no reason why the figure should not go down to Rs 50 crores, as has been suggested by the Inchcape Committee. If that reduction takes place, there will be more surpluses in future years for us to give money to the Provincial Governments and to use money in other useful directions.

Sir, in connection with the Budget I would like to point more particularly to the Agricultural Department, and wish to say a little on agriculture. My Honourable friend Sir Dinshaw Wacha and others have spoken with great stress on the excise duty. I quite agree with them that the cotton industry and other industries are badly needed in this country. Until agriculture and industries are developed the people will never be contented, and, Sir, my submission is this that if agriculture is given every encouragement by the Central and Provincial Governments there is no reason why we shall not be able to produce four times more than we do at present. The country has plenty of land, it has plenty of labour, plenty of water, plenty of everything natural, and why do we not produce as much as we should have done? There must be some reasons for that. I am sorry that neither the Central Government nor the Provincial Governments have ever taken up the question in right earnest. There was a proposal to hold an All-India Conference at Delhi for the encouragement of agriculture and cattle breeding, but nothing has been done up to

[Lala Sukhbir Sinha.]

this time. (*The Honourable Sir Muhammad Habibullah*: "The matter is still under consideration.") No money is provided in the Budget for that. I earnestly appeal to this House, to the Government of India and the Provincial Governments that full attention ought to be given to this question of agriculture in which is involved the question of cotton, wheat and other necessities of life and food on which the contentment of the people depends so much.

The second point that I would like to emphasise is the Medical Department. Up to this time the whole of the public money is spent on the allopathic system. My gallant friend, Sir Umar Hayat Khan, pointed out that very little or no money is spent on indigenous systems of medicine. So far as I remember, the late Director-General of the Indian Medical Service said that only 10 per cent. of the patients are treated in Government hospitals and dispensaries, while 90 per cent. are treated by indigenous *hakims* and *vaid*s. There is no reason why some attention should not be paid by the Central Government and Provincial Governments to this important question. If people are healthy, they will have a healthy mind. If they have a healthy mind they will be able to think of political, social and religious questions. If they do not have a healthy mind there will always be differences of opinion, quarrels and disturbances. If the mind is healthy, I think the people will be able to think on very large questions and problems to the benefit of the country. I congratulate the Honourable the Finance Member on this surplus budget and the Government of India as a whole and the Legislature which passed the Finance Bill last year upon the basis of which the Finance Member has worked out this budget estimate.

THE HONOURABLE SIR BASIL BLACKETT (Finance Member): Sir, I must begin by thanking the last speaker, and I think every speaker who has spoken, for the kind congratulations which they have showered on me and on the Finance Department. The work that has been done by the Finance Department has been a laborious one, and it is still a laborious one, and it is always with a feeling of pleasure that the heads of the Department, Mr. McWatters and myself, hear these congratulations and it is a great encouragement to the Department to go forward.

With regard to what the last speaker has said I entirely agree with him that in the economic development of India attention to agricultural development and to the extension of medical knowledge and medical science throughout India is one of the most fruitful ways in which the Government of India can work for the building up of the Indian nation and it is because of that belief that the Government are putting in the forefront of their Budget this year the reduction of the provincial contributions. It is quite clear that under the reforms system there is no means by which the Government of India can more directly assist those nation-building services, I repeat the phrase, though I do not like it, which Sir Devaprasad Sarvadhikary spoke of than by putting the Provincial Governments in a better position to carry on their work. Now as I listened to the debate to-day, I amused myself by drawing up a budget for this year supposing I were to accept all the suggestions that were made. From our revenue we should immediately lose our cotton excise duty either by handing it over to the Bombay Government or by abolishing it and losing 215 lakhs. The kerosene duty would go. That will mean a

loss of a crore. Mr. Bell would get rid of the protective duties. I suppose he means both that part of the duties which was imposed last year and the previous protective duties but I take it at the figure given in the Budget. That means 180 lakhs. As regards the reduced motor car duty I do not know what figure to take. I take half and I lose 40 lakhs of rupees. Super-tax—there again the figure was not given, so I cut it rather less than a third and lose a crore and a half. Reduced postage rates would cost me 60 lakhs. So I have got rid of  $7\frac{1}{2}$  crores so far. Then there are Bombay and Bengal wanting to share in the income-tax. The figure was not given but supposing we gave them a crore each, that is another two crores. Burma must have something. The figure was not given but I have put her down for 50 lakhs. Bengal gets the jute duty at 375 lakhs and the other provinces would squeal if I only gave them a crore but I have not put it higher. I think I have now got rid of 14 crores and 70 lakhs. I have got of course to raid the sinking fund, the whole of it I suppose. That is 4 crores 70 lakhs in hand but this would be required for building ten Dehra Duns and spending money in all directions on nation-building services of which Sir Deva Prasad Sarvadhikary spoke. Sinking fund I cannot count on towards meeting my 14 crores 70 lakhs. I have got a surplus of 74 lakhs so that the deficit at this point is 14 crores. I heard one hopeful suggestion of Sir Dinshaw Wacha who suggested that I should put an export duty on cotton. Now that subject has frequently been examined and the view taken has always been that the result of an export duty on cotton would be a charge on the cultivator of cotton; but I leave that for the moment. I will also assure Sir Dinshaw that I have ascertained from Mr. Chadwick that there is no bar whatsoever in any secret treaty or other treaties with Japan to our putting on such a duty. I propose to put an export duty of one rupee per bale. That brings us 20 lakhs. So I reduce my deficit to 13 crores 80 lakhs. I put it a little bit higher and double it to Rs. 2 a bale. That brings you down to a deficit of 13 crores and 60 lakhs. I do not suppose that I should have finished at this stage. Where are we to get it from? You have got to balance your Budget. I am told that I prefer this or that interest to the other interest, that we have promised to get rid of the cotton excise duty and that we have promised to get rid of provincial contributions. Why don't we do it? I am told to revise the Meston Settlement. If we revise the Meston Settlement I must first try to satisfy all the provinces. There will be a deficit of not less than 10 crores in the Government of India's Budget if we did that and that would mean extra taxation. If the salt tax had been maintained at Rs. 2-8-0, as was quite rightly said by the first speaker this morning, we should have been in a position this year to have a surplus of at least 7 crores and we might have come very near abolishing the whole of the provincial contributions. I do not wish to reopen that matter but I wish simply to draw attention to the fact that you cannot have your cake and eat it.

Sir Maneckji Dadabhoy and several other speakers talked of two items which were charged against the surplus for 1923-24, namely, the discount of 82 lakhs on the 1923 loan and the 341 lakhs for the loans to Persia. Now, I think there must be some misunderstanding in the Honourable Members' minds in regard to that. Let us just see what has happened? Supposing we had not charged either of these items off our surplus for 1923-24, it would have been that much larger, as was rightly pointed out. It would have gone automatically to the reduction or avoidance of debt. Sir Maneckji Dadabhoy added it to our recurring surplus this year and

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spoke of the whole as if it was available for the reduction of the provincial contributions and cotton excise duty. But obviously it is a non-recurrent sum. You cannot give up for all time 2 crores a year of revenue out of a sum of 4 crores in your pocket. Those two crores of revenue are for all time. It is not two crores of revenue for one year only that is proposed to be given up. The result would have been simply that that sum would have gone to the reduction or avoidance of debt instead to the particular purpose for which it was intended. It does not make any difference to our ways and means position but so far as the discount is concerned the result of charging the whole of the discount off against that year is that an item of 4½ lakhs of expenditure for ten years including this year and last would have occurred in our Demands for Grants under the head of "Interest and Sinking Fund" and we should have had a surplus this year of 4½ lakhs less than what we have shown. What advantage would it have been to the finances of this year if we had spread the discount in the manner that some Honourable Members desire? Now, as I explained in another place yesterday, up till the year 1923 the practice has been adopted quite frequently of charging over a series of years under the head of discount sinking funds the discount on sterling loans. No such practice had been adopted up to that date in respect of any loan raised in India. The explanation was probably to some extent that the issue of loans at a discount had been a more frequent occurrence in the London money market than in India. We proposed originally to make an innovation and charge that off over a series of years; although in the Budget as introduced provision had been made for charging discount, if any, the question at that time whether we should issue the loan at a discount or not was of course undecided. We had provided in the Budget for meeting such sum as might be necessary for the service of the loan. When we found at the end of the year that we had this surplus it seemed quite reasonable to continue the old practice instead of introducing a new one and the result is, as I have said, that in this matter we are able to reduce the charges on the tax-payer each year by 4½ lakhs.

As regards the other sum that was charged off for the loans to Persia, these loans or advances were made from the year—I am not quite sure how far back they go, but I believe even prior to the introduction of the Minto-Morley reforms. The first of them was made I think about 1910, but I have not got the date exactly in my head, and the last about 1916 or 1917. They are charges that were actually incurred 10 and in some cases much more than 10 years ago, and in any case 8 or 9 years ago. For the whole of them there is no dispute so far as these charges are concerned as to whether or not under the system that was then in force India was liable for this share of the total. They represented either a half or in some cases I think less than a half of the total advances that were made to Persia. The British Government met the other half and has long ago dealt with it so far as its accounts are concerned. Negotiations are going on for the recovery of the whole amount from Persia, and the fact that we are proposing in this year's Budget to charge these amounts finally off does not in any way alter the liability of Persia or affect the efforts being made for recovery from Persia. The question whether these charges should or should not have been incurred by India is a long historical story. They are not new charges that we have re-



cently taken over. They have nothing to do with the claim that was made by the British Government, by the War Office, against the Government of India for a share in certain expenditure incurred during the war in East Persia which the Government of India have always refused to recognize as an Indian liability and which the War Office has always claimed to be a liability in which India should share. That is one of the subjects which are outstanding between the War Office and the Government of India in regard to which His Excellency the Commander-in-Chief and Sir Bhupendra Nath Mitra were in negotiation last year. As regards those negotiations I can add very little to what has already been said. There is not the least doubt that the strenuous work put in by our two representatives did produce a very considerable effect and new suggestions have since been made for a settlement. We have not yet arrived at a settlement but I am much more hopeful than I have been for some time as to the possibility of arriving at a reasonable settlement at a fairly early date. Honourable Members will recollect that in the statement that was laid before this Chamber on the 30th of January 1924 these various items under dispute were set out. The first one is a claim which exceeds 25 millions and may be as much as 40 millions, and they all run into very big sums. Whatever settlement we may now arrive at I can assure the House that it will not be a sum on that sort of basis at all. If India has to pay anything it will not be a sum of that magnitude or anything near that magnitude. On the contrary, as I said in another place yesterday, if we do arrive at a settlement in time we hope to be able, without making too large an inroad on the surplus whatever it may actually prove to be, at present estimated at 4 crores for the current year, to get rid of this liability altogether. I mention that because Mr. Bell asked if there were any more of these items up our sleeve or hidden away. That is, so far as I know, the only large outstanding liability which has not yet been dealt with in our accounts. Whether it is a liability or whether it may be an asset—because we have counter claims against the War Office and there is some possible uncertainty as to whether we may not be able to secure our point of view in some other cases which will reduce the actual balance payable to a minus quantity—that, so far as I know, is the only large outstanding liability which might be regarded as of the character mentioned by Mr. Bell. It is a little unfair I think to the Government of India and the Finance Department to accuse them of having concealed the existence of this charge. These Persian loans outstanding have appeared year after year in the suspense accounts of the Secretary of State for India and have been mentioned in the audit reports of the Auditor of the Home Accounts as he is called. It has as a matter of fact been to my knowledge on one occasion anyhow before the Public Accounts Committee here, which examined the question with a certain amount of detail. So that it is not because these facts were not published but because they did not happen to attract the attention of Honourable Members that they were unknown to them, in so far as they were unknown. And I would venture to point out that it is one of the beneficial results of the new reformed constitution that the likelihood of such points being overlooked is very much smaller now that there is that fierce light of criticism thrown on all the doings of the Finance Department of the Government of India in regard to expenditure from the revenues of India. I regard it as one of the great advances that are being made at the present time, that

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there is this additional material and machinery available for the examination in detail of the accounts of the Government of India and of their methods of accounting for their expenditure. I regard that as one of the great advances made under the reformed constitution and a very great introduction to an advance in the direction of Parliamentary Government. I may mention at this point the complaints that have been made by Sir Deva Prasad Sarvadhikary and Sir Dinshaw Wacha as to the neglect by the Finance Department and by the Government of India of this House. Sir Deva Prasad was so lugubrious that if I may borrow his words, I can hardly take him seriously when he talks like that. But that this House has a desire and a right to have opportunities for examining and criticising the Government of India's policy in finance as in other things is a fact which I freely and gladly recognize. Indeed if the sort of speeches which I have had the pleasure of listening to, such as that of Sir Dinshaw Wacha, are the kind that it would be frequently my lot to hear if there were more opportunities in this House for discussion, I know nothing which would give me greater pleasure. I would mention that this discussion and the Finance Bill will this year probably not be the only opportunities this House will have of considering the questions arising in connection with the Budget, because it is the intention of the Government of India to bring forward in this House the same Resolution which they are proposing to bring forward in another place in regard to the disposal of the surplus and their suggestions that it should be used for the purpose of reducing the provincial contributions. That Resolution will be brought forward in this House at the same stage in the Finance Bill as in the other House, that is, after the Finance Bill has been passed.

I should like now to take up some of the other points that were raised by various speakers. I will not deal with any of the military items that were raised. The question of military expenditure has I think already been dealt with sufficiently by His Excellency the Commander-in-Chief. Nor will I refer if I can help it to political points not concerning finance. I have dealt with the question of the discount on the 1923 loan and with the Persian loan. I have dealt also with other points raised by Sir Maneckji Dadabhoy in what I have said in regard to the impossibility of using the actually realised surplus of one year for the purpose of wiping out a recurrent part of our revenue such as either the provincial contributions or the cotton excise duty. I would ask Honourable Members who have accused the Finance Department of being unduly cautious to remember that it is a serious thing that the Government of India are giving up permanently  $2\frac{1}{2}$  crores of what has hitherto been their revenue. They are under a pledge to the Provincial Governments that their policy has been, is being and will be directed to the reduction and eventual extinction of the provincial contributions, and they are very glad to have been able to take a step in that direction this year. But we must remember that that  $2\frac{1}{2}$  crores has gone, and that once it has been reduced it is only in most exceptional circumstances that we could think of asking the provinces to start paying again, and even then I am not sure that we should get the money.

THE HONOURABLE DR. SIR DEVA PRASAD SARVADHIKARY: Was not that in the mind of the Government of Lord Harding when Lord Harding gave his pledge?

THE HONOURABLE SIR BASIL BLACKETT: The pledge was given I think in 1915. If Sir Deva Prasad Sarvadhikary will tell me that the reformed constitution was in existence in 1915, I should be able to answer his question. (*An Honourable Member*: "What about the other pledge?") I will come now to the cotton excise duty. That pledge was given by Lord Hardinge in 1915, and the pledge was to the effect that the cotton excise duty would be repealed as soon as financial considerations permit. I think those were the exact words. Now I have more than once said that if you take the provincial contributions position as it stands, the Government of India cannot surely be said to have a surplus so long as they rely for any part of their revenue on the provincial contributions. In strict logic, therefore, so long as any of the provincial contributions remains, it is very difficult to say that financial considerations permit of a reduction in any of the items of central taxation. (*The Honourable Sir Dinshaw Wacha*: "Why not make an equal distribution?") If the Honourable Member will permit me, I am not here stating more than this that the strict logic of the position is what I say. We have made a beginning this year by proposing the reduction of provincial contributions by 2½ crores. That brings us at any rate a step nearer to the happy moment when the provincial contributions will be extinguished and we can turn our thoughts generally to the reduction of central taxation. That leaves us with a surplus, according to the estimates for next year, of 74 lakhs. More than one Honourable Member has said, "Why keep a surplus of 74 lakhs against disappointments or misadventures?", but not one of them has quoted the passage from my Budget speech in full. What I said was that this sum of 74 lakhs should be kept in hand as a margin against possible disappointments or misadventures during 1925-26 and by way of security against any deterioration in the position of central finances in 1926-27. It will be remembered that according to the figures given in my budget speech not 74 lakhs but 18 lakhs is all the surplus which, other things being equal, would appear in our budget estimates a year hence. (*The Honourable Sir Maneckji Dadabhoy*: "36 lakhs.") 18 lakhs is all that is recurrent, the rest is non-recurrent, so that if you ask me this year to give away 74 lakhs as an addition to the amount of provincial contributions remitted or as a special dole to Bombay or by way of beginning the reduction of the cotton excise duty, you are asking me to put myself in the position of having, on the figures that are now before me, a balance on the wrong side to contend against next year. I do not say for a moment that it will be impossible to meet that, but that is the position. We should start with a deficit on the existing basis of taxation. Supposing our expenditure next year and our revenue next year to be the same as we have this year, leaving out the non-recurrent items. I should like to say this at once that the Government of India have every intention of fulfilling in the letter and in the spirit the pledge which Lord Hardinge gave (*Hear, hear*): but we do put it before this House that the time has not yet arrived. It is quite impossible to find 215 lakhs out of this year's surplus in any form without either having a deficit at the end of the year or the risk of a deficit at the end of the year, a very large deficit it may be, or restricting the amount by which we propose to reduce the provincial contributions. Supposing we had 215 lakhs available, we should have to consider very seriously also whether the claims of the provincial contributions do not still take priority. I will not put it higher than that, I simply put it to the House for their consideration. We have not got that sum; and we hold very clearly that, so far

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as this year is concerned, our duty is to implement our pledge to the Provincial Governments to reduce the provincial contributions. Bombay has complained that she is being hardly treated, and Mr. Lalubhai Samaldas has drawn my attention to certain phrases in my budget speech which have been taken to imply a certain amount of animus against Bombay. May I say this? In using those phrases I never had the slightest intention of hurting feelings or of imputing motives. That the people in Bombay who hold these views on the subject of exchange are quite earnest in holding them, quite sincere in holding them, I have no desire to deny. They hold these views, as it seems to me, in the face of all the arguments, but none the less that they hold them and hold them honestly is a proposition that I have no desire to deny. But I may also say this, that my friends in Bombay are not in the habit of mincing their words. They take a particular pleasure,—which I share with them,—in making somewhat vigorous attacks on the Finance Department and on the Government of India: and if I myself in return draw attention to the possibility that they may be mistaken and that they may unconsciously be paying attention too much to Bombay and too little to the rest of India, I do not think that I ought to be seriously regarded as having any animosity against Bombay; and once again I do desire to say that it is quite untrue that any such animosity exists and that if it existed, which it does not, it would be the last thing that I should allow to influence me in coming to a decision of this sort. But none the less Bombay feels herself aggrieved. Now her grievances are on two counts, and it is a little bit difficult to know which of them she lays most stress on. She wants a reduction of her provincial contribution and, more, she wants the Meston Award reopened and a larger sum allotted to Bombay—which must clearly be either at the expense of other provinces or more probably at the expense of the Government of India. That is one of her desires. On the other hand, she also wants the abolition of the cotton excise duty. I submit that if the cotton excise duty is abolished, it is quite obvious that that must postpone the date at which we shall be in a position to give the Bombay Government a reduction in her contribution or in a position to reopen the Meston Award with a view to arriving at something which it is rather rashly hoped, I believe, will satisfy more people than the present Award does.

I do not think that I need say much more on the subject of exchange. I agree entirely with what Mr. Bell said that what we want is to get to a stable rate as soon as possible and that that stable rate should remain for as long a period as possible. That a higher or a lower exchange may for quite a long period be of advantage to a few people or of disadvantage to a few other people is a proposition that cannot be denied. I have some unfortunate friends in Germany who are still living on a pension—I don't know how they are living on it—a pension of 4,000 marks a year. The lowering of the exchange there has obviously not been to their benefit. But these cases are few and far between. What I maintain with Mr. Bell is that in the interests of the whole of India it is the rate at which exchange may stabilise itself that should be taken and as soon as the opportunity arises the rate should be stabilised. I must protest against a statement which I think was used by him that I was arguing in favour of a high rate. (*The Honourable Mr. J. W. A. Bell*: "I did not say that.") I apologise in that case. I was arguing in favour of no rate whatever. That I desire to leave to what I call, for want of a better word, natural causes.

As regards the petrol duty, it is suggested that the proposed reduction is a gift to the rich motorist and that the kerosene duty ought to have been dealt with first. I would put it to Honourable Members that the reduction of the kerosene duty would reduce our revenue, whereas the reduction of the petrol duty may quite possibly increase our revenue. The two really are not to be compared with one another. The reasons for the reduction of the petrol duty which is proposed by the Government of India are that they believe that not only will it probably pay for itself but that it will assist in cheapening certain forms of transportation. That there are many other taxes which are high, that super-tax is high, that the motor car duty is high, is a proposition which I should be the last one either to deny or not to lament. I agree with what was stated as a matter of economic theory that high taxes, particularly perhaps a high super-tax, do tend to diminish the rate at which new savings are created in India or anywhere else and at which money becomes available for the industrial or agricultural development of India. Similarly, a high motor tax I think does interfere with the development of useful forms of transportation. Though I would like to add that the idea, that the commercial car pays 30 per cent. which seemed to be in one or two Honourable Members' mind, is incorrect. The 30 per cent. duty is on the private motor car, not on the commercial car. But having said that, I must again return to the position that I took earlier that we are not in a position to indulge in the luxury of reducing these forms of taxation just at present. I wish we were. But the time has not yet come, and, when the time does come, there are other forms of taxation which press heavily on the poor which have got to be considered as well. Though I do not like the clear distinction which is sometimes sought to be drawn between taxes which press on the rich and those which press on the poor because obviously if the industrial or even the agricultural development of India is being retarded by high taxation such as super-tax the poor equally with the rich are suffering from the high tax. I should like to guard myself against being misunderstood. We are not within sight of any early action in the happy direction of which I have been speaking. When all is said and done, though taxation is much higher in India than it was in 1914, India has, by comparison with nearly every other country in the world, been lucky in the matter of increases of taxation. Though in the United Kingdom reductions of taxation have begun to be effected, I think Sir Maneckji Dadabhai would prefer still to pay income-tax and super-tax in India rather than in London.

I was very glad to hear from nearly every quarter a confirmation of the view which I have held in regard to the provision for the reduction and avoidance of debt. It is a matter of very considerable importance. It looks an easy thing to reduce and there seems to be an idea that if you could reduce that by a fairly large sum you might immediately have a larger sum to dispose of for the reduction of provincial contributions or for the reduction of excise duty or in other ways. But I believe that in a couple of years or so the fact of even a small reduction of our present sinking fund would mean that we shall have to pay just the same amount year by year in interest that we are now paying in sinking fund. And I would here take exception to Sir Deva Prasad Sarvadhikary's attack. He said this was not a moment to introduce this. We have hardly made any increase in the total as it stood before. What we have done is to bring it out clearly. The figure is very much the same as the figure we showed two years ago. What we have done is to bring all our provisions for reduction or avoidance of debt together in a clear form so that they may be visible

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both to ourselves, so that we may know what we are doing, and to the world in general which had I think very insufficient information of the soundness of the provision we are making for preventing the increase of our debt beyond due limits.

THE HONOURABLE DR. SIR DEVA PRASAD SARVADHIKARY: I was not objecting to the ordinary sinking fund or to the carrying out of the statutory obligations.

THE HONOURABLE SIR BASIL BLACKETT: If that is so, the emergent question is a very small one, if the Honourable Member will also give me the 80 lakhs of special sinking fund that was in force up to and including the year 1923-24.

THE HONOURABLE MR. LALUBHAI SAMALDAS: It is one crore more than last year.

THE HONOURABLE SIR BASIL BLACKETT: I have explained all the facts. It is an increase on last year, when in view of the contemplated introduction of this system we included a figure which was almost exactly the same as if this new system had already been in force.

I think I have dealt with all the main points that were raised. If other points were raised with which I have not dealt, I hope Honourable Members in view of the time will excuse me from making any further references to them. I have, I think, full notes of all that they said, and as I always do I shall in due course study with the greatest care the official reports of these debates with a view to taking advantage of every suggestion that has been made and every line of thought that has been followed in order that the Finance Department may have the full benefit of the discussion in this House.

THE HONOURABLE NAWAB SIR MOHAMED MUZUMMIL-ULLAH KHAN (United Provinces: Nominated Non-official): What about Honourable Members who have not been allowed to speak? How will you know their views?

The Council then adjourned till Eleven of the Clock, on Thursday, the 12th March, 1925.