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(Official Report)

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LEGISLATIVE ASSEMBLY.

Tuesday, 17th February, 1925.

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

QUESTION AND ANSWER.

FORMATION OF THE SAWABI TAHSIL OF THE PESHAWAR DISTRICT INTO A SUB-DIVISION.

981. ***Nawab Sir Sahibzada Abdul Qaiyum:** (a) Will the Government please state what objections, if any, there are to the formation of the Sawabi Tahsil of the Peshawar District, North West Frontier Province, into a sub-division like the other Tahsils of the District?

(b) Is it not a fact that the headquarters of the Sawabi Tahsil is situated at a distance of about 70 miles from the District headquarters, while those of the Chassadda and Nowshera Tahsils, which have been constituted into separate sub-divisions, are situated only 20 and 25 miles respectively from the District headquarters?

(c) Also whether it is not a fact that no part of the Sawabi Tahsil is linked with the District headquarters by railway and that there are no proper roads in the greater part of the Tahsil and that the population thereof, chiefly consisting of poor agriculturists, have to travel as much as 40 to 50 miles when attending to their cases at Mardan, the sub-division to which they have been linked?

(d) If the formation of the Sawabi Tahsil into a sub-division is not feasible, then is there any special object in keeping the Magistrate in charge of the Sawabi Tahsil at Mardan and holding his court there, with so much cost and inconvenience to all concerned?

(e) Are the Government prepared to take any steps in the matter?

Mr. Denys Bray: I have addressed inquiries to the local Administration and will send the Honourable Member an answer as soon as possible.

RESOLUTION RE DEBT POSITION OF INDIA.

Mr. Jamnadas M. Mehta (Bombay Northern Division: Non-Muhammadan Rural): Sir, I beg to move:

"That this Assembly recommends to the Governor General in Council to appoint in consultation with the Assembly a committee consisting of four members of the Assembly with power to co-opt two men from outside to investigate into the public indebtedness of the country and to report before the next Budget as to the steps to be taken to bring the debt position of the country more in keeping with the capacity of the tax-payer."

[Mr. Jamnadas M. Mehta.]

Sir, a very distinguished writer on public finance has made the somewhat caustic observation that civilisation and indebtedness go together—indeed that they are inseparable. Whether on that reasoning the most bankrupt nations will also be the most civilised ones I am unable to say; but there can be no doubt that in every country in modern times the advance of civilisation has been unmistakably evidenced by the growth of national indebtedness. The reason is not far to seek. This modern civilisation seems unable to advance without the help of wars and wars cost money and that causes indebtedness. (*The Honourable Sir Basil Blackett* "Credit.") England had only £ one million of debt in 1689; to-day she has nearly 8,000 millions. Whether during the interval she has become 8,000 times more civilised is a question on which opinions might differ. There is however one criterion. In 1689 she accomplished her own freedom; in 1925 she has destroyed the liberties of one-third of the people of this globe and is a standing menace to the liberties of the remaining two-thirds. (Laughter.) But, Sir, let us address ourselves to her civilising mission in this country; till the Indian Mutiny the amount of indebtedness of the Government of the East India Company was comparatively limited—not because there were no wars, but because the tremendous cost of these immense wars was paid by exactions and taxation, and the inevitable economic results followed—a whole continent reduced to destitution and a whole race gone down in physical strength and vitality are the results of the taxation that was exacted for the wars which subdued this country.

Coming to later times, I find, Sir, that our debt was Rs. 100 crores immediately after the Mutiny. It steadily rose till in 1901 it was Rs. 347 crores, in 1914, Rs. 502 crores, and to-day it is Rs. 966 crores or nearly Rs. 1,000 crores. Let us compare the English debt in 1900, 1914 and to-day. It is sometimes said with a certain degree of truth, I admit, that the debt of this country is comparatively small; but you have to take comparative figures both of the debt and the economic condition for judging the capacity of a country to bear a certain load of debt. There are three tests—whether a country is wealthy and prosperous, whether the system of taxation is light and elastic, and whether industries and trade are flourishing. If you take the English debt and the Indian debt at the same time and look at the condition of both countries also at the same time, then you will have got the true criteria for judging whether the load of indebtedness of this country is light or heavy.

Well, Sir, I find that in 1902 the national debt of England was £747 millions. Our debt to-day is practically the same. Can it be said however that India's prosperity, her trade, her wealth, her level of taxation are the same to-day as were those of England in 1902? Sir, England had since the revolutionary wars, practically for a hundred years, enjoyed an amount of prosperity unheard of in the world. Every ship that came to the shores of England was laden with milk and honey. Can it be said that the same condition prevails in India to-day? Her industries in 1902 were advanced to an extent of which we cannot dream even fifty years hence. Therefore, simply to judge from the figure of indebtedness of England in 1902 and ours to-day is not judging by the proper test. We have to see whether when England had £700 millions of debt she was economically in the same condition as we are to-day with £700 millions of debt; and it will be at once conceded that the condition of England in

1902, when she had the same amount of debt that we have now, was immeasurably superior to the condition of India to-day when India has the same amount of debt. Therefore, Sir, it is no use simply saying that the amount of debt of this country is comparatively small.

Sir, I will now refer to the so-called productive and unproductive debts. We are told that out of the seven hundred million pounds or 966 crores of rupees debt, a large part is productive. If I could be convinced of that, I would also accept the proposition, but it is absolutely clear that, so far as the productive debt, as it is called, is concerned, except perhaps the Irrigation debt, which has not been uniformly either a success or a failure, except again the postal and telegraph debts, which are comparatively small, the Railway debt which forms the largest portion has been throughout not only not productive but actually a dead loss to the tax-payer. Here are the figures given by the Acworth Committee. From 1858 to 1918, what is called the productive debt, has been productive of 67 lakhs of pounds loss, that is to say, we had to make good out of our revenues the loss which resulted from the working of our Railways, and that loss was 67 lakhs of pounds. That however does not take into account the loss which we had to incur before 1858. Mr. Romesh Chandra Dutt says that that loss amounted to 16 lakhs of pounds, so that the total loss on Railways up to date has been 84 lakhs of pounds. That means twelve crores of rupees or more. It cannot therefore be claimed that the Railway debt has been of a productive character. And still soon after the war the pace of borrowing has been so considerably accelerated that even with the help of the hydraulic process which my Honourable friend Sir Basil Blackett has since his advent brought into operation, the money that has been squeezed out of the market is getting exhausted. He has also revised and improved the Post Office Cash Certificate system on which the investor gets 6 per cent. net compound interest. By that process he has brought into our Treasury 12 crores of rupees more. But at what cost? Let it not be understood that the Post Office Cash Certificates are resorted to by the small investor or the petty agriculturist. Not a bit of it. The six per cent. compound interest is so attractive that in the districts people who used to do money-lending and the middle class people who used to invest in trade are freely resorting to the Post Office Cash Certificates. Government have thereby competed with the trade and industries of the country and taken so much more money from the middle classes by offering such an exorbitant rate as 6 per cent. compound interest.

The Railway debt, as I said, has not at all proved remunerative, but it has proved a dead loss. And yet, we adopted some years ago a programme of borrowing which was so enormous that even those for whom it was intended could not spend it. The Railways were said to have been starved during the war, and, to a certain extent, it was true, but this Assembly was stamped into sanctioning an enormous amount of annual capital grant to the Railways, and this has been borrowed whether the Railways required the amount or not. And then, is it any wonder, Sir, that the rate of interest has remained so heavy? Previous to the war, Government could borrow at 3, 3½ and 4 per cent., but now, when they are borrowing with both hands, they have to pay 6 per cent. interest. Moreover, you make the interest on loans tax free and you also offer various other inducements. And when we remember that owing to the depression in trade and industries Government securities are popular, if Government cannot at

[Mr. Jamnadas M. Mehta.]

such a time borrow without offering extravagant inducements, the only conclusion is that there is not enough money in the country, and that Government are getting the money by paying interest beyond the desirable rate. Therefore, I say, Sir, we have to examine whether the rate of interest that we are paying is a reasonable one, whether the amount that we are borrowing is required for really productive expenditure, and whether, on the whole, the country is able to bear the resulting load of interest. Sir, in 1905-06, the annual amount we paid by way of interest was 11 crores; in 1915 it was 14 or 15 crores, and to-day the grand total of all our interest comes to 48 crores 56 lakhs if you include in that figure the repayment of capital annuities on Railways, certain Railway sinking funds and also the interest on provincial borrowings. Let us pause and consider for a moment whether we have grown so prosperous, whether our industries are so flourishing, that we can go on borrowing for Railways even at times at double the pre-war rate of interest. The worst example of our borrowing carelessly and recklessly was when Government offered 7 per cent. on the sterling loan in England two years ago.

The Honourable Sir Basil Blackett: Four years ago.

Mr. Jamnadas M. Mehta: Four years ago. I am very glad to hear it, if that is at all any consolation. The Provincial Governments have been borrowing at $6\frac{1}{2}$ per cent. interest. We have the example of the Government of Bombay of wasting nearly 30 crores of rupees on its Development Scheme and of its being allowed to borrow at $6\frac{1}{2}$ per cent. tax free; we have also the third instance of the Sukkur Barrage scheme, which is now called the Lloyd Barrage scheme, and the association with this scheme of the name of the late Governor of Bombay carries with it the sure guarantee of its failure. But that is a question of provincial borrowing. What I am now concerned about is the Railway loans, and I say that the Railway borrowing has not so far been of a productive character; even now all that the Railways will be paying under the scheme of the separation of the Railway finance will be the interest and one per cent. on the capital outlay. But while that payment is limited to 1 per cent. on the capital at charge the power of the Railways to fix and raise rates and fares remains virtually unlimited. And, while in England the Railways cannot raise railway rates and fares without proper control, here the Legislative Assembly have no voice, the people of this country have no voice. The Government alone keep to themselves the power of controlling rates. But otherwise the Railways are quite free to charge anything either for passengers or for goods up to the maxima allowed under the law. When fares and rates can be and have been raised to an extravagant height, it is no proof that the railways are productive. The answer Sir Basil Blackett gave to Mr. Neogy's question about rates and fares the other day makes it quite clear that the Railways are not paying, (*vide* page 375 of the Legislative Assembly Debates, Vol. V, No. 6—Wednesday the 28th of January, 1925). There you find, Sir, that railway passenger fares have mounted up, from 1914 to 1924, third class fares by 54 per cent.; intermediate class fares by 72 per cent.; second class fares by 77 per cent.; and first class fares by 68 per cent. On an average railway fares have increased by nearly 54 per cent. As regards freight on goods, we find that, while formerly the average rate charged for carrying a ton of goods one mile was, in 1914, 4.64 pies, it is now 6.13 pies, or a rise of 32 per cent. The passenger fares have been pushed up as high as 54 per cent., the goods rate has gone up by 32 per cent., during the

interval of 1914 and 1924 some mileage must have been added to the Railways; when we take all this into account, the expansion of revenues from Railways will be found to be comparatively small. The percentage of increase in 1923-24 over 1913-14 has been 59 in the case of goods and 79 in the case of passengers. Sir, it will thus be apparent to the House that during ten years, the development of traffic has remained stationary or has advanced very little, and that the increase in the revenues is due to the small increase in mileage and to the fact that fares and rates have multiplied immensely. It is not the expansion of the volume of traffic so much as the addition to the rates and fares and a little addition to the mileage which has made possible the increased earnings from the railways. If Government are in this manner alone able to show that Railways pay their own way, we cannot allow them to borrow for Railways because the increased earnings have become possible only by increased taxation on travel and trade.

So far as the unproductive debt is concerned, well the less said of it the better. No part of it has anything to do with the welfare of India. Wars were undertaken in Abyssinia, in Egypt, on the Afghan Frontier, and many other places, and the cost of these wars has been charged to this country. And during this last war, a gift of 100 millions was made on our behalf out of the Exchequer of this country without the consent or without the knowledge of its people. Such are the various elements in the unproductive debt of this country. A writer, Sir, who is not an Indian, but apparently an independent financier, has been driven to say about this so-called Indian debt as follows (taken from "Undeveloped Wealth in India" published by Virtue Spalding and Co.):

"A more mean or unworthy policy was never followed by one nation towards another than that which the English Ministry has deliberately adopted towards India. As the whole world knows, the so-called Indian debt of £100,000,000, from the way in which it has been built up, would be promptly declared an English liability in any court of equity in the world. It is an English debt from beginning to end incurred by a dishonest trustee in the name of this war of purely personal advantages of his own."

That is not a statement of an Indian paper or of an Indian politician, but is taken from a thoroughly independent newspaper. (*The Honourable Sir Basil Blackett*: "It sounds independent, doesn't it?") Sir, it will thus be seen that the unproductive debt is made up as above described, and the so-called productive debt has not yet proved to be productive. In fact it has continued right up to date an unproductive debt. And still the Government go on borrowing year after year without regard to the capacity of the tax-payer to pay the interest charges. Forty crores of additional taxation have been levied during the post-war period. Every year 40 crores more are being taken from us. Of course, the Finance Member might prove that it is somewhat less—I have not the exact figures, but I will accept his correction if it is brought to my notice that the amount is somewhat less. (*The Honourable Sir Basil Blackett*: "I do not quarrel with it.") My friend Mr. Duraiswami hands me over a passage from "Financial Developments in Modern India", p. 270, which reads:

"The Crown of England formally sanctioned whatever disposal the Company was pleased to make of these revenues, upon the respectable condition that the Company paid £400,000 a year into the English Exchequer as the nation's share of the spoil. Conceal the fact, as we please from ourselves, or gloze it over as we may, the simple truth is that the nation gave the Company a great buccaneering commission to plunder the princes and people of India as they pleased, on condition that an annual contribution of £400,000 was made from their spoils into the English Treasury."

[Mr. Jamnadas M. Mehta.]

This is somewhat different from what I have been referring to, but it confirms the general impression that the indebtedness of the country has been for the interest not of this country but of others. But I was showing, Sir, that during the post-war period we have had an additional annual taxation of 40 crores in order that the heavy deficits might be made good and in order that the extravagant administration, both civil and military, might be continued. Is it possible for this country to go on bearing this additional load of 40 crores of taxation partly at any rate for purposes which are not yet proved to be productive? I am not anticipating the Railway budget and I am not yet quite sure that we will sanction the whole of its capital programme, but, if we feel, Sir, that the railway Capital programme is not of a paying character, and that it can only be maintained by heavy taxation in the form of excessive rates and fares, then, Sir, the time has come for us to cry halt to further capital borrowings for Railways. This Rs. 40 crores of additional taxation must first go or must be substantially reduced. Sir, the problem before the House is whether we should sanction continuous borrowing without regard to the capacity of the taxpayer, whether we should sanction borrowing for purposes which are not yet proved to be productive and part of which are admittedly unproductive, whether we should not wait, pause and consider before we go on entering the market year after year borrowing 20 crores, borrowing 30 crores, borrowing 35 crores and borrowing 18 crores even at ruinous rates and at inducements which no Government should offer, or whether the time has not arrived when we should cry halt, and consider how far we should remodel our programme of capital borrowing; this is one part of the inquiry which I want.

The other part of the inquiry which I want, Sir, is with respect to the scheme of debt redemption or avoidance or reduction of debt, as it has been called. In respect to this scheme which has now been decided upon by the Government of India with the consent of the Secretary of State I have a complaint to make, and that is, that this Legislature and this country have been treated very improperly. When this House passes a Resolution recommending some action, Government sit upon it and begin to hatch it for months and sometimes for years; they take time to consider and to deliberate and they go on cogitating and cogitating. But if they conceive of an idea, then forthwith it is put into force. Sir Basil Blackett, when he adumbrated that scheme in the last Budget, gave us clearly to understand—in fact, I have got his words—that he was not proposing the new scheme for immediate adoption in the current year, but that he was simply putting it forward for the consideration of the House. He said he did not claim his scheme to be an ideal one, that it might require further consideration in the light of the discussion that it might provoke and of the assets and the property which we might possess against the debts, and that various other factors entered into the consideration of the scheme. Therefore he gave us the impression that he was not going to carry it into effect immediately. Well, Sir, in the September Session the Council of State discussed this question, and the irony lies in the fact that, while it was discussing it the Finance Member had already entered into communication with the Secretary of State and decided upon what to do.

The Honourable Sir Basil Blackett: No, not finally decided.

Mr. Jamnadas M. Mehta: Yes. The Honourable the Finance Member says "No." I will request him to turn to the Council of State Debates.

on Thursday, 11th September, 1924, when the Honourable Mr. McWatters replying on behalf of the Government to the debate on the motion of the Honourable Sir Maneckji Dadabhoj said:—

"Now, some time before notice was given of this Resolution, the Government of India had already been in communication with the Secretary of State on this question, and I am able to inform the House that complete agreement has been reached. Some minor details are still unsettled; but a Government Resolution will be issued shortly in which a definite scheme of debt redemption to cover the next five years will be laid down."

Does this show that anything was left out? A definite scheme of debt redemption was to be announced in a Resolution which was to be issued very shortly, and that was settled while the Council of State was discussing the Resolution. After this, I do not think it lies in the mouth of the Finance Member to say that he had not actually made up his mind while he was allowing the mere sport of a discussion in the Council of State. The debate appeared to be thoroughly inspired, but even that little inspired thing was not allowed to get to its end. Government had made up their mind. Such is the hurry with which the Finance Member does things. He complained of the existing provision for debt redemption as being haphazard and crude. Has the Finance Member taken into account all the factors which ought to guide any scheme of debt redemption? Has he calculated what are our productive assets and what is their present value, and what are the profits that we are getting? How much of our debt is absolutely unproductive and how much of it, if not productive, gives a continuous loss? Has he considered all these things? None at all. And yet, he has launched this country on a five years' programme of debt redemption as haphazard, as crude, based on no data whatever, and without waiting to inquire whether it would be desirable or reasonable. I feel that with proper management, with limited borrowings and with proper scrutiny of expenditure, the Railways can be made to pay. And in that case, the Government ought to see whether it is at all necessary to repay the Railway capital. The distinguished financial writer from whom I was quoting is definite on this point. He is quite clear in his mind that the Railway debt if productive or any other productive debt need not be repaid. My friend Mr. B. F. Madan of the Tatas, than whom there are few more capable economic writers and students in India, has also taken the same view in a pamphlet which he has recently issued. The Railway debt if productive is of the nature of capital investment in a remunerative project. Why do you want that any capital should be returned? It is not a debt; it is an investment, and why should you tax the revenues with the repayment of capital investment which is remunerative? Here is Bastable's testimony:

"That borrowing is justifiable to meet 'reproductive' outlay is a further part of the theory, which is at once true or false according to the meaning given to the term. Actual purchase of productive property or creation of revenue-yielding works may fairly be defrayed by loans. The property or particular work may be regarded as the primary object of the debt, and is at hand to pay the interest on it. What we have called 'economic' outlay has a claim to be met by borrowing that does not hold in respect to other forms. Taxation imposed for the purpose of adding to the domain has the disadvantage of taking the citizens' wealth for the purpose of accumulation, and should be employed sparingly, if at all. To meet the cost of the purchase of the Prussian railways, or even of the English telegraphs, by immediate taxation, even were it practicable, would not be correct."

And yet, that is precisely what the Finance Member proposes to do. He wants to repay the Railway capital by degrees—what Bastable calls "adding to the domain . . . for the purpose of accumulation".

[Mr. Jammadas M. Mehta.]

"What", he warns us, "should be sparingly used, if at all", because it is not a debt in the ordinary sense of the term—the Finance Member wants to repay from taxation. The scheme of debt redemption is faulty in the main, for the reason that it does not take into account the total asset in the Railways, the productive character or otherwise of that asset and whether it is at all necessary to return the capital to the owners so far as the productive debt is concerned. No limited company ever thinks of returning the whole of the capital. That capital is there. Why should there be so much writing off the block? That is entirely unnecessary. Even if it were possible, it should not be done because it involves unnecessary taxation. If the debt pays, why redeem it? Why tax the people for its repayment?

Then, Sir, about the debt on New Delhi, the Honourable the Finance Member proposes to repay it in 15 years. Mr. Madan pertinently asks, "Do the Government of India want a fresh capital, a new capital in 15 years?" Do they want to migrate to Nasik, the holy place, and perform penance there? Why do they want to repay the New Delhi capital expenditure in 15 years? The Public works of the Moghuls still remain after hundreds of years; so will New Delhi. I cannot understand why Government want to repay the whole of the capital expenditure on New Delhi in 15 years from revenue when it is going to be the capital of future generations for hundreds of years? Why should not the future generations bear the capital cost of New Delhi, and why should it be made good in 15 years, unless the Honourable the Finance Member has a suspicion that the buildings are rotten and may come down at any time? That suspicion might entitle him to rebuild Delhi again in a short time but it would not be owing to the fault of the people of this country. Then, Sir, similarly, you will have to consider whether the military loans ought to be repaid in the time within which the Finance Member wants them to be repaid. The other day I asked a series of questions in the House but the Government were not ready with an answer. I asked them whether they could tell us the total value of their capital assets approximately or even roughly, but one question after another remained unanswered because Government had got no information on the point. I turned to Sir Bhupendra Nath Mitra, I turned to Mr. Burdon—my Honourable friend, Sir Basil Blackett was probably not here at the time—but one and all of them failed to give us any idea as to the capital assets they have got as against their debt so far as non-railway unproductive debts are concerned. There are many military works. Every year we are building, out of revenue, barracks, military roads, and other military works, and the Public Works Department have built crores of rupees worth of works out of revenue. All these assets are there, and why are Government in a hurry to pay back the whole of this debt without taking into consideration the capital value of these existing stocks and assets? Must they not be taken into consideration? Where is the scientific scheme which the Honourable Sir Basil Blackett promised? Is this scientific? The only answer to it is that it is not, and therefore I would ask the House that it should go into a committee to consider and investigate whether, if at all, any scheme of debt redemption is desirable to-day when we have been waiting for some relief in taxation. When the Honourable Sir Basil Blackett wanted to levy an increased salt tax he cajoled the House in 1923 with promises. He promised them, "You impose the increased salt tax. Be very good boys. Once we are back to balanced budget—we shall be very soon in the tidal

waters of property and then we can turn our thoughts to the pleasant ideas of the reduction of provincial contributions, the reduction of taxation and the promotion of nation-building works of a beneficent character." That is the kind of promise which he held out to the House of 1923 when he wanted to have the increased salt tax. Now when it is probable that he will have some balance, he neither turns to the provincial contributions nor to the reduction of taxation, nor to the pleasant thoughts of nation-building works, but his thoughts turn to "home" to pay back the debts which this country owes. These debts are mostly English debts. Most of the capital portion of the annuities, the sinking funds on railways, a portion of the £100 millions which this country paid during the war practically all these 4 crores are to be paid over there. "Charity begins at home" says Sir Basil. But the House should not sanction such a thing lightly because it knows that the scheme is not at all founded on any scientific considerations. It does not take into account the capital assets we have against our debts. There are also other considerations; the sinking fund is a miracle if it is only scientifically managed, and even if we eventually decide to have a debt redemption scheme I ask the House to consider the various alternatives. If you spread a certain debt over 25 years and invest the amount which you lay aside every year in 3½ per cent., or 4 per cent., or 5 per cent., the amount that you will be required to lay aside every year will vary considerably. The same will be the case if you spread your debt over 20 years, 30 years, 40 years, or 60 years, or 80 or 100 years, and the difference in the amount required to be laid aside every year is so miraculous that if you adopt a proper, scientific and well-thought out scheme of debt redemption, taking into account the assets as also the period of years, you will find that the burden will be amazingly light. If you spread your debt repayments over 100 years and invest the amount laid aside as sinking fund in 4 per cent., i.e., the amount that you will lay aside every year for 100 years, the debt would be not even three annas every year, and if it is invested in 5 per cent. it might even be one anna for every hundred rupees of debt.

The Honourable Sir Basil Blackett: Is there any guarantee that the rate will be the same?

Mr. Jamnadas M. Mehta: No. It all depends upon the prevailing rate of interest; it cannot be arbitrary.

The Honourable Sir Basil Blackett: The market rate?

Mr. Jamnadas M. Mehta: Yes. Unless we decide after mature consideration the period over which we have to spread our debt redemption and also the rate at which we can invest our sinking fund, we would be unable to arrive at any proper and considered scheme of debt redemption and in that case I would much rather that these 4 crores which the Honourable Sir Basil Blackett proposes so crudely to apply towards debt redemption should be used for the reduction of provincial contributions and the reduction of the heavy load of taxation which has been on our shoulders for the last seven years. Why should we continue to be taxed on the war basis? I therefore warn the House not to adopt any ready-made scheme in a hurry. I would also warn the House to consider if we are wise in borrowing for Railway purposes at the pace at which we are doing? Sir, I am very sorry that the Honourable Sir Charles Innes is not here—the other day at the Imperial Economic Conference he actually boasted

[Mr. Jamnadas M. Mehta.]

instead of regretting that 95 per cent. of the capital expenditure on Railways was to be incurred in England, and yet when we sanctioned this five-year programme of borrowing, it was clearly understood that as large a part of it as possible was to be spent in this country.

The Honourable Sir Basil Blackett: Will the Honourable Member refer me to that statement of my Honourable friend, Sir Charles Innes? I think what Sir Charles Innes said was that 95 per cent. of the expenditure incurred on Indian Railways outside India was incurred in England. That is a very different statement altogether.

Mr. Jamnadas M. Mehta: That is what the Honourable Sir Charles Innes is reported to have stated in the Imperial Economic Conference. If the Honourable Member has any doubts in the matter I shall be glad to produce my authority for it, but I have not got it ready now. I am not making any haphazard statement like his debt redemption scheme.

The Honourable Sir Basil Blackett: Obviously it is untrue to say that 95 per cent. of the expenditure incurred on Indian Railways was incurred in England.

Mr. Jamnadas M. Mehta: I said 95 per cent. of the expenditure incurred out of India was to be incurred in England. Why do you unnecessarily misunderstand it?

Mr. President: I do not think that I can allow such a statement to pass unnoticed. The Honourable Member has put into his own mouth a statement which he did not make. It is one of the courtesies of debate that, when an Honourable Member is corrected and he finds his original statement to be incorrect, he accepts the correction.

Mr. Jamnadas M. Mehta: I am unable to understand what you have said, but what . . .

Mr. President: The Honourable Member made a misstatement and he was corrected. Then he proceeded to repeat the corrected statement as his own without acknowledging his mistake.

Mr. Jamnadas M. Mehta: If I had said that 95 per cent. of the capital expenditure was incurred in England, it was an incorrect statement. That was not what I meant. What I meant to say was this, that 95 per cent. of the expenditure that was to be incurred out of India was to be incurred in England. I stick to that. That is the way in which the railway expenditure is being incurred for the subsidising of English industries and the encouragement of technical crafts in England. If these two things, namely, whether future borrowing for Railways are wise and whether the proposed redemption scheme is sound, be made clear we can go about our way with greater confidence. But, unfortunately, we are in the dark in both these matters. We are neither sure that our capacity to go on borrowing exists, nor that our borrowing is for remunerative purposes, nor that our scheme of debt redemption is a sound or well considered one. For these reasons I move that we should have a committee which will investigate all these problems. Further, when Government have got so many committees for investigating so many problems, I cannot understand why they should not of their own motion have appointed a committee of this character. There is however one difficulty. I had expected this Resolution would be reached early in January and therefore I asked for the whole of the inquiry to be

made before the next Budget, but I now find that the chances of the ballot have not been so propitious to me as they might have been and therefore I have accepted the amendment of my friend Mr. Rangaswami Iyengar that so far as the debt redemption scheme is concerned it ought to be considered and reported upon before the next Budget and that the consideration of the rest might wait till June or July or September. But, Sir, the whole problem is of great importance to the starving millions of this country. Remember, Sir, that when the great war was being waged India was bled white. Remember, Sir, that when empires were vanishing, when crowns were going into the melting pot, when the geography of the world was being rewritten, India stood by its Government and, in the words of Lord Hardinge, was bled white, not in the interests of this country . . .

The Honourable Sir Basil Blckett: What Lord Hardinge said was "bled white of British troops."

Mr. Jamnadas M. Mehta: Is it not therefore necessary, Sir, to give her tax-payer some relief from this heavy load of taxation and debt? I have done, Sir.

With these words, I move my Resolution.

Mr. A. Rangaswami Iyengar (Tanjore *cum* Trichinopoly: Non-Muhammadan Rural): I beg to move the amendment to the Resolution of my friend Mr. Jamnadas Mehta which he has already mentioned to the House. That amendment is merely this, to omit the words "before the next Budget" in Mr. Jamnadas Mehta's Resolution for the reason that it will be impossible for any committee that may now be appointed to go into the whole of this vast question and make a report in time for the next budget; and at the same time, to add to the Resolution the following words:

"And in the meantime to make recommendations before the 5th of March 1925 as to the provision, if any, that should be made in the Budget of 1925-26 for the reduction or avoidance of public debt."

My reason for supporting this Resolution with this amendment is much more circumscribed than the very general issues which have been raised in the speech which my friend Mr. Jamnadas Mehta has made to us. My main concern is with the manner in which our surpluses are going to be dissipated by means of this debt redemption scheme. In the first place, this debt redemption scheme was adumbrated by the Honourable the Finance Member in March last and he indicated to the House that the preferable course for framing a debt redemption scheme of this kind would be to make what he called a statutory programme. He said:

"It is much to be desired that in the near future we should arrive at a definite programme. It might be with advantage a statutory programme for dealing with this subject."

We had therefore every right to expect that any programme that the Government might have thought fit to decide upon, ought to have been put before this House as a statutory programme and this House should have been asked to state what its views are and what scheme of debt redemption this House should sanction. As my friend Mr. Jamnadas rightly pointed out, that course was not taken, but an inspired motion was brought up in the Council of State and the Government then said "Oh, we have made up our mind," without giving this House any opportunity to discuss or offer its opinions thereon. Therefore, I say this House has every right to complain and this House has every right to go into this question of debt redemption and to give the Government its considered views

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as to how the Government should frame their own debt redemption scheme. We have been told that this debt redemption scheme is in the nature of a rounding up of the whole of the present system of sinking funds of railway annuities and many other things. I want to know whether the Finance Member is really proposing by this scheme to institute in this country a kind of general sinking fund for the wiping away of what we may call the dead weight debt of this country. If that is so, then I am afraid his explanations both in the budget statement of last year and also in the other place do not bear it out. Out of the total of 900 and odd crores of debt in this country there is barely about 288 crores which is of the nature of unproductive debt. All the rest of it is debt which has been borrowed for productive purposes and it is yielding us now a very good return. If we analyse the figures further and find out what this 200 and odd crores of unproductive debt is really made up of to-day, we shall find that, while the whole of the earlier unproductive debt in this country had already been wiped away by means of the taxation of this country, this 200 and odd crores consists only of the 100 millions war gift that we made and the 100 and odd crores of deficits during the past few years which were made up by borrowing. If this is all the unproductive debt of this country, I ask where is the necessity for providing a sinking fund? Is it to be said to us that the amount of this debt in relation to the resources of this country and even in relation to the means of the poor tax-payer of this country, is so big that you should immediately provide out of extra taxation a surplus which would go to amortise this debt? I say—No; and I believe the Finance Member himself practically conceded this position when he said last year that this scheme of debt redemption or this provision for wiping off this indebtedness, is only "a contribution out of revenue towards productive capital expenditure." So, we arrive at this question. Do we want in this country that we should raise taxes in order that those taxes may be invested in productive capital expenditure? Is that a sound proposition? That seems to me to require further investigation. I desire, again, to quote the Finance Member. He said:

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

Therefore, Sir, I contend that it is not right that this country should go on being continually taxed for the purpose of providing capital for productive expenditure. Then the next question, Sir, is, is it necessary to make this provision even for our productive capital

12 Noon. expenditure? What is this productive expenditure? Most of it, as has been admitted, has been invested in Railways. I do not want to go into the history of the past of these Railways. My friend, Mr. Jannadas Mehta, has referred to the awful losses which have been inflicted on this country, but they have all been recouped by the taxes which the tax-payer of this country has borne by which these losses were paid for. But in regard to this present productive expenditure on Railways, I ask, Sir, after the scheme for the separation of Railway from general finance has been brought into operation, after the full programme by which Railway expenditure is hereafter to be financed has been sanctioned by this House, I ask is it necessary that we should again dip into our general revenues and make a further provision in regard to guaranteeing or meeting any fancied risks in regard to the productive capital expenditure on Railways? I do

not want to anticipate what the Railway Budget is likely to show. But I know, Sir, that the Railway Budget must provide what is called a depreciation fund in respect of the assets covered by capital expenditure on Railways. It also provides a reserve fund. I ask, again, whether we should provide a third fund and call it a sinking fund and pay out of the taxes one or two crores into it in order that this fund may be mounted up for being invested in productive Railway capital expenditure. I say that is not just to the tax-payer. I then ask the question, assuming that it may be found feasible to invest this money out of the revenue in Railway capital expenditure, is it right, is it just to the tax-payer, that this money should be raised and that any surplus that is realized out of the revenues now raised should be put into this sinking fund? My answer is again, "No", because, according to the promises and the pledges of the Government, pledges which are far more important than the pledge which we have made to redeem even some of our maturing debts, the first claim to any surpluses of this Government is that of the provinces which have been contributing 9 crores every year and which ought long ago to have been relieved of this burden. The Honourable the Finance Member in his first financial statement in 1923, has definitely given this pledge to this House and to the Provincial Governments. The Government of India have said plainly that "as soon as they are able to do so, they intend to reduce and eventually to extinguish these contributions." I therefore claim, Sir, that before proceeding to lay by any part of the revenues of this country towards this scheme of avoidance or reduction of debt, the Finance Member ought to make it his business to reduce and extinguish the provincial contributions.

Then, Sir, next to the provincial contributions comes the claim of the tax-payer himself. My friend Mr. Jamnadas Mehta, very rightly pointed out that during the past few years this country has been burdened with a net addition of 40 crores per annum in the shape of additional taxation, including that odious duty on salt. Therefore, Sir, next to the claim of the provinces the claim of the tax-payer has to be met; and I say that until the heavy, the unbearable burden on the tax-payer is relieved, we ought not to take away realized surpluses out of revenues to put them into this sinking fund for the purposes of productive expenditure on Railways.

Then there is a third point I wish to press upon the attention of the House. It is this. When we consider the claims of the tax-payer I think, Sir, we should also consider the claims of the betterment of this country, the improvement of this country the improvement of its industries, and we must do our best to relieve industries of the burden and the shackles which are imposed upon them. From that point of view again, Sir, I submit that the claim, for instance, of the cotton industry to a remission of the odious excise duty is superior to the claim of the railway sinking fund or of the depreciation fund or reserve fund. I do not want, Sir, that the Finance Minister should once again in the next Budget put us on the horns of a dilemma and say, "Here is two crores; you may either take it for the purpose of relieving provincial contributions or relieving the cotton excise duty": in the meantime taking away another two crores—the figures are hypothetical—for the railway sinking fund. It must be possible to do both. (*The Honourable Sir Basil Blackett*: "Why not give it all to provincial contributions?") Not necessarily. I do not dictate that. So far as that is concerned we are quite prepared to examine each of them on its merits when the

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Budget is presented. I say, Sir, so far as that is concerned, this fund for the avoidance or reduction of debt is not the head to which all these surpluses should be diverted. I may point out, Sir, that I have very high authority for saying that "where inconvenient and oppressive duties are levied it may be wiser, even with a view to ultimate repayment of loans, to relieve industry of these duties and trade of its heavy burden and trust to the increased productiveness of the reformed system for compensation," instead of trying to redeem debt. We all know, Sir, the classical examples of Peel and Gladstone when each of them relieved British trade from the shackles of the taxes and duties which were imposed on them. I say, Sir, that in that category we must place the cotton industry of India to-day. (*Mr. M. A. Jinnah*: "We have not got a Gladstone.") Well, we have Sir Basil Blackett. But what I object to is that it is very unfair, and it is not sound finance, to keep taxation at a high level for the purpose of producing a surplus which really is not given back to the people. The real surplus, the real sinking fund, which Finance Ministers should rely upon is the sinking fund that lies in the contentment of the people, in the contentment of the peasantry, in an equal and low land tax and in a flourishing industry which is relieved of the burdens now imposed upon it. It is that that is more necessary than the provision of these sinking funds which are after all, what the famous sinking fund of William Pitt turned out to be in the end.

Sir, I do not at all deprecate the starting of a real sinking fund, but if a sinking fund is needed and has to be started at all, it must be only after meeting the claims of the tax-payer and the provinces. I wanted that a sinking fund which is started in this country should be started after mature consideration of all the claims made on what I may call "the national heap." I think the Finance Member ought not to rush his programme of debt reduction in the manner he has done. For, Sir, after all, as Sir Josiah Stamp once said:

"The State unlike the individual does not die. It can take a long view. It can therefore finance itself by methods which would be too far-reaching in the space of time involved for individual businesses."

Why should we be in a hurry to invent any wild-cat schemes for relieving this country of 200 crores of indebtedness by a scheme of debt redemption which really places the tax-payer at a disadvantage, which places industries at a disadvantage, and above all which places the Provincial Governments, which are starving for want of resources, at a most, serious disadvantage? I therefore think, Sir, that it is absolutely necessary that this House should have an opportunity of going into this question thoroughly after it has had a report from competent people appointed by this House, if necessary, with the assistance of experts: and it is for that reason that I have great pleasure in supporting my friend, Mr. Jamnadas Mehta's motion, with the amendment that I have proposed.

Mr. President: Amendment moved:

"To omit the words 'before the next Budget'."

The motion was adopted.

Mr. President: Further amendment moved:

"To introduce the words 'and in the meantime to make recommendations before the 5th of March 1925 as to the provision, if any, that should be made in the Budget of 1925-26 for the reduction or avoidance of public debt'."

The Honourable Sir Basil Blckett (Finance Member): Sir, when I first saw this notice on the paper I was somewhat puzzled as to what its intention was. It did not at first occur to me that it was one of those familiar raids on the sinking fund which occur in all well-organized Parliaments. I was puzzled as to what this Committee was going to do. I was puzzled also at the recent fondness of this Assembly for the appointment of Committees. If all the Committees proposed by the various Resolutions that have been put before this House for Committees of this House to examine various subjects were appointed, I do not think we should ever have a quorum in this House or, alternatively, that any of those Committees would have any quorum. As regards this particular question, the appointment of a Committee to report before March the 5th, with the best will in the world even if we were all agreed as to its advisability, I must put it to this House that it is obviously out of the question. At this period of the year the Finance Department is sitting up all night or something like all night in preparing the Budget figures. This House itself has got the Railway Budget to occupy the whole of its day time next week, and the week after, the general Budget will be before the House. The Finance Department could not possibly provide Members of this House with the sort of figures and the sort of statements that a Committee of this sort would have to consider, nor could this House provide Members to sit on such a Committee without their being taken away from their necessary duties inside this House itself. I make that comment as regards the Committee itself, though I hope I shall convince the House by what I am going to say that this is not a case where a Committee can usefully be appointed. I desire also to make one preliminary observation. Mr. Jamnadas Mehta spoke of something being laden with milk and honey. Well, his speeches are not so laden with milk and honey, and I do make a serious complaint that the Honourable Member comes here and makes speeches which, to adopt one of his own adjectives, are extremely crude, and uses arguments which he either knows or ought to know to be intentionally misleading

Mr. Jamnadas M. Mehta: On a point of order, Sir. Is the Honourable Finance Member justified in saying that another Member was intentionally misleading?

Mr. President: The Honourable Member has only anticipated my rising. The Finance Member must find some other word to describe what he thinks of the attitude of other Members. Every Member in this House must accept the *bona fides* of every other Member of the House.

The Honourable Sir Basil Blckett: I must withdraw at once the word "intentionally." I will say that the Honourable Member ought to know better than to use arguments which are so obviously misleading.

Let me now turn to the question before the House. Some figures have been given, but I think it will be useful if I treat the House to some rather dull statistics, because they are necessary for the purposes of this argument. Let me begin by giving the figures of our gross debt of all kinds on the 31st March, 1914, on the 31st March, 1924, and on the 31st March, 1925. The last two sets of figures are of course to some extent estimates, but for present purposes they are sufficiently accurate. The gross debt on the 31st March, 1914, was 551.29 crores. On the 31st March, 1924, it was 968.83 crores. On the 31st March, 1925, the gross figure was 1,013.02 crores. I am laying on the table, for the sake of

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completeness and in order to reduce the length of my speech, a statement* giving the detailed figures for each of the three dates. In 1914 there was no provincial debt properly so called: all sums borrowed for provincial purposes were included in the Government of India's own debt. We may take the figure as being 71·99 crores on that date—the amount then borrowed for the purposes of the provinces. Since the reforms the Provincial Governments have borrowed a certain amount on their own account in the open market, and a considerably larger amount has been borrowed by them directly from the Government of India. The figures are:—On the 31st March, 1914, borrowed from the Government of India, 71·99 crores. On the 31st March, 1924, borrowed from the Government of India 97·56 crores; borrowed in the open market, 15·51 crores, making the provincial debt at that date 113·07 crores. On the 31st March, 1925, borrowed from the Government of India 110·36 crores, borrowed in the open market, 15·51 crores: total 125·87 crores. This makes the gross debt of the Government of India and of the Provincial Governments taken together on the dates named, in crores of rupees, 551·29, 984·34 and 1,028·53 crores, respectively. These are of course gross figures, including productive and unproductive, internal and external, funded and unfunded debt. Our productive debt on the dates named, namely, on the 31st March, 1914, was 524·71 crores, on the 31st March, 1924, 689·10 crores, on the 31st March, 1925, 747·08 crores. I have treated the whole of the Provincial Governments' debt in these figures as being productive. That is very nearly but not quite accurate as some small amount has been borrowed for budget deficits by the provinces and some further small amount has been borrowed for what are not exactly productive purposes, that is, capital expenditure on buildings and one or two things of that sort, but for practical purposes the exception is so small that we can treat the whole of the Provincial Government debt as being productive debt. And further as it is the provinces which pay interest to the Government of India on this part of the debt and as it is not a part of the debt which concerns the tax-payer of the Central Government at all, I think that the simplest way of treating it is to exclude it from our total figures. If we do that, you get the following:

Total Debt (excluding Provincial Debt.)

On 31st March 1914 was	479·30	crores.
Of which, productive	452·72	"
Unproductive	26·58	"
On 31st March 1924	871·27	"
Of which, productive	576·03	"
Unproductive	295·24	"
On 31st March 1925	902·66	"
Of which, productive	621·21	"
Unproductive	281·45	"

It will be seen that in the period from 1914 to 1924, *i.e.*, 10 years, the unproductive debt increased by 288·66 crores. That is an important figure. It is a very undesirable feature no doubt; but when we consider what has been the experience of every other country in the world, neutral as well as belligerent, during the ten years from the outbreak of the war, I think

* *Vide* Appendix "A" to these Proceedings.

that we cannot but regard the moderateness of the increase in India as by comparison a matter for satisfaction—by comparison only. During the current year, we estimate that the increase in the productive debt has been 45.18 crores; the increase is almost entirely accounted for by Railways, and includes not only the new capital expended on the Railways during the year on development, but also an amount of £18½ million of the East India Railway Company's debenture stock taken over by the Government at the same time that the East Indian Railway was taken over; this of course is not an addition to the debt of India as a whole—it is a transfer from the Railway Company to the State of the liability to pay interest to the same people out of the earnings of the same Railway; but of course it appears as an increase in our gross figure, the borrower as such being now the Government of India.

The unproductive debt has decreased during 1924-25 by 13.79 crores according to the figures which I have given. But that is the nominal decrease only. The real burden has been decreased by a larger amount, because to the extent of 1½ crores there would have been a further decrease if it had not been for the conversion of sterling 7 per cent. bonds into 3 per cent. stock—an increase which about doubles the nominal total of the debt in question but reduces the burden of the interest.

The next point for consideration is the division of our debt into External and Internal Debt. I take the rupee at 15 to the £ for purposes of comparison and I continue to treat the Provincial Debt as being entirely excluded and as entirely internal. On the 31st March 1914 our internal debt was 107.80 crores, leaving out the provincial debt, and our external debt was 371.50 crores. On the 31st March 1924 the internal debt was 385.43 crores and the external debt was 485.84 crores. On the 31st March 1925 the internal debt would be 390.85 crores and the external debt 511.81 crores. It is satisfactory to note that since 1914 the increase has been very much more considerable in the internal than in the external debt. It may also be observed that if the Provincial Debt of 125 crores on the 31st March 1925 were added, the total internal debt is now, I think for the first time, higher than the total external debt. I would also point out that if we take the current rate of exchange of 1s. 6d. the external debt would be about 451 crores.

Now, why has our external debt increased during the last year? We have not issued any external loan. The explanation is the same as that already given in another connection. It is that the later figure includes the 27.75 crores—namely, £18½ million—of the East Indian Railway Company debenture stock—and the addition of 1½ crores for the conversion of the 7 per cent. into 3 per cent. stock. Apart from these nominal changes we have actually during the year reduced the external debt by nearly £2½ millions and have also reduced the amount of the interest that we have to pay.

Now, as regards the interest charges, as this Resolution reads it speaks of the capacity of the tax-payer to pay the interest. I shall have to point out directly that the extent to which the tax-payer as tax-payer pays interest is not in any sense the gross figure of the debt on which the Honourable Mover laid so much stress. The gross charges for interest on all debt including the debt of the Provincial Governments amounted in 1923-24 to 4,106 lakhs and in 1924-25 to 4,054 lakhs. I draw the attention of the House to the small reduction that has occurred in 1924-25 in the gross interest charges, in spite of the increase in the nominal total

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of the debt and of the increased amount which we have spent on capital development in India. This decrease is in part due to conversions and to the debt carrying a slightly lower rate of interest, but it is mainly accounted for by the rise in the rate of exchange. But it is not the gross charges for interest which really concern the tax-payer. What he is concerned with is the amount of interest which he has to provide out of taxation. I propose to diverge for a moment on this point and deal with the observation which Mr. Jamnadas Mehta made about our productive debt. Some of the figures that he gave about the Railways from 1858 to 1918 are inaccurate in the sense that they do not make full allowance for certain considerations which are certainly relevant. They are mere arithmetical figures—(Mr. Jamnadas M. Mehta: "They are from the Acworth Committee's Report")—they are arithmetical figures without explanation; but they do not in any case touch the question of what our productive debt is yielding to-day. We have got certain figures for Railway debt; that debt is yielding us the full amount of interest that we require to pay, the interest on what we have borrowed. It is yielding us in addition a contribution over and above that amount. Therefore from the point of view of the tax-payer, whatever may have been the previous history of the Railways, the present position is that the tax-payer is bearing no burden whatsoever in respect of the Railway debt; but on the contrary is being relieved to the extent of the contribution. I do not want to go further into that. (Mr. A. Rangaswami Iyengar: "He is entitled to be reimbursed".) He is being relieved of the burden; and as regards what the Honourable Member said about the rise in fares and freights on the Railways, I would point out to him that his own figure is that the railway fares increased by 54 per cent. and freights by 32 per cent.; during that period average prices in India have increased by considerably more than either 54 or 32 per cent., that is to say, that owing to the extremely good management of the Government they are able to run Railways now in comparison with general prices at a less increase than has occurred in the average of all other general prices. I do not think I need spend more time on the argument that our productive debt has not been productive in this connection—it has been fully answered by the Honourable Member himself in the second part of his speech when he was arguing against any provision for reduction and by Mr. Rangaswami Iyengar who spoke of our productive debt as yielding a very good return.

Let me return to the burden of the interest charges. The gross charge, as I said, is 41,06 lakhs in 1923-24 and 40,54 lakhs in 1924-25. The net interest charge paid by the tax-payer on unproductive debt is 15,86 lakhs in 1923-24 and 13,82 lakhs in 1924-25. But even these figures overrate the burden on the tax-payer. To arrive at the true burden, we have in the first instance to set off receipts on temporary investments of balances. It is, I think, justifiable to regard all these receipts as a set-off against the burden of interest charges paid by the tax-payer from taxes. But I do not want to enter into a controversy with Mr. Jamnadas Mehta and so I will exclude the interest on the Gold Standard Reserve and the Paper Currency Reserve, and I will take only the interest earned on the cash balances in London. This amounted to 57 lakhs in 1923-24 and 64 lakhs in 1924-25. In addition the tax-payer receives a contribution from the Railways which amounted to 6.44 crores in 1923-24 and about 5.64 crores in 1924-25. So that, the amount that the tax-payer has to meet by way

of interest out of taxes comes down to 8.85 crores in 1923-24 and 7.54 crores in 1924-25; that is, the burden on the tax-payer for meeting interest on debt is just under 9 crores in 1923-24 and 7½ crores in 1924-25. That is what has to be raised by taxation. All the rest is paid for by means other than taxation. The burden of the interest that has to be met is the amount that is not covered from other sources which, as I said, is just under 9 crores in 1923-24 and about 7½ crores in 1924-25.

Mr. Jamnadas Mehta spoke of the position in England and said it was unfair to compare the Indian debt with the debt in the United Kingdom. Of course, a comparison of that sort without any explanation is always apt to be misleading. But let me remind the Honourable Member that at the present time, leaving out of account the sinking fund, the British tax-payer is paying three hundred million pounds of interest on unproductive debt, whereas the Indian tax-payer paid, as I said, just under 9 crores in 1923-24 and about 7½ crores in 1924-25. I need not cite any more figures, because these figures speak for themselves. They are not particularly relevant, and I am mentioning them merely to answer Mr. Mehta's point.

Now the question of the interest on debt has one other interesting side to it, and that is the amount that has to be found outside India and the amount that has to be found inside India, but the matter has not been referred to to-day, and quite rightly, because it is not the question of the burden on the tax-payer, it is a question of the balance of payments, of the balance of imports and exports.

Mr. A. Rangaswami Iyengar: It is a question of drain, I say.

The Honourable Sir Basil Blackett: I would point out that in so far as the interest is from productive debt, the money to pay it would not exist at all but for the capital expenditure, and it is hardly fair to use the word "drain" without some further consideration.

Now, I come to the question of sinking fund, which is the real onus of complaint against me to-day. It seems to be thought that the Government of India have done something to increase the amount that is provided for sinking fund. The whole of this 4 crores odd, for example, which they spoke of, is treated as if it were something new. As I pointed out a year ago, it is in great part a restatement on what I still regard as a reasonably scientific basis, in spite of Mr. Jamnadas Mehta, of the amount required to deal with our debt. It is not any great increase on previous figures, and I am sure this House will be very careful before it joins with any one and demands that we should relieve taxation or relieve the Provincial Governments by a raid on the sinking fund. It is always a dangerous and shortsighted policy. The amount that we are providing will be dealt with more fully in the Budget. I do not want to anticipate the budget speech to-day, although I have had several incitements to do so from various quarters. The question of the sinking fund, however, has to be considered in relation to the Budget as a whole and there are difficulties in dealing with it separately. The Honourable Member who spoke second asked whether this was a scheme for getting rid of our unproductive debt. That is one aspect of it. The effect of it will be—I have not got exact figures worked out—but the effect of it would be, if it operated quite smoothly with no accretions and no raids, and if you took an average rate of interest at 5 per cent. to get rid of the unproductive debt in about thirty years. After that date, the rest of the debt would for the time being involve no direct interest charge on the tax-payer as such. Mr.

[Sir Basil Blackett.]

Jamnadas Mehta in speaking said that you would have to fix the rate of interest at which you are going to use the sinking fund. I would suggest to him that the market would have something to say to that. It depends on the market rate. The market would not allow you to use the fund at whatever rate you chose to fix in advance. What does he mean by a plan for "fixing the rate" at which the fund is to be used? I am not sure what he meant, but that was what he conveyed to me. Now, there is, as I said, another aspect of the sinking fund. It is a provision out of our revenue for reduction or avoidance of debt. That brings me to what is really the very important consideration that is before us to-day. Fortunately for ourselves we have no maturing debt in the United Kingdom until, I think, 1931-32. When the $5\frac{1}{2}$ per cent. stock falls due to be repaid, and we shall have to meet a maturing debt in England of about 20 million pounds after allowing for sinking fund operations. Therefore, so far as maturing external debt is concerned, we are not in any special difficulty at the present moment. But in India the position is very different. In every year up to and including 1933-34, except I think 1929-30, we have blocks of bonds maturing, the largest amount being 37.90 crores of 6 per cent. bonds which mature next year—in 1926. The aggregate amount to be dealt with in the ten years is 175 crores 78 lakhs,— $3\frac{1}{2}$ crores this year, just under 38 crores next year, $27\frac{1}{2}$ crores in 1927, and about $25\frac{1}{2}$ crores in 1928. These bonds carry either $5\frac{1}{2}$ or 6 per cent. interest, and there are some redeemable at a premium. It is of the utmost importance from the point of view of the country as a whole, both to the tax-payer and in this instance to the railway user too, that we should not only be able to renew these bonds in some form or other as they mature, but we should be able to renew them, if possible, at a somewhat lower rate of interest.

Now that is not all. Personally, I hold very strongly and have stated it more than once, that the greatest need of India to-day is for new capital expenditure both by private enterprise and in those spheres such as Railways and Irrigation in which the capital funds have to be provided from Government sources. I am glad to have the support of Mr. Rangaswami Iyengar there too. He said that one of the important considerations we have to bear in mind to-day was the betterment and the development of this country and its industries. Now, I believe there is an immense field for new capital expenditure, new capital enterprise, for the development of India. The period of five years for which our capital expenditure of 80 crores on the Railways was fixed comes to an end, I think, in March 1927. But on the one hand, it is unlikely that we shall have completed the programme of 150 crores by that date. We are not spending at the rate of even 20 crores, at any rate we have not been doing so,—and on the other hand, it is most likely that we shall have other directions, some really urgent, in which it is desirable to develop our Railways. We want to spend money on the general development of our communications, to the great indirect profit of the Indian public as a whole and to the direct profit of the tax-payer. In addition a great number of development projects are already under weigh which have to be financed largely by the Central Government. Some of them have been referred to to-day. I do not take the view that Mr. Jamnadas Mehta flippantly takes either of the Sukkur Barrage or of the Bombay Development schemes. They are at any rate sanctioned by the authority of the Bombay Council and they are commitments which we cannot go

back on. In addition, there is the big Sutlej Valley project in which the Punjab Government is interested as well as one or two Indian States. There is the Cauvery project in Madras under consideration as well as other Madras projects. Now, even if some small portion of this expenditure is met out of loans raised by Provincial Governments direct—and there are some considerations in favour of loans raised direct by Provincial Governments in some of these cases—even if some part is so raised, it must be remembered that the appeal is to the same class of lender. Any money so raised comes out of the same sources as the money raised by the Government of India loans and the two are to some extent in competition, and, if the provinces are successfully borrowing—as I hope they may be—it will necessarily mean that the amount available to be lent to the Central Government is thereby restricted. There is only one ultimate source so far as internal borrowings are concerned, the new savings of India, that is the new capital created each year by India. Now, I have had an estimate framed, which must necessarily be to some extent conjectural, of what we shall require at any rate during the earlier years. It is based on commitments during the earlier years,—it is an estimate of what we shall require to raise in the way of new money in the market in the next five years, from which to finance the Railways and these provincial schemes, and any other Irrigation schemes that may come on and any other loans of any sort, whether they are for development in Bengal or elsewhere, which may have to be raised in the market. The estimate works out as follows. In the five years, 1925-26 to 1929-30 inclusive, we want something approaching 25 crores a year for Railways and a further 20 crores a year for Provincial Governments and other requirements. It is perhaps not unlikely that progress will be a little less rapid than these figures assume. They amount to 45 crores a year, but let us take the figure at 40 crores a year. Add to that the sum of 94½ crores we have to re-borrow on the average year by year for the next five years to deal with our maturing debt. You get a total of nearly 300 crores of money that has to be financed in the next five years, whether by Provincial Governments or by ourselves. Now, there are two ways in which the sinking fund helps in that matter. In the first place, it reduces the amount that you have to re-borrow. If you take the amounts that are provided by the Provincial Governments for sinking funds on their debt which they are paying to the Government of India, which thus becomes available to be re-lent, and the amount of the sinking fund that is provided in the Central Government's budget, all of which is in a sense available to be re-lent, it reduces the amount of the new financing that you have to do. That is a very important point. If by that means and by means of the Post Office Cash Certificates—whose virtues in spite of Mr. Jamnadas Mehta, I commend to the public: Mr. Jamnadas Mehta has never yet found anything to praise in the Government of India so that one need not be surprised that he does not even praise one of the best things they have done—if out of the sinking funds and the proceeds of Cash Certificates and other similar sources we can keep the amount that we have to borrow in the open market down to a figure of about 20 crores or so, I think we shall have made a very important contribution to what is obviously a very difficult ways and means problem facing the Government of India at the present time. I do not say that we shall require to borrow 20 crores next year or 20 crores in any particular year. That figure is merely the average for the next five years and the minimum that we shall require.

[Sir Basil Blackett.]

The second point in which the provision of a sinking fund makes a difference is in the confidence that it gives to those who lend us money. I have heard from a good many sources

Mr. A. Rangaswami Iyengar: You have now withdrawn the 80 lakhs fund which you added in 1922 and 1923 with a view to give confidence, so, the confidence was there.

The Honourable Sir Basil Blackett: I have heard from a good many sources both inside India and outside India that the adoption of the scheme for regularising our programme for reduction or avoidance of debt has been received with very great satisfaction. It has given a very considerable additional confidence to the market in regard to the security of the money which they invest in Government of India securities, both internal and external, and, if we are going to borrow or reborrow anything approaching the figures that I have mentioned just now, we shall undoubtedly save in interest as a result of the lower rate at which we can borrow owing to the existence of this sinking fund an amount equal to the whole of the extra sinking fund during that period. It is one of the best possible investments we could make. To interfere with it now would be to destroy at a blow our prospect of carrying out the developmental schemes which are actually in course of progress. It would be to retard the development of India's latent capacities for industrial and agricultural and other development, to slow down the rate at which we could improve communications in India. It would be a most disastrous interference with the whole position as it stands to-day. I was very glad indeed to have the opportunity that is afforded by this Resolution to take the House and the country into the confidence of the Government in regard to this very serious ways and means question that is before us, our maturing debt and the amount of our new capital requirements. I do not want the figures to be regarded as alarming. They are very serious but it is a financial problem that is not, I think, beyond the capacity of India to deal with, provided that she approaches it with circumspection and does not go in for "wild-cat" schemes for raiding the sinking fund. If any Honourable Member regards it as rather a dangerous difficulty before us, I would suggest that he should turn to the speeches made on introducing the Budget in the House of Commons by the Chancellor of the Exchequer about 1921 and 1922. In his budget speech in 1921, Mr. Austen Chamberlain pointed out that in addition to a Floating Debt of £1,275,000,000, the whole of which required renewal within a year, there was a further £300,000,000 of other maturing debt to be dealt with within that year, over £800,000,000 more within five years, and a further £850,000,000 in the two succeeding years thereafter. This position has been bravely faced by the United Kingdom and has been very satisfactorily met. One of the ways in which they have met it is by the provision of a growing sinking fund which is statutory and is not subject to the annual vote of the House. Reference was made just now to the possibility of a statutory sinking fund in this country. The constitutional question thereby raised is one in which I am personally considerably interested and I hope it will in due course be one of the regular arrangements in this House that there will be consolidated fund charges which are the subject of statutory enactments by this House, which are secure from any raid by Mr. Jannadas Mehta at any time during the Budget discussion, fixed by Statute in such a way that the question cannot be reopened annually. But that is obviously a constitutional question which

we cannot enter into at the present moment. It is an interesting subject. But I do not think that it is quite fair that the Government of India should be accused of some undue or indecent haste in regard to this matter of the sinking fund. The subject was laid before the House at considerable length last March. There was every opportunity on the Budget for its discussion. Such discussion as took place was almost unanimously in favour of the general principle of the scheme and, so far as the amount was mentioned, of the amount. In the Council of State, on more than one occasion, exactly the same line was taken. That the Government of India should now be accused of having rushed it through is, I think, a little unfair, if I may use that expression.

Mr. A. Rangaswami Iyengar: What I said was not that they rushed it through but that the Government should have come to this House and explained to us the scheme before they finally sanctioned it.

The Honourable Sir Basil Blackett: They did come to this House and explain the scheme very fully last March.

Mr. A. Rangaswami Iyengar: And they should have taken the verdict of this House.

The Honourable Sir Basil Blackett: It was a matter within the competence of the Government, but instead of announcing it as they might have done, shall we say, a year ago, they put it before the House in a tentative form and in the light of the discussions that took place both in this House and in the other place they framed their final scheme. If it is to be made a complaint against this Government that they give the House an opportunity of discussing a thing in advance, I really think that we are getting far away from any reason or logic. The position, then, is that we have got the serious problem before us of financing a large programme both of maturing debt and of new borrowings. That a raid on the sinking fund at this stage would be a disastrous interference with the whole position, I may warn the House very seriously. I can imagine few actions that would do more damage to India's financial position at the present moment than a raid on the sinking fund.

Mr. A. Rangaswami Iyengar: I never suggested it. I only wanted an inquiry.

The Honourable Sir Basil Blackett: The Honourable Member is quite right, but at the same time he did suggest that the whole or a considerable portion of the amount that is at present included in the provision for reduction or avoidance of debt should be devoted either to provincial contributions or to some other purpose. If that is not a raid on the sinking fund I do not know what is. I do warn the House most seriously that there are very few things that would do more damage to our financial position at the present moment than to reduce the amount—not a very large amount—which is at present included in the provision for reduction or avoidance of debt. For 30 years at any rate we shall still have unproductive debt. That is to say, for a period of 30 years at least it will have no effect in reducing our productive debt. The question of the use of this money for reducing the total of our productive debt, for reducing the amount of outstanding debt covered by investments in productive purposes, does not arise so long as there is any unproductive debt. For a period of 30 years, then, that question does not arise. In the meantime we hope to undertake this quite ambitious programme of development within India, the result of which, if things go well, will be that the actual charge

[Sir Basil Blackett.]

for interest paid by the tax-payer will be reduced within a reasonable period to what it was before the war, namely, something scarcely distinct from a minus charge. I believe in some years it was actually a minus charge. A Committee of this kind could not, I think, be of much help. The problem of the financial position from day to day, from week to week, and from month to month, is a problem that must be undertaken by the Finance Department. It is part of their general duties, a problem in which a Committee of this House with the best will in the world could not take part. Merely physically it could not be present all the time.

Mr. A. Rangaswami Iyengar: We want to frame a scheme.

The Honourable Sir Basil Blackett: I do not know what scheme is going to be framed. You have got to deal with maturing debt. I hope before long we shall be able to make an offer of conversion of some of these loans. That is not a thing on which this House can lay down anything. That depends on the condition of the market from day to day. The House has complete control within the framework of the Government of India Act in that all new borrowings for new capital expenditure by this Government comes in the Demands for Grants and is subject to the vote of this House. In the case of Provincial Governments, the capital expenditure is subject not only to the vote of this House when the money is voted by this House to be lent to the Provincial Government, but it is also subject to the vote of the Provincial Council when the Provincial Government asks for authority to spend money on capital development. We have had a discussion which has given me an opportunity which I have been very pleased to have of taking the House and the country into the confidence of the Government in regard to this ways and means problem that is before us. I do not think that a committee can serve any useful purpose in this matter and it is quite obvious that it could not sit before the 5th of March. I would suggest to the Honourable Mover of this motion that having secured a full statement of the position,—the fullest that I can give within the time at my disposal, and I think a pretty full one—he might be content to allow this debate to be adjourned or to withdraw his motion. If not, I do ask the House not to support it because in supporting it, in view of what has been said, they would be supporting a raid on the sinking fund.

Diwan Bahadur M. Ramachandra Rao (Godavari *cum* Kistna: Non-Muhammadan Rural): May I ask the Honourable Member whether any portion of the sinking fund is to be devoted to payment of railway annuities and in that way whether it is not really payment of productive debt? Is it—or is it not so?

The Honourable Sir Basil Blackett: A certain sum has to be paid every year to the annuitants in question. Part of that sum is interest and part of it is capital. You can treat it either as a capital charge in which case—if you treat it as capital—you would have to re-borrow that amount each year and it will become a ways and means problem. You would not alter the total of your sinking fund provision for reduction of debt by that means, but instead of using your sinking fund to repay the railway annuitants, you would use it to repay—shall we say?—the treasury bills that you raise to pay the railway annuitants. It is a distinction without a difference. None of this fund will be applied to reduction of productive debt for so long as any unproductive debt is in existence. That is the simple answer.

Mr. R. K. Shanmukham Chetty (Salem and Coimbatore *cum* North Arcot: Non-Muhammadan Rural): Sir, I hope my Honourable friend Mr. Jamnadas Mehta will excuse me if I venture to say that his speech was a bundle of contradictions. The second portion of his speech was a direct contradiction of the first part that he delivered. After hearing the first part of his speech one would have imagined that the debt position of the Government of India was in such an unsatisfactory condition that there was very great danger of the credit of the country going down in the financial world and that steps ought to be taken to prevent this serious loss of credit. In the second portion of his speech, Sir, he found fault with the Honourable the Finance Member for having provided Rs. 4 crores annually towards the reduction of debt. If the debt position of this country as presented by my Honourable friend is to be taken as correct, then it must be conceded that not Rs. 4 crores per annum but perhaps 10 or 12 crores per annum will have to be set apart as a sinking fund to recover the credit of the Government of India and the country.

The Honourable the Finance Member said that this debate and this Resolution are examples of the attempts at raiding the sinking fund which a popular legislature is very often apt to make. But with all respect to him I must say that this House in initiating this discussion and questioning the wisdom of his proposal to lay by a sinking fund of 4 crores of rupees per annum is not trying to commit a raid upon the sinking fund, but is only trying to prevent the raid which the Honourable Finance Member wants to make on the annual revenues of the country.

It is well known that the debt of a country is incurred generally for three purposes; firstly, for productive purposes, secondly to meet temporary deficits in the budget, and thirdly to finance extraordinary schemes like a big war; and the debt of the Government of India has come into existence on account of all these three causes. In estimating the burden of public debt upon the tax-payer of a country various methods are adopted. One of the usual methods is to find out the *per capita* debt in the country. Another is to find out what is the percentage of the debt to the wealth of the country, and the third method is to find out what is the percentage of expenditure on the debt services to the total ordinary expenditure of the country. Sir, I want to make a few comparisons of the public debt of India with that of certain other important industrial countries with reference to these three aspects and to show to this House that our debt position is in a very satisfactory condition indeed. If you compare the volume of the debt on the basis of the *per capita* method, it is seen that in the year 1923 in Great Britain it was £174-2-0 per head, in Australia £165-15-0, in New Zealand £162-16-0, in France £356-0-0, in Canada £55-10-0, and in India £2-7-0 per head. If you compare the debt with the wealth of the country, you find that in Great Britain it is 39 per cent. of the wealth, in France 24 per cent, in Italy 18 per cent. and in India 6 per cent. If you institute a comparison on the basis of the percentage of expenditure on the debt services to the total ordinary expenditure of the country, you find in France it is 58·8, in the United States of America 44·2, in New Zealand 33·8, in Australia 23·8 and in India 15 per cent. So, whatever basis of comparison may be taken, it is very clear that the debt position of the Government of India is in a very satisfactory condition. But, Sir, in addition to these significant figures that I have given, if you remember that a great portion of our

[Mr. R. K. Shanmukham Chetty.]

debt is what is called productive debt, then our position becomes really very enviable when compared with the other countries of the world.

The whole question now is, not whether we ought to have a sinking fund or not or whether this House wants to commit a raid on the sinking fund, but whether the scheme as propounded by the Honourable the Finance Member during his budget speech last year and which is embodied in a recent resolution of the Government of India is a proper scheme for the provision of a sinking fund. When during the course of his budget speech last year the Honourable the Finance Member gave out his own theories of debt redemption we thought that he had thrown out some suggestions for the consideration of the country, and that before any definite scheme was put into operation this House would at any rate be consulted on the matter. But to our great surprise we find now that when he was indulging in this theorising he had practically made up his mind about the provision that was to be made for the redemption of debt in India. He goes on the assumption that both the productive debt and the unproductive debt of a country must be amortised by the provision of a sinking fund. Now, Sir, I question the wisdom of that policy. I interrupted the Honourable the Finance Member in the course of his speech and asked him, taking into consideration the very satisfactory condition of the productive debt of our country, what was the necessity for providing a sinking fund towards that. He told me that I would get an answer to that in five minutes, but I am sorry that I waited till the end of his speech and got no answer to that question of mine. It is certainly worth while to consider before launching upon any scheme for the provision of a sinking fund whether the productive debt of India is in a condition which warrants the laying by of any considerable sinking fund. That I submit is a serious question which has to be very carefully considered before any final conclusions are arrived at. So far as I am concerned, I am convinced that the productive debt of our country does not require the provision of a sinking fund, so that there remains only the unproductive portion of our debt and we ought certainly to make a provision for a sinking fund for that. Taking the figures as given in the budget of the current year I find that the unproductive debt of the country comes to about 228·45 crores which is represented by about 98 crores due to the successive deficits of the previous budgets, about 10 crores due to Imperial Delhi, and about 120·60 crores which represents our true war debt. The whole question is what amount of sinking fund we must provide for the amortisation of this unproductive portion of our debt which is 228·45 crores. Does it require the provision of 4 crores of rupees per annum as has now been provided for by the Honourable the Finance Member in the recent Government of India resolution?

It so happens that as a matter of fact a provision of very nearly 4 crores of rupees is now being made in the budget every year which, as the Finance Member said last year, is purely the result of accident. We have to provide for the repayment of the capital portion of railway annuities. We have to make provision in accordance with the contract that we have entered into with the subscribers of the 5 per cent. loans. These things come to nearly 4 crores of rupees a year and the Finance Member is in a very fortunate position to see that this accident very nicely fits into his pet theory also. But there is no reason why these obligations should be met from current revenues. The real question is, considering the finances

of the country as they are at present, considering the fact that we have a great many claimants on our surpluses, whether it would be a wise policy to lay by 4 crores of rupees per annum towards the amortisation of this portion of our debt. The net result of the provision of 4 crores of rupees per annum will be, as the Honourable the Finance Member has just now said, to wipe off our unproductive debt within the course of the next thirty years. Well, Sir, I ask him does he mean to suggest in all seriousness that this unproductive debt of our country must be wiped off during a period of 80 years? He ventured to prescribe some very arbitrary periods for the amortisation of the different classes of debt. He prescribed 15 years for redeeming the debt incurred for the building of New Delhi, 25 years for redeeming the debt incurred on account of deficits, and so on. My Honourable friend Mr. Jamnadas Mehta pointed out the absurdity of trying to redeem the debt incurred for a new capital like Delhi within 15 years. Surely my friend or the Government do not propose to change the capital once in 15 or once in 80 years; but by the way if we are to judge by the soundness of construction of some of the quarters that we are occupying, we might be led to think it might be even necessary to change once in ten years. Anyhow it cannot be seriously suggested that the unproductive debt of our country must be wiped off during the course of 80 years. Again he said that the Government of India have to find very nearly 800 crores of rupees by further borrowings or by reborrowings during the course of the next five years, and that a sinking fund will raise the credit of the Government of India in the money market. I again venture to ask does the Honourable Member seriously mean to suggest that the credit of the Government of India in the financial world is seriously affected at present?

The Honourable Sir Basil Blackett: Yes.

Mr. R. K. Shanmukham Ohetty: I say, Sir, No. I am perfectly confident that when we compare the debt position of almost all the countries of industrial importance in the world, as I started by saying, our debt position is one on which we certainly can congratulate ourselves. The Government of India are supposed to have done very many iniquitous actions; but at least in the matter of the debt management I for one would certainly congratulate the Government of India on the position in which we stand to-day; and if the Honourable the Finance Member is not prepared to take this compliment, I am only very sorry for it. My Honourable friend began to quote the speech of the British Chancellor of the Exchequer in support of his contention that ample provision must be made for a sinking fund every year. Sir, it is one of those comparisons which, if it had come from my Honourable friend Mr. Jamnadas Mehta, the Finance Member would have characterised as obviously misleading.

The Honourable Sir Basil Blackett: Why?

Mr. R. K. Shanmukham Ohetty: I ask him is it not obviously misleading to compare the sinking fund provision of Great Britain with the sinking fund provision of the Government of India?

The Honourable Sir Basil Blackett: Why?

Mr. R. K. Shanmukham Ohetty: For the very good reason that 95 per cent. of the debt of England is unproductive, whereas about 80 per cent. of our debt is productive.

The Honourable Sir Basil Blackett: They have got a sinking fund of 50 millions in consequence.

Mr. R. K. Shanmukham Chetty: Certainly, we shall also have a reasonable sinking fund. This House, Sir, does not want to make a raid upon the sinking fund. In fact we are very anxious, as my Honourable friend Mr. Rangaswami Iyengar said, to provide an ample and adequate sinking fund but we must emphatically protest against the attempted raid upon the revenues of the country which the Honourable the Finance Member is attempting when, as I said, there are a great many claimants on our surpluses. There is the cotton excise, there is the provincial contribution and there is the tax-payer wanting some relief; and, unless and until you have satisfied these claimants amply, you cannot come forward with your pet theories and make a raid upon the revenues of the country.

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

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

Mr. H. G. Cocks (Bombay European): Sir, this debate has been extraordinarily interesting and I think very valuable in several directions. It has certainly been valuable in the figures it has produced from the Honourable the Finance Member. It was also valuable in an important admission from the Honourable Member from Madras to the effect that he and his party will be prepared to consider the budget on its merits this year. That is a most important statement and one for which I was rather surprised the Honourable the Finance Member did not express his appreciation. Perhaps there is one other matter in which the discussion has been valuable, certainly to the Honourable the Finance Member, for he was likened to a Gladstone of finance! Sir, this question is a somewhat difficult one, one perhaps which it would be easier to discuss round a table than across the floor of this House. There are little points which arise which require to be explained. Take the question of New Delhi as a simple proposition. A loan is raised to build New Delhi, and I believe the scheme is that the monies raised should be repaid over a period of 15 years. Incidentally borrowing for New Delhi is described as unproductive debt. Well now the question arises, not only with reference to New Delhi, but with reference to such expenditure generally, whether in this particular case 15 years is a proper period of repayment and whether it is reasonable to burden a so-called sinking fund with annual contributions on a short term basis such as this. Well, one point that we must never forget is, that although we may feel we are being asked to pay too much in connection with New Delhi in repaying from Revenue as much as one-fifteenth of the expenditure annually, at the same time we are benefiting to-day very materially from the expenditure in other directions which past generations have borne for us; and therefore in the long run probably we are very much better off than we should be if there had been an attempt to repay borrowings for the expenditure of the past century over its productive life. That is not the scheme of Government finance. The scheme of Government finance is to wipe loans off and to repay them as soon as possible, parti-

cularly if they are unproductive. That brings me to another question, as to what is really the difference between productive and unproductive expenditure. The line may in certain cases be a very fine one. Take the question of a road and a bridge. It may be said that that is, and it is so ranked I know, unproductive expenditure. But it may be that that road and that bridge bring indirectly a considerable revenue from the land and possibly in other ways. Therefore when we talk of unproductive expenditure we should always remember that it is only unproductive in a sense; it may be productive in another sense. In fact it may be that certain unproductive expenditure so-called is more productive than some so-called productive expenditure. Sir, the question of apportioning the burden between the past and the present generations is a very important one and is one which I am quite sure has been considered by Government in connection with this question. I am very anxious to know what the proposals of Government will be as a result of the debate which took place in another place, for I presume the new proposals for debt redemption will form part of the budget speech; I hope we are going to have this question of debt redemption put on rather a more scientific and definite basis than it has been put in the past. That is obviously a step in the right direction. Now the question of the large re-borrowing which has got to be effected in the next 10 years, to which the Honourable the Finance Member referred, is a very important one, and Mr. Chetty, who preceded me, seemed to think that it would be quite possible to do away with the annual sinking fund provision without affecting our credit. (*Mr. R. K. Shanmukham Chetty*: "Not completely.") Not completely? Well, to some extent, but I for one am absolutely in agreement with the Honourable the Finance Member in maintaining that it is essential that we should keep up to the standard to which we have attained in the past, in connection with the sinking fund provision, that it should not be reduced, and that it should be put on a more scientific and definite basis, and I am quite sure that we shall reap very great benefit from that in the future. It might make a difference of as much as half one per cent. in the re-borrowing we shall have to effect in the next 10 years if we stick to a scientific definite and adequate system of sinking fund. You cannot weigh this as representing so many rupees or so much per cent., but it is a very definite and a very real advantage to a country like India to have a proper system of debt reduction, and I say that it is worth many lakhs and crores of rupees to us in the interest to be paid on loans which we shall have to borrow in the future. (*Mr. A. Rangaswami Iyengar*: "That is what is wanted in the Resolution.") That is quite correct. The Resolution asks for a committee. So far as that is concerned the position I take up is that I personally desire to hear the budget speech in this connection and to know exactly what the provision in the future is going to be. The subject has been raised by a debate in another place and Government have set out to frame a definite scheme, the exact details of which I do not think we have received, and until that is before us I venture to think this question might very well stand over. I do hope that so far as the redemption of debt is concerned which is the most important point raised in this debate—there have been other important points but this I regard as the crucial one—I do hope this debate will have strengthened our determination to stick to a definite system of debt redemption and that nothing will be allowed to interfere with that, either for the sake of the provincial contributions or even for the sake of the Bombay cotton excise duty removal.

Mr. Devaki Prasad Sinha (Chota Nagpur Division: Non-Muhammadan): Sir, we were told this morning by the Honourable Member from Madras who spoke just before the recess that the debt position of this country is not such as to arouse a feeling of nervousness. He compared the debt position of different countries and followed the three principles of comparison laid down in Chapter XXXIV of Mr. Findlay Shirras's new book on Public Finance. He at the end seemed to suggest that the scheme for the redemption or avoidance of debt as promulgated by the Honourable the Finance Member was much too early. Sir, there is very great danger in following any copy-book maxims for comparing the debt position of different countries. There is also a greater danger in comparing the total amount of debt at its nominal value in the markets of the world; because after all when we are considering the debt position of different countries we have also to consider the rates of interest at which loans can be raised by the different countries and also the terms upon which such loans can be obtained. Secondly, we have to consider what proportion of the debt that is required for the country is productive and what proportion is unproductive; and lastly, we have to consider what part of the debt is what is known as external and what part of it is internal. It is no use drawing merely a theoretical comparison between the debt positions of different countries and in the end suggesting that since our country is not on the verge of bankruptcy, that since the financial position of our country is very nearly solvent, there is no necessity for inquiring into the matter or of adumbrating a scheme for debt redemption or avoidance of debt. Sir, the time when it is necessary for a nation to undertake such a scheme is not when it comes to the brink of solvency. That danger has been seen by many countries in Europe to-day. The question of debt redemption or avoidance of debt has to be considered in another light, namely, the burden which the incidence of taxation involved in the repayment of debt is going to fall on the country as a whole. Therefore, Sir, we must dismiss for the moment the idea that since the comparative position of India according to the theories discussed in text-books of public finance is not very unsound, it is premature for us to think of any scheme for debt redemption or for avoidance of debt. There are one or two points to be considered in this connection. Out of a total of 917.53 crores which, we were told by the Finance Member last year in his budget speech, is the total debt of India the amount of internal debt is 860.92 crores while the external debt is 898.12 crores. Sir, if we compare the proportion which the internal debt of this country bears to the entire debt which is a burden upon the country, if we compare the position of India in this respect with that of other countries, we will find that in the whole of the British Empire the proportion of external debt is higher only in the case of New Zealand, and South Africa, and that too for obvious reasons. In other cases, in the case of foreign countries, the United States, France, Italy, Japan and so on, the proportion of external debt is very much lower than what we have in India. Apart from the inconveniences of remittances in connection with a sterling debt and also of the remittance of interest, this large proportion of external debt held by us is, in the words of Sir Basil Blackett himself, "a drain of India's production of goods and services in the future up to the value of the principal together with the future further drain of these goods and services for interest during the interval until the principal is paid for". Sir, we know that the ideal of any system of public borrowing is one in which the difference between the interest-payers and the interest-receivers is reduced to a minimum. We have to consider whether

that is the case here or not. So long as we have this burden of heavy external debt hanging over our heads, we must consider the position of India's indebtedness very seriously. Internal loans, even if they are much larger than what we have at present, do not necessarily mean a reduction in the national welfare of the country. On the other hand, sometimes by a fair distribution of the national wealth it can mean an increase in the national welfare; but wherever we have large external loans, it necessarily connotes a reduction in the total national wealth of a country.

The second reason, Sir, why we must inquire into our indebtedness is that according to the figures as presented by Sir Basil Blackett last year the total amount of our productive debt is 578·39 crores while the total amount of unproductive debt is 228·45 crores. This, Sir, is also a point worth examining. It was in the year 1874 that for the first time a distinction between productive and unproductive debt was introduced into the finances of India. Before that year 1874 out of a total of 117 crores of India's debt only 17 crores were due to what were then known as public works. A change was introduced at the recommendation of a Select Committee of the House of Commons and that recommendation laid down the following proviso :

“ That the debt incurred for productive public works should be kept separate from the permanent or general debt of India, and secondly that all expenditure on the construction of productive public works should be treated as borrowed money, so that instead of borrowing to the full extent of such expenditure, a part of the surplus revenue of the year can be devoted to this purpose, the general debt of India being treated as reduced and the productive public works as increased to such an extent.”

The inevitable result of this method laid down in the Report of the Select Committee was that the surplus revenues of the Government of India were utilised for the purposes of the Public Works Department, with the consequence, as suggested by the Select Committee, that a corresponding reduction was made from the item called “ the ordinary debt of the Government of India.” Simultaneously with that, the productive debt of India went on increasing from year to year for other reasons. The result was that the so-called productive debt of India remained unproductive for a long time, and the total amount which was actually reduced from the ordinary debt of India was a mere fictitious reduction. The relief which was due to the tax-payer on account of the surpluses that accrued to the revenues of the Government of India were most unreal, and that relief which ought to have been given to the tax-payer was instead transferred for the purposes of the Public Works Department. If we examine, Sir, the comparative figures of the productive and unproductive debt of India in the year 1875 and in the year 1898, we find that the total productive debt in the former year was 20·4 crores, while the total ordinary debt was 102 crores. In the year 1898 the total productive debt of India went as high as 169·3 crores, while the total ordinary debt came down to the figure of 68 crores only. The explanation of that is to be found in the principle laid down by the Select Committee in the year 1878. The reduction shown in the ordinary debt of the country was a mere nominal reduction. Therefore, we have to examine also the question how far that portion of the debt of India which is described as productive debt is really productive and what portion of it belongs to the category of debts that can only be called unproductive debt according to all the well-known canons of public finance.

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Then, Sir, there is a third reason why we must inquire into this question. Most of the capital that is borrowed in the shape of sterling loans and capital borrowed in foreign countries is invested in railways and irrigation. That means that our assets in these public utility services which are our great national assets and in the nationalization of which we take such a great pride are assets mortgaged to lenders in a foreign country. I cannot again refrain from quoting Sir Basil Blackett himself when he spoke on the 12th July 1924. This is what he said:

"There is of course always the possibility of resorting to an external loan in London or elsewhere, but if this can be avoided as we have avoided it this year, India clearly gains by being the full owner of the Railways or irrigation works or other works of public utility on which the money has been spent instead of having to some extent as it were to mortgage these undertakings to lenders in London."

Sir, even if we accept the figures as given in the Honourable Sir Basil Blackett's speech last year, we find that we have 228.45 crores of debt that has been described as unproductive. The debts as accounted for by the Honourable the Finance Member himself may be ascribed to the following sources: 98 crores represent the accumulated deficit for five years up to March 1923; 9.85 crores due to the establishment of New Delhi; and 120.16 crores due to the war debts. Sir, these three categories of debts are in every sense a dead weight on the revenues of India, and it is extremely necessary that we should take early steps to get rid of them. We have heard this morning suggestions that the debt due to the establishment of New Delhi should be spread over several generations. We have also heard my Honourable friend, Mr. Cocke's suggestion that this debt is unproductive only in a certain sense and that in another sense it may be said to be productive. Well, Sir, without going into these questions in detail I cannot help feeling that it would be most inequitable if not most injudicious to allow this debt to be spread over any period longer than what would be absolutely necessary. I may quote here the opinion of that great authority on public finance who has been quoted this morning in this debate, namely, Bastable. He says:

"Uneconomic expenditure is primarily to be met out of income and, unless it can be so dealt with, ought not to be incurred."

I may also quote the Honourable Sir Basil Blackett himself when he said what ought to be the procedure with regard to the repayment of debt due to the establishment of New Delhi. This is what he said in a speech in 1923:

"We have spent many crores on unproductive purposes, the expenditure on which is classed as capital expenditure. New Delhi is the most obvious example. I can see no justification other than sheer necessity for not treating this expenditure as chargeable against revenue and in any case it ought to be repaid out of revenue at an early date."

Sir, I place this opinion by the side of the opinion of Mr. Cocke when he said that the debt incurred on account of New Delhi is unproductive only in a sense. For all these reasons it is necessary for us to examine the debt position of this country and that, I suppose, is the only thing that my Honourable friend, Mr. Jamnadas Mehta's Resolution asks for.

But while I do support his proposal for examining the debt position of this country, I am sorry, Sir, I cannot agree with him or with any of the Honourable Members who spoke this morning in condemning the

principles underlying the present policy of establishing a fund for the redemption or avoidance of debt. I believe, Sir, that it is not only the most economic but the most benevolent scheme that has been taken up by the Finance Department of the Government of India during the past few years; and I cannot withhold my meed of praise from the author of this scheme. It has been suggested to us that the only difference which exists between the non-official Members and the official Members on this question is as to the period for which this scheme should be in operation. It has been also suggested that fifteen years is too short a period for the redemption of debts due to the establishment of New Delhi. On the other hand, Sir, I feel that fifteen years should be absolutely the maximum period within which this debt should be repaid. This deadweight certainly should be got rid of as soon as possible and any attempt to prolong this agony would be laying an unjust burden upon the future tax-payers of India. My Honourable friend, Mr. Chetty, said that this scheme differs from the British scheme of establishing a sinking fund for the payment of the unproductive debt of Great Britain. Well, Sir, the British scheme of establishing a sinking fund for the payment of the unproductive debt of England contemplates its repayment in 20 years. Now, may I ask him or any other Honourable Member who supports him, how that differs from the present scheme? Personally speaking, I would have preferred even a shorter period over which the payment of this debt should be spread. This project for the redemption or avoidance of debt is not contrary to the principles of public finance as understood in civilised countries to-day. We know, Sir, that at one time in the history of England grave objections were known to have existed against any proposal for a sinking fund; but the latest authority on this subject, one whose authority has been accepted by most recognised financiers of England, is Professor Hamilton of Aberdeen. In his famous twelve principles which he enunciated for the purpose of redeeming or paying off the unproductive debt of England, he says that "excess of revenue above expenditure is only real sinking fund by which public debt can be discharged." That is the twelfth maxim of Professor Hamilton's twelve maxims. This opinion is also supported by Professor Cannan in his evidence before a Committee that was appointed by the last Chancellor of the British Exchequer for inquiring into the debt position of England. Therefore, Sir, for all these reasons I feel that the scheme which Sir Basil Blackett has placed before this Assembly should not be examined from the point of view merely of sentiment. I strongly believe that that scheme is one of the best schemes that could have been placed before the Assembly. But while I do support that scheme I strongly differ from Sir Basil Blackett in the process by which that fund is sought to be built up. I agree, Sir, that the unproductive debt of any country should be paid off—the sooner the better; but the way in which Sir Basil Blackett seeks to build up that fund is open to very grave objections. I know of one and only one way of building up a fund for the redemption or avoidance of debt and that is by imposing a Debt Redemption Levy. Sir, I know that my proposal for the imposition of a debt redemption levy smacks of all the odium of Capital Levy; but, Sir, so far as I am concerned I am quite clear in my mind that that would be the most equitable and the fairest thing to do in this connection. I do not at this moment, Sir, propose to lay down any definite scheme of capital levy or of debt redemption levy, but I want to point out that the method that has been adopted by the Honourable the Finance Member for building up this debt redemption fund is open to more than one objection. In the first place, it leaves us always in danger of ordinarily budgeting for a surplus revenue, there

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is always a very great temptation of providing for a surplus in order to build up this fund for the avoidance or redemption of debt. Secondly, Sir, it will keep up the level of taxation higher than it ought to be considering the needs of the State, and thirdly, it would not bring that relief to the tax-payer or to the most oppressed section of the tax-payer which it deserves in a situation that will give to the Government of India a surplus in their revenue. Therefore, Sir, I feel that the natural corollary of any proposal for building up a fund for the redemption or avoidance of debt is the imposition of a debt redemption levy on that portion of the population of this country that is most capable of bearing it, and there can be no doubt that that portion of the population can only comprise the broad shoulders of the pampered class of capitalists in India. I therefore hope, Sir, that the Honourable the Finance Member will not stop at only one stage of his scheme, but that he would also take into consideration the very natural consequence of establishing a fund for the redemption or avoidance of debt. I also hope, Sir, that he would not be scared away by the hackneyed objections against the imposition of any such levy, namely, that it would reduce the national wealth of the country by taxing the sources of production. Sir, more important than any addition to the national wealth of India is the problem of a proper distribution of our national wealth. We have the authority of a man like Professor Pignon who thinks that the economic welfare of a country depends as much upon a proper distribution of the national wealth as upon an increase in the national wealth of the country. And, Sir, if that is so, the national wealth of our country depends more on its proper distribution than anywhere else. I therefore support this Resolution.

Sir Purshotamdas Thakurdas (Indian Merchants' Chamber: Indian Commerce): Sir, while there must be very few in this House who can quarrel with the principle which the Honourable the Finance Member had in his mind when he laid down his scheme for reduction of debt, I feel that there must be many in this House who certainly would quarrel with him about the method he has adopted in putting his scheme before the country. To begin with, we are told that in the budget speech of last year, the Honourable the Finance Member indicated that something in this direction was coming. I have got a copy of that speech, Sir, and I have read and re-read paragraphs 35 to 38 of his speech, but I find nothing in it which could give one the impression that the Honourable the Finance Member really meant to tell us that he was thinking of launching something in that direction and would take us by surprise and put before us a clear-cut official press note saying that the Government of India and the Secretary of State had made up their minds that "there shall be charged against the revenues of India in each year Rs. 4 crores," and so on. I would like, Sir, to read only a few lines from his budget speech, and I think that will give the direction in which his thoughts might have been running last year:

"It is not possible in a budget speech to treat the whole subject exhaustively, and I do not pretend that the periods suggested above are the only possible periods or reasonable periods to take."

But what we now find is that exactly what is mentioned in the budget speech is confirmed in the Press Note which is now under discussion before the House.

Diwan Bahadur T. Rangachariar: I do not know, Sir, if the Press Note is for discussion before this House.

Sir Purshotamdas Thakurdas: The Press Note is under reference to this extent that it says that 4 crores a year shall be set aside for reduction or avoidance of debt

The Honourable Sir Basil Blackett: That is the Government of India Resolution.

Sir Purshotamdas Thakurdas: Oh, that is a Resolution. I mistook it for a press communiqué. Well, Sir, what I feel is that if the Honourable Member had in his mind that he gave a sufficient indication at budget time last year that the Government of India were seriously going to decide something between themselves and the Secretary of State and then put it forward as a *fait accompli* and something which could not be got over by this Assembly, then this Assembly has a very sore grievance against him irrespective of the fact that the principle underlying the scheme may be very desirable and cannot be challenged. I also feel, Sir, that the time selected by the Honourable the Finance Member or rather by the Secretary of State and the Government of India for launching this scheme requires very serious consideration. When the Honourable the Finance Member gave a solemn warning to this House not to "raid" the sinking fund, as he called it, may I ask him, Sir, not to raid the limited privileges of this House in matters which affect the very few rights and privileges which it enjoys. If, Sir, this House is to be asked to be a party to taxation it ought to decide what amounts it is bound to set aside before remission of taxation can be made. If, Sir, the Government of India seriously expect us to shoulder the responsibilities of imposing more taxes, we ought also, Sir, in years of prosperity and in years when there may be a surplus, to be able to decide for ourselves,—at any rate the Government are bound to consult us before they earmark certain amounts. And in the present instance 4 crores is not a small amount that the Government of India can set aside with the consent of the Secretary of State alone in a manner that this House cannot have a voice in the matter. I do not know, however, whether this is so or not, but I would like the Honourable the Finance Member to oblige me and to tell me whether this sum of 4 crores of rupees is a votable or non-votable item. I would like the Honourable Member to oblige me by that information if he can

The Honourable Sir Basil Blackett: I have not got the exact position in my mind at the moment. In so far as it represents sinking funds that have to be paid on specific loans, it is certainly non-votable.

Sir Purshotamdas Thakurdas: Could the Honourable the Finance Member tell me the proportion between the two roughly?

The Honourable Sir Basil Blackett: I have not got it in my head, but I know that in any case the greater portion of it is non-votable.

Sir Purshotamdas Thakurdas: Then, Sir, all that I can say is that, if co-operation is required from Members of this House to the fullest extent in this matter, their co-operation ought also to be sought in matters of such importance in which the Honourable the Finance Member is so sure of his case being so good that the House would accept whatever he says as being absolutely unchallengeable. I wish the Government of India had thought it fit to get the consent of this House either by means of the report of a Committee of this House or by any other method that might have appealed to them as being best in the interest of themselves and of

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this House. I am not at all surprised, Sir, at the great insistence both inside this House, at any rate on this side of the House, and in the press that the earmarking of any amount that the Government of India may wish to be done should be done with the consent of the non-official Members of this House. That, Sir, to my mind, is the underlying principle of this whole question. If there is going to be any reduction or avoidance of debt, this House will be wholeheartedly with the Honourable the Finance Member after being convinced of a scheme in that behalf. But, Sir, as a humble Member of this House, I refuse to hand over my powers in connection with this to anybody even with the consent of the Secretary of State unless and until I am convinced beforehand and I am assured that whatever is suggested to be done is not only necessary but is in the best interests of India at this time and for, say, the next two, three or four years.

Now, such discussion and conviction are not things—as my Honourable friend from Bombay, Mr. Coeke, very rightly said when he began—which the Honourable the Finance Member can easily ensure and achieve in this Assembly. These are things which can be done in a most satisfactory manner across the table only in a Committee. Whatever figures the Honourable the Finance Member may be able to give us, does he expect anybody here to grasp those figures and to be able to follow those crores upon crores—sometimes it is given to us in millions also, Sir,—does he expect anybody to follow them and make up his mind? Does not the Honourable the Finance Member think that, if his case is so good, so strong, a committee can only confirm the decision he has come to? I do not think, Sir, that this House is making any extravagant demand, that before the Budget is presented to this House and before this House is asked to agree to the earmarking of certain large amounts, they should be satisfied that those amounts are necessary; secondly, that if this was done a few years later it would do substantial harm to the tax-payers' interests, and thirdly, that the amount named is the minimum that is desirable. Sir, what is the time, what is the period that has been selected for this? We have had a succession of bad years, years of great deficits. Then came one or two years when, with a few sums taken from one fund or the other, funds which are not normally looked upon as revenue earning funds, a few sums taken by book entries, the Honourable the Finance Member was in the first year (1923) able to balance the Budget by getting His Excellency the Governor General to certify the salt tax against the Assembly's vote. Last year he got a windfall, (*The Honourable Sir Basil Blackett*: "The same year") and was able to just balance the budget, with the salt tax just brought back to where it should have been the year before. This year, as Dame Rumour has it, and if one can make some satisfactory inference from figures that are published, there is a likelihood that there will be a little surplus, and as he himself has said several times there are many claimants for this surplus. Just at this period in come the Government with Secretary of State and say we are earmarking four crores for reduction of debt. I ask, Sir, whether it is fair to this House—I ask and I really use the word "fair" in its very literal sense—is it fair to this House to take away such 'a' big slice and say: we have done it in the best interests of you all, you ought to accept it? What is the good of giving a warning to this House in such a

manner in a question where the House's best discretion and judgment ought to be allowed to be used? I therefore feel certain that the Finance Member will do very well indeed if he could ask a few Members of this House in the shape of this Committee indicated by my Honourable friend the Mover of the Resolution and talk the matter across the table with them and convince them that it is very necessary and that the scheme cannot be put off even by one year more.

Sir, we have been told that, if this scheme is accepted, it would add to the credit of India as a borrower. I have no doubt, Sir, that, if every person who trades can pay back all his debts, his credit always improves. The smaller the debt, the better the credit. The question is there is a point up to which alone a person who is trading can repay his debts. Therefore there is also a point up to which India can go as far as improving her credit is concerned. If for four years or almost five years you have gone on piling more and more taxation upon the country, if for five years you have starved the provinces of their provincial contributions and put off other very necessary remissions which are more than overdue, is it not due to India that you should start this scheme at a more convenient time and let the tax-payers' nerves get a bit soothed and let them be a little less highly strung than they are at present? I put it to the Honourable the Finance Member, and I put it in all seriousness to the Government of India, whether, when there are years of plenty, it would not be the correct policy to give back to the tax-payers even a fraction of what you have taken from them in past years. At this very juncture we are asked to earmark such a substantial sum as four crores and if this Government Resolution is to be construed literally, they appear committed to it for the next five years, whether they are years of plenty or not, whether they are years of drought or whether they are years of normal rainfall. I feel very sure, Sir, that these are matters in which the Honourable the Finance Member could have benefited himself a good deal if he had taken the House into his confidence before resolving upon this scheme.

Sir, credit and better credit are all very good, if one can afford them. If the tax-payer of India cannot afford better credit than what he enjoys to-day, is the credit of the tax-payer of India so bad to-day that you must at once launch upon this scheme. I am now putting the case at its worst to the Honourable the Finance Member. Does he find it difficult to borrow money? And if he does, well then there is something wrong somewhere else and it has nothing to do with the starting of the sinking fund all at once.

We are told, Sir, and the Honourable the Finance Member told us, that the Government of India are for new capital expenditure for productive purposes both by the State and by private capitalists. I know that the Railway Department of the Government of India at least do not go in at present for anything except productive expenditure in capital outlay. In fact, some complain that they are taking it a bit too far, but anyway it is not unproductive, and that is all that is pertinent for the discussion to-day. Now, what about the private capitalist and his enterprise in new productive works? Does the Honourable the Finance Member not realise that the taxation and the pitch at which taxation is at present raised is against any new venture by private enterprise in India and to that extent, the first necessity of India is, as far as productive expenditure of private individuals is concerned, the question of reduction

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of taxation, which in some directions is very high and is so high indeed that it gives a set-back to enterprise in these directions. (Mr. Devaki Prasad Sinha: "Certainly not.") I know the Honourable Member's views, he has put them before the Assembly. I think he might allow me to put mine now.

The Honourable the Finance Member compared the unproductive debt of Great Britain and the huge sum that Great Britain has to pay at present in the form of interest on that unproductive debt. Comparing that with the interest charged on the unproductive debt of India, the Honourable the Finance Member very rightly said that India was well off. But, Sir, the comparison was a little incomplete. If only the Honourable the Finance Member could have brought to his mind not only the low tax-paying capacity of India but also, Sir, the great recuperative power of the British tax-payer and the great lack of this recuperative power on the part of the Indian tax-payer, the picture would have been much more complete. It is quite true, Sir, that our national debt and our unproductive capital debt are comparatively bagatelle as compared with those of Great Britain. You have got to compare, Sir, the tax-paying capacity of the people in each and what is more the capacity of the people in each to recuperate both in England and here, the opportunities for it and indeed, Sir, the policy of the Government in each country for this purpose. There is the difference and hence we are very nervous and hence we want our new capital debt to be kept as low as possible.

The Honourable the Finance Member, Sir, finally said that he cannot agree to this Committee at this stage for the simple reason that he and his department are overworked and that he has not the time to consult or visit with a committee until very nearly the period when the Budget is to be presented or for I don't know what period he said. That may be very true. It is usual that the Finance Department and the Honourable the Finance Member are always very busy with the Budget towards the end of February and that the Honourable the Finance Member has a very anxious time of it until the Budget has been piloted through the Assembly. But, Sir, I do not think that my Honourable friend from Bombay gave notice of this Resolution only 4 or 5 or 6 days back. The Resolution must have been given notice of to the Legal Department some weeks back.

Mr. Jamnadas M. Mehta: 2nd January.

Sir Purshotamdas Thakurdas: Is it the fault of the Assembly and indeed is it the fault of Members on this side of the House if the Honourable the Finance Member finds to-day the Resolution as first on the agenda and that it has the support of a substantial part of the House? Are we going, Sir, to accept this reason for no committee of this kind being taken into the confidence of the Honourable the Finance Member and no conviction on our part before we vote out this Rs. 4 crores as sinking fund for this year and indeed for the next five years? I feel, Sir, that we have come now to a point where in every important step that the Government of India may think fit to take, be it in the interests of India and the tax-payer of India, it is absolutely necessary that those who are expected to shoulder the responsibility of further taxation should be consulted before a single pie is either earmarked or set aside from the Budget by His Excellency the Viceroy or by the Secretary of State's order. The whole complaint in this matter is that however good the scheme may be, the House ought to

be satisfied on two scores. The first is that the amount of Rs. 4 crores is necessary or such amount as may be necessary, if a smaller amount is decided upon by the Committee. Secondly, it is necessary this year to set aside this or any sum, and that if a sum is not set aside, the best interests of India would suffer. On both scores, Sir, I am afraid I have to confess I myself am still unconvinced by the speech delivered by the Honourable the Finance Member in this debate that nothing could be done to put this off and to let the tax-payer of India have a little respite from the groaning burdens under which he has been suffering for the last few years. With these words, Sir, I still commend the Resolution to the Honourable the Finance Member's best consideration.

Mr. Jamnadas M. Mehta: Sir, I think on the whole I ought to thank the House for the great interest which they have taken in this important question. I must complain of some whips from my friend Mr. Shanmukhain Chetty, but his whips were more acceptable than the scorpions of my friend there, Mr. Devaki Prasad Sinha. As regards the Finance Member's reply, all that I can say is that it discloses and places beyond doubt that a case for an inquiry exists. We might not agree as to the tendency of our debt position, whether it is in the right direction or in the wrong. We might not agree whether the provision for redemption and reduction of debt is sufficient or unnecessarily high or unnecessarily low. But the debate has unmistakably disclosed the fact that a case for an inquiry does exist and that an inquiry ought to be undertaken. During the luncheon interval, Sir, my Honourable friend Mr. Burdon has provided me with a statement of the value of the assets possessed by the military authorities. We are apt to assume that our military loans or war loans are backed by no assets, but even here, I find from official statements that, exclusive of lands, roads and drains, on which crores must have been spent but which are not taken into account, the military assets to-day are Rs. 87,40 lakhs. So that, what we are likely to regard as a load of debt unrepresented by assets is also worth a great deal in amount; that further suggests that the reconsideration of the Finance Member's scheme is absolutely necessary.

One or two more points the Finance Member tried to make. One was about the credit of the country and the great risk and disaster of our trying to raid the sinking fund. I assure him that there is no intention of raiding any sinking fund. The only intention is to examine whether or not the provision which he has made is extravagant or necessary. That is all. If on examination we are satisfied that the amount is necessary, we will certainly agree. But he has acted in too great a hurry. He has not taken the House and the country into his confidence, and therefore he ought to thank me for having compelled him to-day to come to some understanding with the House on that point. We think this is a matter of very great public importance. The question of the credit of the country suffering has, I think, been sufficiently answered by my friend Sir Purshotamdas Thakurdas. Sir, the credit of the country suffers from other reasons than those referred to by the Finance Member. If you see less of anarchist stunts and less of bomb scares, the people outside India will not be frightened. But these scares and these stunts are raised by the Government themselves. They unduly frighten the foreign investor and they create unnecessary stir in the country. The credit is there. But Government by their own actions are prejudicing it. The credit of the Government and this country will increase if Government refrain from

[Mr. Jannadas M. Mehta.]

such scares and stunts. Lastly, Sir, the difference of opinion between my friend Mr. Shanmukham Chetty and myself is based on whether we regard railway debt as productive or not. He assumes—and I do not know why he does so—he assumes and he repeatedly congratulated the Government on that position—he assumes that the Railways are paying in the face of facts disclosed by the Acworth Committee that the Railways have not paid. If he wants to put his own opinion in the face of the considered judgment of the Acworth Committee, well, I cannot quarrel with him. But the Acworth Committee has clearly shown that the Railways have not paid and they have ended in a dead loss. In future, if they will pay, I will agree with my friend that our railway debt is really productive. But so long as the power to impose unlimited rates and fares is in the hands of the Government, the paying character of these railway lines is a question of taxation. If the Railways become paying by levying unduly heavy rates and fares, it is taxation all the same; you cannot call that productive. Therefore, whatever contradiction my friend Mr. Chetty found in my speech is due to the fact that he regards the Railways as paying. I say that if Railways pay when the rates and fares are excessive, they are an indirect method of taxation and cannot be called paying. If there is a contradiction, I am glad of it rather than like Mr. Chetty being cocksure of facts which are not authoritative. That is all my explanation about the paying character of the Railways. But as there is this difference of opinion, it becomes all the more necessary that we should investigate whether our railway lines are paying or not. If they are paying, well and good. If they are not, then it may be necessary to consider whether we should go on with our borrowing programme of Railways to the risk of even starvation of enterprise of industries in this country, as Sir Purshotamdas Thakurdas said. As regards the British Exchequer, may I tell the Finance Member that while they are reducing their debts they are also reducing taxation. During the last year the Chancellor of the Exchequer has remitted taxation on tea, on sugar, on coffee, on cocoa, on raw chicory, on dried fruit, entertainment tax, profits tax and McKenna duties and a number of other items of other taxation has also been remitted.

The Honourable Sir Basil Blackett: By how much was British taxation increased during the war?

Mr. Jannadas M. Mehta: So also our taxation has been increased during the war I will give the figures:

“The Chancellor estimates that the cost of the reduction in Customs and Excise duties—tea, sugar, coffee, cocoa, dried fruits, table waters, entertainments tax, etc.—and the McKenna duties, will cost £29,800,000 in 1924-25 and £31,943,000 in a full year. On the Corporation Profits Tax, which will cease to apply to profits arising after June 30th next, the loss will be £2,000,000 in the present financial year, and £12,500,000 in a full year, while repeal of the Inhabited House Duty will cost the Exchequer £1,750,000 and £2,000,000, respectively. The motor vehicles licenses concession will involve no sacrifice in the present year, but in a full year the reduction will be £500,000. On telephone rates, which take effect on July 1, the loss will be £500,000 in 1924-25, and £1,000,000 in a full year. The full year's loss on sugar will be £17,880,000, on tea £5,400,000, on table waters £4,000,000 and on manufactured goods (McKenna duties) £2,750,000.”

If you total up all these remissions of taxation in England, you will surely agree that the time has arrived when this country also should have some share in the remission of taxation, instead of going on borrowing at

heavy rates and making provision for debt redemption. If even in England they think of a reduction of debt and remission of taxation at the same time much more is it the case in this country that we should give thought to the remission of taxation; and as there has been no indication of that on the part of the Government, I am justified in bringing forward this motion.

With these few words, I have great pleasure in commending this Resolution once more to the acceptance of the House.

Mr. M. A. Jinnah: *Before the Honourable the Finance Member gets up to reply, I want to have, before I am called upon to vote, a little information from him. So far as this Resolution is worded, it certainly contemplates a much wider inquiry, namely;

"to investigate into the public indebtedness of the country and to report before the next Budget as to the steps to be taken to bring the debt position of the country more in keeping with the capacity of the tax-payer."

And it also desires Government to appoint a Committee. In view of the fact that the Budget will be presented to us very soon, the more immediate question is whether the Government are prepared to consult an informal committee of this House for the purpose of considering the more important and immediate question with regard to the 4 crores sinking fund. If the Government are prepared to accept such a course and to place such information as they can before the committee, I think it might help both sides of the House. (*Diwan Bahadur T. Rangachariar:* "What do you mean by an informal committee?") By an informal committee, I mean that my Honourable friend, Sir Basil Blackett, should, in consultation with one or two on this side of the House, fix upon a certain number of Members of this Assembly who would discuss the question with him informally.

Mr. A. Rangaswami Iyengar: May I know what is to happen to the Resolution?

Mr. M. A. Jinnah: The Resolution will in that case stand over till September next, because the question will not come up again until March and therefore there will be plenty of time between September and March to decide as to what we should do with this question.

The Honourable Sir Basil Blackett: Sir, in view of the suggestion thrown out by Mr. Jinnah I hope I shall be able to curtail my closing speech. There are one or two points, however, which have been raised on which I should like to say a word or two.

The Resolution of the Government of India proposes that the yearly provision for reduction or avoidance of debt during the next five years should be a sum of 4 crores of rupees *plus* one-eighth of any net accretion. That figure of 4 crores was illustrated in my speech of last year as one which we should approximately arrive at if we took the debt and divided it into certain categories and assumed that it was desirable to repay it within the periods suggested by me. But the proposal of the Government of India is not that we should lay down those periods as the periods in which any particular portion of the debt should be repaid. The proposal of the Government of India is that, having regard to all the various considerations in the matter we should instead of in future having a provision for reduction or avoidance of debt which is arrived at purely on the

* Not corrected by the Honourable Member.

[Sir Basil Blackett.]

basis of certain obligatory payments that at present exist—obligatory payments of various kinds including for example the depreciation fund on the 5 per cent. War Loan here, certain discount sinking funds, etc.—instead of taking those obligatory payments and leaving the amount to be provided each year simply to the total that happens to be reached by adding up those obligatory requirements, we should have a figure that had some system in it. The figure is arrived at by a consideration not solely of our unproductive debt but by taking our debt as a whole and there is, I think, one very good reason for that. The Government of India is the sole borrower of the large sum that I mentioned—something like 1,000 crores. It is the sole borrower and its creditors do not hold one 1,000 rupee bond which represents productive debt and another 1,000 rupee bond which represents unproductive debt. They hold the promise of the Government of India to repay them in most cases at a fixed date, to repay them a certain number of rupees at a fixed date and meanwhile to pay them a fixed rate of interest. When that sum matures, the fact that it was borrowed for a productive purpose does not matter to the creditor. He has got to be repaid. Your creditor is entitled to his bond, to his contract, and from that point of view the distinction between productive and unproductive debt is not germane. What is germane is what provision is the Government of India making to keep the total of its liabilities within limits. That is one of the arguments for basing your calculations on the total of your debt and not merely on your unproductive debt. The other point that I made—Mr. Chetty said that I did not answer his point, but I did answer this second one before. I said that the size of the unproductive debt of this country at the present time was such that it would take a period of something like 30 years—something over 30 years is the right figure—on an assumed rate of interest to repay the unproductive debt, so that the amount we have chosen is not a sum which would repay the unproductive debt in an unreasonably short time, and my comparison with the United Kingdom was, as Mr. Devaki Prasad Sinha pointed out, to show that the United Kingdom had a sinking fund in operation to repay the whole of its debt which is all unproductive within about that period. Mr. Jamnadas Mehta has referred us to recent reductions of taxation in the United Kingdom. I wish we were in a position to follow them, but I would point out to Mr. Jamnadas Mehta that the United Kingdom increased her taxation enormously during the war. India did not. It is mainly since the war that India increased her taxation and the total increase of taxation that has taken place in India is much less in proportion to the total increase that has taken place in the United Kingdom in spite of the reductions that have recently been made. If we are making a comparison we have to remember that the reason why the United Kingdom is perhaps almost the first to be in a position to reduce her taxation is because she was the first to increase it and she increased it heavily during the war. However, that is not germane to the point that is under consideration. I pointed out to the House the objections that I felt to the appointment of a formal committee both on the score of time and on the score of what it was to do. I also pointed out to the House that it was most objectionable that it should pass a Resolution at this stage which could not in view of the course which the discussion has taken but be interpreted as a recommendation in favour of a reduction of the provision that is proposed to be made. But as regards an informal committee the position is quite otherwise. I am

always anxious to discuss with Members of this House the financial problems that arise. I have always done my best, I am sure the House will agree with this, to discuss all our financial problems as fully as I can whenever opportunity arises and I share Mr. Jamnadas Mehta's thankfulness that this opportunity has arisen, because I have been able to put before the House and the country some considerations in regard to our whole debt position which it might otherwise have been difficult to find an opportunity to do. If it is so desired I should be extremely glad to meet some Members of this House informally during the course of the next ten days. I am not quite sure whether it will be before the budget speech actually takes place but before the discussion takes place I should be very glad to meet a certain number of Members of this House, give them all the facts and figures that are at my disposal and show them the reasons which have led the Government of India to take the course they have taken. I shall be quite prepared to meet such an informal committee and fall in with the suggestion of Mr. Jinnah, if the House chooses not to press this motion at the present time. If the discussion is now adjourned till September the Government will not oppose a motion for adjournment.

Diwan Bahadur T. Rangachariar (Madras City: Non-Muhammadan Urban): I should like to point out that there is a Standing Finance Committee which is familiar with the finances of the country. The more proper course would be for the Finance Member to consult the Standing Finance Committee. (*Voices: "No."*) My Honourable friends say "No" and then complain that this is a title which the Government bestow. I heard my Honourable friend Mr. Neogy complain, when we were talking about panels and selections out of panels, that this was another method of bestowing titles. I for my part should not encourage these informal committees.

Mr. M. A. Jinnah: After hearing the statement of the Honourable the Finance Member that he is willing in consultation with some of us on this side to agree to certain Members who should informally meet him and discuss these questions, I formally move an adjournment of the debate until the September session. I hope the House will accept that. It may be the September or the Simla session whenever it may be. I would say the next session.

Mr. Jamnadas M. Mehta: After what we have discussed, I think I had better accept Mr. Jinnah's suggestion. I do not think it is at all satisfactory but it is the best in the circumstances. The consultation in the informal committee will also give us some greater insight into the case of the Finance Member.

Mr. M. A. Jinnah: I am sure that Mr. Jamnadas Mehta will be one of the Committee. We cannot do without him.

Mr. Jamnadas M. Mehta: That was not the consideration. I at least assume that I will be one. It will give us—I was saying—an insight into the matter. I therefore have great pleasure in accepting Mr. Jinnah's suggestion.

Mr. President: The question is that this debate be adjourned.

The motion was adopted.

RESOLUTION RE ESTABLISHMENT OF A SUPREME COURT IN INDIA.

Mr. President: Maulvi Badi-uz-Zaman.

Sir Hari Singh Gour (Central Provinces Hindi Divisions: Non-Muhammadan): Sir, I have his permission to move his Resolution. I beg to move:

"This Assembly recommends to the Governor General in Council to take early steps to bring into existence a Supreme Court in India for (*inter alia*) the disposal of civil suits now disposed of by the Judicial Committee of the Privy Council, and for the disposal of appeals in serious criminal cases."

The history of my Resolution for the establishment of a Supreme Court for India is as follows:

On the 26th March, 1921, I moved a Resolution in the Assembly for the establishment of the Supreme Court in India. Dr. Sir Tej Bahadur Sapru was then the Law Member and he on behalf of the Government moved an amendment to my Resolution to the effect that the Government would elicit public opinion on the desirability of a Supreme Court in India. This amendment was unanimously agreed to. The Government circularised the Provinces and opinions were collected. On the 23rd September, 1922, I renewed my Resolution in the Assembly whereupon Sir William Vincent, the Home Member, announced that the Government had come to no decision and wanted time as the opinions had been received rather late and were under examination by Government. I then wanted to withdraw my motion, but on technical grounds this was not permitted, and my motion was rejected. On the 5th February, 1924, I interpellated the Government upon their decision on the subject, whereupon Sir Malcolm Hailey gave a reply to the effect that the Government did not consider the time opportune for moving in the matter, and intimated three grounds in support of the Government's position—

1. That there was no identity of opinion.
2. That there would be difficulty in securing proper personnel.
3. The question of finance.

The necessity for the establishment of a Supreme Court for India was strongly pressed upon the Government by Mr. Eardley Norton who heartily welcomed the proposal for the improvement of our Judicial system and disposed of two of the three objections raised by Government in the following words:

"I wish, Sir, to say just a few words in regard to this motion. For my part I welcome it, and I welcome it because I look upon it as a further manifestation of the assertion of that nationalism which it was the object of these reforms to foster and to encourage. There are many objects which have been removed by legislation from our control, upon which an embargo has been placed, such, for instance, as the ecclesiastical, the military and the political departments. They are at present outside our jurisdiction, though I hope that in the years to come my Honourable colleagues in this House will lay their profane hands as well upon those sacred arks. But, at present, the motion with regard to the supreme court deals with a subject over which we have particular jurisdiction, namely, over law and legal tribunals, and I think, that it would be idle to assert that if this country is in time to clothe itself with the full powers, privileges and responsibilities of a country entitled to self-government, it would be idle, I say, to assert that it shall not possess the right to have its own Supreme Court or final Court of both civil and criminal appeal established in India. That there is plenty of legal intelligence in this country; both Indian and English, of that I am satisfied. More than once the Privy Council have openly

complimented the Indian Judges in this country, from the time of the late Mr. Justice-Mahmood of Allahabad down to recent days upon the possession of legal and judicial intelligence not inferior to their own. And I have no doubt whatever, that if and when this Supreme Court comes into existence, we shall find plenty of indigent, English and Indian, to discharge with intellectual credit the grave and varied functions of an accomplished Court of final jurisdiction. Some of us, I admit, have at times felt some little doubt as to whether, if this court were to be manned by a purely Indian element, it could own that complete power of self-detachment and impartiality and inamenable to collateral and outside influences which almost invariably exist at Home. I am one of those, however, who believe that if these qualities do not exist here at present—(a question which I do not wish to enter into now)—I am one of those who believe that these indispensable virtues will also be acquired in the fullness of time, that Indians in this country will find themselves hardening into the same standard of morality as exists elsewhere and be as immune from accessibility and extraneous considerations and influences as we claim ourselves to be. Of that I have little doubt. They only want time. They want a more comprehensive, a more courteous, a more friendly and trustful treatment by Englishmen to make them feel that the absence of moral backbone is not an inherent and lasting disqualification to their fitness for the highest office. If they do not possess this particular class of virtue, there is no reason to suppose that they will not acquire it at a further stage of their political education. I think they will."

The establishment of a Supreme Court in India became necessary immediately after the grant of a constitution of a Federal nature. The provinces were given some measure of autonomy, but the several questions arising out of the constitution were left to be determined by the Executive Government. It is a well known fact that wherever a Federal government is established, there must be a Supreme Court to decide the questions arising between the provinces and the Central Government on the one hand, and the Central Government and the Legislature on the other. Such is the case in the United States of America, where there is a Federal system, and Supreme Courts exist in all the three major colonies of England,—Canada, Australia and South Africa. In his book on "Modern Democracies", Lord Bryce, writing from personal knowledge, says that these courts had done extremely well, though their personnel is entirely local. They command the confidence of the people, are near at hand, and uphold and interpret the constitution whenever necessary.

In India numerous questions have arisen under the present constitution which have been disposed of by the Executive Government: Such questions for example—What are the provincial subjects; what subjects are transferred and what subjects are reserved; the relation between the two; what subjects are votable and what subjects are not; when is the Governor's power necessary to veto the Legislature; what is the interpretation of the various sections of the Government of India Act; what power has the Assembly over the Military budget, and numerous other questions have been disposed of by the Executive Government much to the dissatisfaction of the Legislature. It is inconceivable that any constitution of a Federal character should exist without a Central Judicial authority to uphold and interpret it. There is no Supreme Court in England for the simple reason that that power is vested in Parliament, and England does not enjoy the Federal form of Government. If this were the sole ground for the establishment of a Supreme Court it would be sufficient, but there are several other grounds which support the same view.

The law of Criminal appeal in India is very unsatisfactory. Cases of death sentences are subject to confirmation by the High Court. A compulsory appeal may be made to the confirming bench but there is no appeal after confirmation, the position being that after the sentence is confirmed and becomes final, the accused has no right of appeal to an independent tribunal.

Mr. Devaki Prasad Sinha (Chota Nagpur Division: Non-Muhammadan): I rise to a point of order, Sir. May I draw your attention to Standing Order 27, if I remember aright, which says that a Member who is called by the President should rise from his seat and *speak*. Am I to take it that that includes the practice of reading out a written speech which is very disagreeable particularly in the case of an eloquent Member like Dr. Gour?

Mr. President: The word "speak" in the Standing Order must be held to cover all forms of utterance.

Sir Hari Singh Gour: In England the Court of Criminal appeal has been established to deal with all cases decided by the High Court. It is merely a historical accident that in England as well as in India property was regarded as more valuable than person, and while every safeguard was made against the violation of the right of property there was no protection to personal rights. A sheep stealer was hanged but a murderer was let off with a fine. It is only in recent years that England has awakened up to the necessity of protecting individual liberty, and the result has been the establishment of a court of appeal in Criminal cases. In India Criminal justice is still in a state of mediæval anachronism. Property cases are subject to two and at times three appeals, but the most serious of crimes is not subject to any real appeal at all, excepting the compulsory appeal to which I have adverted, and which is merely an appeal against the recommendation, and not an appeal against the final judgment of the sentencing Court. The Privy Council have in a series of cases refused to exercise their appellate jurisdiction in criminal cases. They have in fact clearly stated in the case of Dal Singh (44, Cal. 876), as follows:

"It is well established that the unwritten principles of the constitution of the Empire restrain the Judicial Committee from being used in general as a court of review in criminal cases: But while the Sovereign Council does not interfere merely on the question whether the court below has come to a proper conclusion as to the guilt or innocence, such interference ought to take place where there has been a disregard or violation of the principle in such a fashion that it amounts to a denial of justice."

In civil cases of the value of Rs. 10,000 and above there is an appeal to the Privy Council if the judgments of the two courts are not concurrent. In other cases of the same value there must be a substantial question of law, which the Privy Council have interpreted to mean, some question of law as still unsettled. This already narrow door of appeal to the Privy Council has further been narrowed by their dictum that where the issues are simple they would ordinarily accept the finding of fact of the trial judge, who has heard the evidence. The unsatisfactory disposal of civil cases, in recent years, particularly cases involving decisions on Hindu and Muhammadan Law, will readily occur to any one. The Privy Council decided Sahu Ram's case in 1917. For seven years they went on repeating their view. A Bill had to be introduced to correct them. Only recently the Privy Council convened a full court of 8 judges and over-ruled their decision in Sahu Ram's case. But in over-ruling it they went too far the other way, and described the son as reversioner to his father. Regarding the law of impartibility, the Privy Council have been speaking with no certain voice. Their view on the subject of Mortgage debt and the meaning of attestation has not given satisfaction. The fact is that in recent years the decision of their Lordships of the Privy Council have not commanded universal and unqualified confidence. Both Lords Birkenhead

and Haldane are reported to have publicly admitted that the Privy Council might usefully be reinforced by trained jurists. Lord Haldane is said to have even gone further and stated that a local Privy Council is ultimately the only possible solution to the Privy Council in England.

That this is the only solution would become apparent to any one who considers the high cost, inconvenience and delay. The Privy Council is not a court. It is merely an advisory body sitting six thousand miles away. In my speech in the Legislative Assembly on the first occasion I have set out in detail the history of the Privy Council.

Briefly stated its history is as follows—The Privy Council originated with the desire of the King to consult somebody before deciding the cases arising in the Dominions which had no courts of their own. It was admittedly a stop-gap arrangement the object of the Parliament being that as soon as the Dominions grew in importance they must have a court of their own. In pursuance of this policy an Act was passed in 1876 establishing a Supreme Court for Canada which was constituted in 1875. By the Commonwealth Act of Australia, 1900, a similar court was established in Australia. In both countries the Court of final appeal has supreme authority in all civil cases. But the Provincial or Federal Courts have the option either of appealing to the Supreme Courts which sit in the colonies, or of appealing direct to the Privy Council. On January 15, 1924, the Hon'ble Mr. R. Lemieux, the Speaker of the Canadian House of Commons, referred to the agitation among members for the abolition of appeals to the Privy Council. He said that the time had come when the appeal to the Privy Council should be wholly stopped. This shows how the Supreme Court of Canada has functioned, and how popular it has become in the estimation of the people. Appeals from Australia to the Privy Council are of rare occurrence; while in South Africa the Supreme Court gives no option to appeal to the Privy Council at all. It will be thus seen that all the important Dominions of the Empire have self-contained courts for the disposal of their cases.

In India a large body of opinion favours the same course. The Madras Government and 5 out of 7 judges of the Madras High Court have supported this scheme for the establishment of a Supreme Court in India. The United Provinces, the Punjab, the Central Provinces, the North-West Frontier Province, and the Province of Coorg are all in favour of such a court. The High Court of Bihar and Orissa supports the establishment of a Supreme Court. In Bengal, while the Government of His Excellency Lord Ronaldshay was against the establishment of a Supreme Court in India, a member of his Executive Council, Sir Abdur Rahim, in charge of law and justice, recorded a minute strongly supporting it. In Bombay the High Court is non-committal and leaves the question to the decision of the Assembly. It will be thus seen that a very large body of official opinion is in favour of such a court.

The Karachi Chamber of Commerce, an influential body representing European opinion, has supported the proposal to establish the Supreme Court in India. (See pages 32 and 33 of the Compilation.) The Karachi Chamber of Commerce says that "the present method of appeal to the Privy Council involves long delays and heavy expenses. The suggested Ultimate Court of appeal in India would be in a better position to deal with cases which are affected by the personal law of Indians and not in any inferior position to deal with cases of a general nature. Making India self-contained in its judicial institutions, the court would give great sentimental satisfaction, as also material benefit to the Indian people." This

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statement admirably sums up the case of India for the establishment of the Supreme Court here. The Chamber of Commerce, Bombay, have also supported the establishment of a Supreme Court for India. (See page 81 of the Compilation.) The Marwari Association of Calcutta, an influential body, strongly support the proposal to establish a Supreme Court in India. (See page 55 of the Compilation.) The British Indian Association similarly support the proposal. The incorporated Law Society of Calcutta support it.

Mr. S. C. Ghose (Bengal: Landholders): Does it? I deny it.

Sir Hari Singh Gour: I have got the compilation here. You can verify it. My statement is absolutely correct.

It will be thus seen that several representative commercial and other institutions consulted on the subject support the proposal.

It would be impossible to obtain consensus of opinions in favour of the proposal. The Calcutta High Court are against it. Amongst the Governors Sir Reginald Craddock probably voiced the feeling of others as well as himself when he opposes the establishment of a Supreme Court on the ground that it is undesirable to sever or even temper "with a link which connects the Indian Empire with London and England, and which has a peculiar value as a bond between the various self-governing Dominions and the Crown." (See page 127 of the Compilation.) But Sir Reginald Craddock probably forgets that the Privy Council is no bond between the various self-governing Dominions and the Crown at all, because each major self-governing Dominion has a Supreme Court of its own.

I now turn to the three objections which Sir Malcolm Hailey raised against the establishment of such a court. As to the identity of opinion I do not think consensus possible. The identity of opinion to which Sir Malcolm Hailey alluded, of course, postulates the unanimity of opinion, which cannot be attained in any case. For example, some Governments have turned down the proposal on the ground that England is the nerve centre of the Empire, and that it should not be disturbed by making India independent of England in judicial matters. The Bar Libraries all over India generally support this proposal. Those who do not, lack self-reliance in that they doubt whether they would be able to obtain suitable judges. But this objection might be raised even if the Supreme Court were established 100 years hence. As Mr. Eardley Norton has pointed out, we must make a beginning. Without a beginning, Indians will never feel self-reliant. Here again, those who swear by the Privy Council might be left free to appeal to that body as is permissible under the constitution of both Canada and Australia, but here as there such appeals are bound to become rarer every year.

As to the question of personnel, Mr. Eardley Norton has disposed of the point in his speech from which I have quoted above. I may add that India will never get such independent judges as is desired nor improve its judiciary unless it has a Supreme Court of its own. Responsibility will harden character. Without responsibility the Indian judges will always feel diffident. Those who think that we should take no risk can overcome this difficulty by advocating the appointment of two English judges on the Supreme Court. The question is one of detail. It does not affect the principle.

Regarding cost, the utmost that the Supreme Court will cost will be about six lakhs of rupees per annum. This is a very small bite if regard be had to the immense advantages to the country, the saving that would be effected in the cost, the improvement made in the administration of speedy justice all of which are well worth the cost of money that would be spent upon it. India would feel that she had risen to her political manhood in having at least one institution that is self-contained and not dependent upon another country. The self-respect of India demands the establishment of such a court. With the establishment of the Supreme Court, *Swaraj* would come nearer; without it, *Swaraj* would be an illusion.

There are again those who oppose it upon other grounds—But they are either afraid of a change or fear that a local Court might not come up to the standard of the Privy Council. Their opposition is thus based upon a mere apprehension, but in view of this strong expression of opinion from the Judges, the Governors of Provinces, and the commercial community both European and Indian, I cannot imagine how the Government can any longer resist the proposal to establish a Supreme Court in India.

Colonel Sir Henry Stanyon (United Provinces: European): Sir, I appreciate and sympathise with the hopes and ideals which have animated the proposal for the establishment of a Supreme Court in India. I have listened with interest to the arguments advanced in support of that proposal, and I am glad to find that it has been moved to-day by the original father of it. But I feel compelled to oppose the Resolution, chiefly on the ground that it is premature. In the present condition of this country the creation and maintenance of an all-India Court, if within the range of practical politics at all, is a course beset with difficulties, and would result in disadvantages which would far outweigh the benefits claimed for it. At present the final judicial authority in British India, as in all dependencies of the Crown, is vested in the Sovereign in Council. Appeals to the Sovereign from parts beyond the seas have been made since the time of King Henry VIII, and are justifiable by virtue of the fundamental principle that it is the duty of the Crown to see justice administered to its subjects. The jurisdiction is founded essentially on prerogative. The right of the subject to claim relief under it may be restricted in self-governing Colonies by express provisions embodied in Colonial Statutes, but the power of the Crown to exercise the prerogative cannot be impaired thereby. The prerogative is not limited to the functions of a court of justice but partakes also of an administrative and executive character. Under the Judicial

Committee Act, 1833 (3 & 4 Will. IV, c. 41), an appeal lies ^{4 P.M.} to His Majesty in Council from the Courts of Judicature in all and any of the dominions of His Majesty abroad. Since the enactment of this Statute this final judicial authority has been exercised through the Judicial Committee of the Privy Council, subject to rules of practice by which effect is ordinarily, but not universally, given to the law of procedure governing the court appealed from. In special cases the limitations upon the right of appeal imposed by local enactments are disregarded and special leave to appeal is given.

By the Judicial Committee Act, 1844 (7 & 8 Vict., c. 69), appeals in civil cases may be brought to His Majesty in Council from any court in any colony or possession abroad, ordinarily subject to the rules of the court appealed from. But where the leave of the court below cannot be, or has not been, obtained, from any cause, His Majesty in Council can give special leave to appeal. Crimes by their nature being local, the jurisdiction over a crime ordinarily belongs to the country where the crime is

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committed. Nevertheless even in criminal cases the prerogative of the Crown stands unimpaired, and the Privy Council gives leave to appeal and advises the Sovereign in proper cases as they occur. If the learned Mover is, as from the wording of the Resolution and from some of the remarks made by him in his arguments seems to be the case, under the impression that appeals to the Privy Council can be put an end to by the establishment of a Supreme Court in India, I think he is mistaken. We have Supreme Courts of the kind referred to in all the greater self-governing Colonies of the British Empire; but the jurisdiction of the Crown to which I have referred subsists. In Canada there is such a Supreme Court, having appellate jurisdiction over all other courts in the Dominion. By the Revised Statutes of Canada, 1906, the judgments of this Court are declared to be final and conclusive. Nevertheless, the Canadian litigant may elect to appeal to His Majesty in Council instead of to the Supreme Court; and in proper cases the Privy Council can and does entertain appeals from the Supreme Court itself. In Australia, as Sir Hari Singh Gour has pointed out, there is a High Court with appellate jurisdiction over every other court and judicial authority in the Commonwealth; and by the Commonwealth of Australia Constitution Act (68 & 64 Vict., c. 12), the judgments of this Court are declared to be final and conclusive. Yet an appeal to His Majesty in Council remains, either under a certificate of propriety granted by the High Court itself, or under special leave to appeal obtained from the Privy Council by virtue of the prerogative of the Crown. Moreover the litigant may give the go-by to the Australian High Court and appeal direct to His Majesty in Council from any State Court.

In Queensland, by the Judiciary Act, 1903, there is a Supreme Court with final powers; but His Majesty's prerogative remains unaffected. In South Africa under the South Africa Act, 1909 (9 Edw. VII, c. 9), there is a Supreme Court; but the position as to appeals to His Majesty in Council is much the same as in Canada and Australia.

But Colonial Supreme Courts have so far only been created in those parts of the Empire where responsible self-government has previously been established. As far as I have been able to discover, there is no instance of such a court in any Crown Colony or dependency. From a strictly constitutional point of view, at all events until the Reforms came into operation, India was much in the same position as a Crown Colony. It is now in a state of transition; but what exactly it will become no man can safely predict. Our hope is that it may evolve into either a single self-governing dominion or into a Commonwealth of self-governing states in federation within the British Empire. In any case it has not yet obtained full responsible government, and until that stage is reached the creation of a Supreme all-India Court would be premature, even supposing it could be effected.

Let me now consider briefly some of the difficulties which stand in the way of setting up such a Court. We can only secure it by an Act of Parliament. It seems hopeless to expect that in the present transitional stage of the constitution in India any British Government would undertake or Parliament would pass the necessary legislation. Assuming that this difficulty was overcome, and the provisions of the Code of Civil Procedure, 1908, as to appeals to His Majesty in Council were wholly repealed, the Letters Patent of the six chartered High Courts would remain. Appeals, at least from those Courts, direct to His Majesty in Council would continue, and the Supreme Court would be merely an alternative

appellate tribunal, the judgments of which would still be subject to appellate correction by His Majesty in Council. It is not conceivable that the Indian provinces concerned would ever consent, or be compelled, to submit to a cancellation of the Letters Patent of their High Courts concerning appeals to the Sovereign.

Then there are disadvantages of a serious kind attendant upon any immediate establishment of a Supreme Court, and I hope the House will bear with me a little longer while I try to enumerate some of them.

First, the cost. The establishment and maintenance of an all-India court would involve a heavy initial outlay and a large recurring maintenance charge. The court would have to be housed with adequate regard for its status and dignity, which means the sinking of considerable sums of money in building and equipment. The Judges would have to be highly paid; the ministerial staff would necessarily be large and the maintenance of the Court library and other equipment would be expensive.

Then location. Where would you put such a court to make it equally accessible to all the provinces, and secure for it a climate in which the necessarily elderly gentlemen presiding as Judges could work all the year round? My friend, Sir Hari Singh Gour, and perhaps others, will naturally say, "Delhi". But a little consideration will show that there are many objections to Delhi which at present is Imperial only for some five months in the year.

Then the third difficulty is a very important one and that is the *personnel* of the Judges. The selection and appointment of the Judges would be an extremely delicate and difficult business; men would have to be found who, not only in fact but also in the opinion of the public, were competent to sit in judgment over the decisions of the provincial High Courts. If wholly recruited in India, would their *dicta* be better, or command higher respect, than those of any of the existing chartered High Courts? We have no all-India lawyers available. On the Indian Benches and at the Indian Bars we have men of provincial experience only. Would the decision of, say, a Bengal *ex-Judge* or a Madras lawyer of eminence, presiding in our Supreme Court, be any better, or be accepted as any better (which is more to the point), than the decision of a Bombay High Court on a case demanding the interpretation of the *Mayukha*, or a judgment of the Punjab High Court on a case of pre-emption in accordance with Punjab custom? It must be remembered that the most eminent and successful lawyers at the provincial Bars are not likely to be attracted to the Supreme Court Bench by any emoluments which the tax-payer in India could afford to pay.

Recruitment in England or elsewhere for the Judges of the suggested Supreme Court is not worth consideration. We should certainly insist on the employment of indigenous talent.

Then, Sir, another point occurs to me, and that is the prestige of the provincial High Courts. I think it will generally be admitted that the prestige of the provincial High Courts at the present time is a necessary and valuable public asset. To make such Courts subordinate to an Indian Supreme Court would, I think, inevitably and materially lower that prestige, which in its turn would seriously affect the recruitment of Judges in those Courts with catastrophic results. At present our provincial High Courts are subordinate only to His Majesty in Council, and that is a status to which the people of each province attach considerable value and which they would not willingly surrender to any extra-provincial authority. I am confident, for instance, that the people of Bengal or

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Bombay or of Madras would strongly resent the subordination of their High Courts to any conglomeration of Judges, sitting as a newly created tribunal, in Delhi. Such a tribunal would no doubt find favour in the eyes of the Delhi Bar, and those members of the legal fraternity still practising, whom Sessions of the Legislature or other causes might compel to live in Delhi from time to time. But I believe that a vast majority of the people of each province—especially each province having a Chartered High Court—would not welcome the proposed Supreme Court.

Commercial objections.—I have some reason for the view that, at all events, some commercial bodies in the large towns of India and Burma would raise serious objections to the establishment of the proposed Supreme Court. No analogy can be drawn in this matter from Colonies like Canada and Australia where no racial differences exist and the people concerned are English, and the language and personal law are also English. For 60 or 70 years the decisions of the Privy Council on the Law Merchant have commanded the respect and have guided most of the tribunals of the world. The Privy Council does not need support from my poor voice. I will only say that no local Supreme Court could ever carry the same weight. Moreover, such a Court might interpret a common form of contract, e.g., a bill of lading, in a manner materially different from an interpretation in England or elsewhere. In the United States of America they have an enactment called the "Harter" Act, which prohibits a common carrier from contracting out of negligence. Recently a suggestion has been made to introduce such an Act into the British Empire. The interpretation of such a law, if passed, would rest with the courts. If the interpretation in Delhi differed from that in London, great confusion would arise. It might lead to a shipping company being liable in London and not liable in India for the same negligence on the same journey proceeding between India and England. (*Pandit Shamlal Nehru*: "Won't it be *vice versa*.") The same difference might arise in the interpretation of a number of mercantile usages which, so far, have been interpreted in India on English lines.

Then, Sir, something has been said about delay and cost to litigants. I think the argument that appeals to a Supreme Court in India would be more quickly and cheaply decided than are appeals to His Majesty in Council is a contention open to controversy. If we were to compare the relevant statistics, I believe we should find that, in point of time, the average duration of appeals to the Privy Council does not compare unfavourably with the average duration of appeals to the Indian High Courts.

As to expense, it is certain that provincial advocates would be taken to conclude the struggle in the Supreme Court in all important cases, and that legal advice would not cost less, and might cost much more, than the amount for which quite efficient counsel are obtainable in England. In other respects as to costs, the Indian Court, with substantial court-fees thrown in, would certainly not be cheaper.

There are also other grounds against the Resolution, but I must not take up the time of the House any longer. I would however strongly recommend the adjournment of the proposal for an all-India Court, at all events until we have obtained full responsible Government. As a Member of the Indian Bar Committee, I learned the many difficulties standing against the achievement of an all-India Bar at the present time, and it seems to me that most of these operate against the establishment of an all-India Court. Such a Court will come one day when the constitutional evolution

now in progress has matured, but the time for it is not yet. At the present time, it would be an expensive institution, causing considerable derangement in our existing system with no compensatory advantages to the general public.

Khan Bahadur Sarfaraz Hussain Khan (Patna and Chota Nagpur *cum* Orissa: Muhammadan): Sir, after the eloquent speech delivered by my Honourable friend Sir Hari Singh Gour in support of the establishment of a Supreme Court for India, there remains very little for me to say, and I do not think any comment or explanation is needed from me to further support the proposition. I have, however, my own misgivings and apprehensions. There is not the least doubt that, if a Supreme Court were established in this country the litigant public would be saved from a great deal of expense which they are now put to by having to go to the Privy Council in appeals from the High Courts here, and so if a Supreme Court were established here, the litigant public will not be put to such an enormous expense. At the same time, we have to take into consideration the fact that if we multiply courts and establish a Supreme Court in India, we shall be placing a temptation before the litigant public to go on fighting from court to court; and litigation, it must be clearly understood, has been the cause of ruination of many great families. This is also one of the points to be considered.

Again, Sir, as far as I remember, a Resolution was passed in this House for the establishment of Panchayats, and if we accept this Resolution for the establishment of a Supreme Court in India, it will be tantamount in a way to the negation of that recommendation.

Then, Sir, as referred to by Sir Henry Stanyon, we must look into the question of expense and personnel. Whether the Judges are to be imported from England or whether we should employ indigenous talent is also a question for our serious consideration.

Then again, a Supreme Court cannot be established except by an Act of Parliament. But in the present political condition of India, it is not at all possible that such an Act would be passed. Therefore, even if we pass this Resolution now, it would be impracticable to give effect to it.

Then I come to some of the reports. I have gone through some of them very cursorily. Looking at the Bengal Government report, I find the Bengal Government say that a majority, including the High Court, are against the proposal, and that His Excellency accepts the opinion of the majority. I will just read what the Bengal Government says:

"The opinions received may be roughly divided into two classes. One class, which forms the majority, including the Honourable Judges of the High Court, hold that it is neither desirable nor necessary to establish such a Court."

And the Calcutta High Court, Sir, has the highest reputation in India. (Mr Devaki Prasad Sinha: "And the Patna High Court?") Whatever it is it is—don't be so selfish. Then I come to my own province, Bihar and Orissa. There is no doubt that the High Court is in favour of the establishment of a Supreme Court in India, but the High Court Vakils' Association is against it, and opposes the proposal. Now, the vakils are the men who have in some ways more experience of the people than the High Court Judges and so in this matter we should attach more importance to the opinion of the Vakils' Association than to that of the High Court Judges. Well, however, the report further says:

"His Excellency considers the proposal premature."

[Khan Bahadur Sarfaraz Hussain Khan.]

I have also looked into other reports but very cursorily. The United Provinces Government says something in favour of the proposal but the High Court think that the change would be one for the worse. There is no doubt that the opinions are divided, but taking into consideration not only the opinions of the High Courts but of the general public, and of the zamindars, and considering also as to what the effect of the change would be on the general public, specially when the people are satisfied with the judgments of the High Courts and there is no clamour, there seems to be no reason why we should be attempting to legislate for a Supreme Court in India. With these remarks, I oppose the Resolution.

Mr. President: Does the Honourable Member move his amendment?

Khan Bahadur Sarfaraz Hussain Khan: No, Sir, I don't move it.

Maulvi Muhammad Yakub (Rohilkhand and Kumaon Divisions: Muhammadan Rural): Sir, I also regret that I find myself unable to support the pet Resolution of the Honourable Sir Hari Singh Gour. Sir, it is very well to say that India should be self-contained, it is very well to say that we should not be compelled to travel a distance of 6,000 miles in order to gain justice, but, Sir, these are all mere sentimental arguments which carry no weight in the practical life of the world. Sir, the idea of the word "self-contained", so far as I think, is that a country should be able to produce the necessities of life of the country, but certainly luxury in litigation is not a necessity for the life of the country. My reasons for opposing this Resolution are, as has already been pointed out, firstly, that it will increase the mania of litigation which is already sucking the life-blood of the people of this country. We, who belong to the profession of law, know it very well that even now every appeal, whether strong or weak, which can go up to the High Court is taken to the High Court; and if a Supreme Court is established in India, I am positive that all the cases, howsoever weak they may be, if they are eligible to be taken to the Supreme Court will be filed in that Court and in this way the malady of litigation will increase out of all proportions. Secondly, Sir, comes the question of expenditure. Well, it has already been pointed out that this scheme would involve a very large amount of expenditure. But there is one thing more and it is this, that it is impossible in India to secure the services of eminent Judges like the Judges of the Judicial Committees of the Privy Council on the insignificant honoraria which they get in England. In India you would have to pay them a salary larger than the salary which the Judges of the High Court in India draw nowadays and in the present financial condition of the country, it will not be certainly patriotic to saddle the country with such an enormous expenditure. Thirdly, Sir, I also think that the judiciary of the country will also suffer in independence on account of the establishment of a Supreme Court in India, for this reason that almost all the Judges of the High Courts in India will then aspire to a seat on the Bench of the Supreme Court and it is very likely that in order to gain that ambition of theirs they may be inclined to work in such a way as they may be able to win the favour of the authorities in whose power lies the bestowing of that post of honour. In that way I think, Sir, the judiciary of the country will also be impaired. Then, Sir, last of all, I think that it is impossible in India for any Judge, whether Indian or English, to get that healthy and that free atmosphere which prevails in

England and for a Supreme Court of Justice it is highly desirable that the atmosphere should be clear and free from local prejudices and local influences. With these remarks, Sir, I oppose this Resolution, and I think that the establishment of a Supreme Court will do more harm to the country than good.

Pandit Motilal Nehru (Cities of the United Provinces: Non-Muhammadan Rural): Sir, I rise to speak on this motion not because I consider it absolutely necessary to do so but because I think I owe it to my friend Sir Hari Singh Gour who had kindly furnished me with an advance copy of the speech he has delivered to-day to say something about it. I am sorry to say that I cannot support him, but I consider it my duty to give my reasons for differing from him. My Honourable friend had probably been dreaming of a federal India when he framed this Resolution. I am afraid that dream will take some time to be realised and meanwhile I think his proposal of having a Supreme Court in India is a bit premature. My friend has tried to water the top of the tree instead of its roots. The judicial system and the constitution of courts in this country in my humble opinion require overhauling from top to bottom. A country where the executive and the judicial functions are combined, where a controversy has been raging for years past over the separation of these two functions without any results, a country where there are racial discriminations in the administration of criminal justice, is not the country to have a Supreme Court within its own borders. I think it is too high an ambition to be entertained. The very first thing that we have got to do is to reform such courts as we have and also the procedure which is followed in these courts. No number of Supreme Courts in India would in any way promote the cause of justice so long as the executive and the judicial functions remain combined as they are and racial discriminations continue to be observed as now. The arguments which have been advanced by my friend have been sufficiently answered by my friend the Honourable Sir Henry Stanyon and other speakers. I wish only to point out that a distance of six or seven thousand miles between the highest court of appeal and the Government of India is in my opinion none too long. After all, Sir, an appeal to the Privy Council, as I know from my personal experience, is more or less a luxury for the rich, and I really do not see why the poor man should be burdened in order to afford that luxury to the rich. If a Supreme Court is established in India, the finances of India will have to be burdened with the expense of the maintenance of that Court. That means taxation, and there is no reason whatever why this luxury should be enjoyed by the rich at the expense of the poor. Now, Sir, I must not be taken in any way to minimise the importance of the Privy Council. As it is, cases of the grossest injustice have happened in this country and they have been taken to the Privy Council at a more or less reasonable cost to the litigants. In fact, I have myself been concerned with small and petty cases in which the importance of the question raised induced their Lordships of the Privy Council to give special leave to appeal. Some of these appeals have been successful in very small cases in which the successful litigant before their Lordships had lost all along the line from the Munsif's court to the High Court. Reports will be found in the books laying down most important principles of law in petty cases which have since governed big as well as small cases. It is not always that the cost of a Privy Council appeal is prohibitive. In most cases it is, but not always. In any case, I think whatever hardship is at present suffered on that score

[Pandit Motilal Nehru.]

is not too high a price to pay for the justice that is ordinarily obtained in the Privy Council.

As for the personnel of the proposed Court, I generally agree in what my friend Sir Henry Stanyon has said. In my own opinion, Sir, it will be difficult to find competent men to occupy seats on the bench of the Supreme Court of India outside the ranks of superannuated judges or Chief Justices or perhaps also equally superannuated members of the Bar. I really do not see how else it will be possible to fill the appointments that will be thrown open on the Bench of this exalted Court. There is every reason at the present stage for us not to think of a Supreme Court in India. I quite agree that the time for it will be when we are a self-governing people and not a day before.

Mr. K. Ahmed: Will it be a long time after 1929?

The Honourable Sir Alexander Muddiman (Home Member): Sir, my task has been very considerably simplified by the course which this debate has taken. (*Mr. M. A. Jinnah*: "Question?") First of all I will draw the attention of the House to the reply which was given by my predecessor in February, 1924, when pressed on this point by my Honourable friend the present Mover of this Resolution. He then observed as follows:

"We have carefully considered the opinions expressed in the correspondence and in the debates in this Assembly. We consider that they indicate clearly that there is no identity of opinion between Local Governments, High Courts or legal authorities, whether Indian or European, in favour of the early institution of a Supreme Court, while the question of its location also involves much difficulty."

I would merely pause to comment here by saying that the course of the present debate appears entirely to support the conclusions at which my predecessor arrived on that point. He went on to say:

"We consider also that the opinions clearly indicate that there will be great difficulty in any circumstances in securing a personnel for the Court which would be likely to give it a status and reputation equal to that of the Judicial Committee of the Privy Council."

On that point, the speakers who have gone before have, I should think, sufficiently established that proposition, and it is unnecessary for me to pursue it further. Several of them at any rate are persons who have had personal experience in their professional capacity of the benefit of the Privy Council decisions and I think I need hardly detain the House further on that point. As my Honourable friend the Pandit has pointed out, it is not only in cases where rich men are engaged but frequently in case where the litigants are far from rich that decisions have been arrived at by the Privy Council which have established very important points of law and secured justice to the poorest litigants. I remember an old Law Member, whom I knew personally not in India but in England, telling me that he once heard that in a certain village an altar had been erected to an unknown God and the unknown God was the Privy Council. The Judicial Committee had decided some water dispute in favour of the village and given justice to the lowly. Even in most remote parts of India the merits of the Privy Council as a final court of appeal have received full appreciation.

Now, I desire to invite the attention of the House for a few minutes to the practical side of the case. What do you get by your appeal to the Privy Council? You get something for which you pay nothing except perhaps in court-fees.

Diwan Bahadur T. Rangachariar: No court-fees.

The Honourable Sir Alexander Muddiman: You get something for which you pay nothing. You get the advantage of a court where the Lords of Appeal sit. You get the best English lawyers and in addition you get the advantage of two Indian Judges who are paid a total of £800 a year by the British Government. It is a point where possibly opinions may differ whether something more ought not to be done to strengthen that side of the Privy Council. I have received opinions and in so far as I have considered the matter, I am personally in agreement with the view that something might well be done on these lines. But that is a very different thing from the establishment of an independent Supreme Court of Appeal in this country. I need not traverse the suggestion that the expense and inconvenience to the litigants is great under the existing system. Admittedly it must be so. If you have a tribunal situated at such a distance, the expense of appeal will be great, but I doubt very much whether by the time you work out your Supreme Court, you would find the cost to India as a whole very less. I should be inclined to think, judging from my own experience in endeavouring to recruit Judges for the existing High Courts, that you will have to pay a very high price indeed to secure candidates for the post of Judges of the rank which will be necessary if your Supreme Court is to command respect. As regards those in large practice in India it is difficult indeed to secure their services for the existing Courts. It would be impossible, and I think the House will generally agree on this, that whatever you pay to secure men of the age and standing of the Lords of Appeal who sit on the Judicial Committee, whatever sum you might offer, their age and their standing would prevent them taking a risk at a late period in their life in visiting a country where the climate will certainly not be suitable to them generally.

Then I should like just to draw attention to one or two points in connection with the opinions. My Honourable friend Sir Hari Singh Gour quoted I think the Calcutta Bar as being in his favour.

Sir Hari Singh Gour: No, I did not quote the Calcutta Bar.

The Honourable Sir Alexander Muddiman: The High Court Vakils' Association. (*Sir Hari Singh Gour:* "No.") I apologise to the Honourable Member if I misunderstood him. I thought he said so. The matter is of some importance and I should like to clear the issue on that point. The impression he left in my mind was that he was arguing that some professional opinion in Calcutta was in his favour. The Vakils' Association of Calcutta was against the proposal for establishing at the present time a Supreme Court of Appeal in India. They wrote a long and valuable opinion in which they made one observation which I commend to the House. They say:

"The British people take good care that Judges of their Final Court of Appeal should be their foremost lawyers, and Indian litigants to the Judicial Committee reap the advantage of this vigilance and care in the selection of Judges. It cannot be expected that British lawyers of that calibre will be available in India for the proposed Supreme Court. A Haldane or Finlay, a Summer or a Shaw will not certainly leave his country to serve in India."

I think, Sir, that is a very sound opinion if I may say so. The Bar Association of Calcutta said:

"We are not in favour of the creation of the suggested court as we consider that it would be impossible to obtain the services of a full complement of Judges at all equal an attainment or ability to the members of the Judicial Committee."

[Sir Alexander Muddiman.]

I have merely mentioned these two opinions because the Honourable Member's speech did leave in my mind the impression that professional opinion in Calcutta was in favour of his proposal. In fact, it is not so. It is not in favour of the proposal to establish a Supreme Court of Appeal in India now. I do not think I need detain the House further. My Honourable friend Sir Henry Stanyon has refuted many of the points made by the Honourable Mover. We find lawyers who do not belong to the same school of politics ranged on the same side as regards this question.

Sir Hari Singh Gour: I stated that the Incorporated Law Society of Calcutta was in favour of the proposal. You will find, Sir, that at page 61 of the compilation my statement is borne out. They say:

“The establishment of an ultimate Court of Appeal in India is desirable.”

The Honourable Sir Alexander Muddiman: Will my Honourable friend read on?

Sir Hari Singh Gour:

“but my Council is of opinion that the existing conditions are not favourable to the establishment of such a Court. At the same time my Council thinks that having regard to the great hardship that has been felt in criminal cases of importance, an ultimate Court of Appeal and revision should be established under proper safeguards.”

The Honourable Sir Alexander Muddiman: I will read the sentence as it runs in my copy:

“The establishment of an ultimate Court of Appeal in India is desirable, but my Council is of opinion that the existing conditions are not favourable to the establishment of such a Court.”

Sir Hari Singh Gour: Will you kindly read on the next sentence?

The Honourable Sir Alexander Muddiman: I have read I think what is sufficient for the purposes of the House. When I was interrupted, I was proceeding to show that the opinion disclosed by this debate confirms the view that had previously been expressed by the House that the time is yet premature for the consideration of the immediate establishment of a Supreme Court of Appeal in India. I agree with the view that has been expressed that when in the fulness of time Dominion status is acquired by India then would be the time for the immediate consideration of the proposition in regard to the establishment of a Supreme Court of Appeal here. I therefore trust that the House will reject the motion made by my Honourable friend.

Mr. K. C. Neegy: I move that the question be now put.

Mr. M. A. Jinnah (Bombay City: Muhammadan Urban): I listened to the Honourable the Home Member, I also listened to my Honourable friend, Pandit Motilal Nehru, and I listened to my Honourable friend, Sir Henry Stanyon. (*A Voice:* “And Sir Hari Singh Gour.”) I have read his speech and therefore I could safely be outside the House when he was delivering it. Sir, my Honourable friend Sir Henry Stanyon put forward various grounds. He said that it will benefit lawyers—those that are practising. Having made his pile and retired, he grudges those who are practising. Sir, we might make him a Judge of the Supreme Court yet and then he might get a fat salary. To my mind it is beside the question to say that lawyers will benefit and that they will make money. As

long as this world is going to continue lawyers will continue. (*A Voice*: "To make money.") Even on this question you have a great difference of opinion in this House, and if it has to be properly argued, probably you will have to employ some lawyer to do it. But let us get to the real thing. My Honourable friend, Sir Henry Stanyon, said that it will lower the prestige of the provincial High Courts. Why? I really fail to see it. How is it going to lower the prestige of the provincial High Courts? Then you find in the Privy Council for which I have great respect, although I have no hesitation in saying that the Privy Council have on several occasions absolutely murdered Hindu law, and slaughtered Muhammadan law—with regard to common law, the English law, of which they are the masters, undoubtedly they command the greatest respect of every practitioner and of every Judge in this country. (*Mr. K. Ahmed*: "Contempt of Court.") My Honourable friend forgets that as long as I stand on the floor of this House I cannot be charged with anything at all. He has not realised his own privileges yet although he has been a Member of this House for the last four years. But apart from that, what is meant by saying that if you have a Supreme Court you will lower the prestige of the provincial High Courts. Who are the Members of the Privy Council? Two of them, or rather three of them at least were Indian Judges who had served in the High Courts here. One is Sir Ameer Ali, another is Sir Lawrence Jenkins, and a third is Sir John Edge. All of them started their career in this country. We trained them up. We raised them to the High Court and then they became Members of the Privy Council, and do you mean to say that it does not lower the prestige of the High Courts in India, when they sit in judgment over them?

Pandit Shamlal Nehru: You did not raise Sir John Edge to the bench?

Mr. M. A. Jinnah: Sir John Edge was a member of the High Court bench at Allahabad and my Honourable friend, Pandit Shamlal Nehru

Pandit Shamlal Nehru: I only said that he was not raised by my Honourable friend to the High Court bench here. He came out from England.

Mr. M. A. Jinnah: He was born in England, but we raised him to the bench here. We did it. Where did he get his training? In India. Where did Sir Lawrence Jenkins get his training? In India. And of course, Sir Ameer Ali was born here. I am only trying to meet the argument of my Honourable friend, Sir Henry Stanyon, that it will lower the prestige of the High Courts here. What is the other ground that my Honourable friend, Sir Henry Stanyon, put forward? He said that there will be many questions of commercial documents and commercial law and it will be difficult for Indian Judges to decide upon the interpretation or construction of those documents. I should like to ask him the same question. Two of the Members of the Privy Council were Judges of the High Courts here and they were trained up here, and do you mean to say that throughout India you cannot get sufficient men? After all, how many men do you want? My Honourable friend, Sir Henry Stanyon, said, "You will have to find a place. You will have to pay the Judges. It will be an enormous expenditure and there is no place in India large enough to locate the Supreme Court." But the Supreme Court will

[Mr. M. A. Jinnah.]

consist of how many men? At the utmost 3 or 5. (*Diwan Bahadur T. Rangachariar*: "Why?") Why, because your Privy Council does not consist of more than 3 or 5 men. My learned friend says "Why". How many are you going to have—five thousand? And how long does the Privy Council sit? Only for a few months and you have not more than 3 or 5 sittings. (*Sir Hari Singh Gour*: "Ordinarily 3.") Then I am told that litigation will go up by leaps and bounds the moment you establish the Supreme Court. It is an absurd suggestion to make that litigation will multiply by leaps and bounds. (*Diwan Bahadur T. Rangachariar*: "Nobody said that.") I am only meeting the argument of Sir Henry Stanyon. He said, "Oh, it will be difficult to accommodate them. There will be no place to accommodate them . . ."

Colonel Sir Henry Stanyon: My Honourable friend has completely misunderstood me. What I said was that the location of the Court should be such as to make it equally accessible to all the provinces. It had nothing to do with the amount of room occupied.

Mr. M. A. Jinnah: Delhi is big enough and long enough. Miles and miles of buildings are cropping up, which are enough to dazzle anybody; and why cannot we locate the Court in a small building? Then I was told about the cost of it and the ministerial staff you would require. What ministerial staff would you require for this Supreme Court? Do you want the Government of India staff to be placed at their disposal? You know perfectly well what the ministerial staff of the Privy Council is. You know perfectly well how long the Privy Council sits. What is the good, therefore, of exaggerating and raising these bogeys. I have great respect for Pandit Motilal Nehru but I most emphatically differ from him on this subject. He said that so long as we have not got Swaraj, the federal state of Government that Sir Hari Singh Gour contemplated, we must wait. Then he said that racial distinctions must disappear and that we must get power in our hands and then immediately we will consider the question of establishing a Supreme Court. If that principle is going to guide us in every proposal that comes before us, that we are not to do this and to do that till *Swaraj* is attained, I think we had better close up this Assembly.

Pandit Motilal Nehru: That is the best thing to do.

Mr. M. A. Jinnah: Then why don't you go out?

Pandit Motilal Nehru: Because it goes on in spite of me.

Mr. M. A. Jinnah: Then the cat is out of the bag. Then I take it you are opposing this proposal from a destructive motive. (Here Pandit Motilal Nehru made some remarks in a low tone which were inaudible). I am always afraid of Government when they agree with me. I have great regard for my friend there, the Home Member, but when he agrees with me I sometimes say to myself—perhaps I am wrong. This is one of those occasions when my Honourable friend the Home Member agrees with Pandit Motilal Nehru. I advise my friend Pandit Motilal Nehru to hesitate and think before he goes into the Government lobby on this question. Sir, I want the Supreme Court to be established. I quite agree with the Home Member when he said that there was a difference of opinion. I realise it. I recognise it but I ask the Government—do they always do

a thing or not do a thing because there is a difference of opinion in the country? They only do it when it suits them. As a friend of mine once said, if out of 325 millions there was one man in India who agreed with the Government of India, that was public opinion. I ask the Members of this Assembly not to be led away and I also appeal to my Swarajist friends not to go into the Government lobby and vote. I therefore strongly support Sir Hari Singh Gour's Resolution and I hope it will be carried.

Mr. C. S. Ranga Iyer (Rohilkhand and Kumaon Divisions: Non-Muhammadan Rural): I had no intention of speaking on this Resolution but what Mr. Jinnah has said has forced me to do so. I thought that Mr. Jinnah was going to give us some reasons for supporting this Resolution and the profound reason that he has given is that when the Home Member agrees with Pandit Motilal Nehru, Pandit Motilal Nehru must be in the wrong! I thought that Mr. Jinnah had better reasons than that. As for the question of the multiplication of litigation, of course, Mr. Jinnah is not much interested. Litigation, am I to believe goes against the very grain of a practising barrister—I am not talking of barristers who have suspended practice! A Supreme Court without Swaraj is an illusion. As for hugging illusions Mr. Jinnah has always been an expert in that line. They talk of colonies but a Supreme Court in this country will be to-day but a Colonial camouflage. Pandit Motilal Nehru unfortunately for Mr. Jinnah and others of his school of thought did not and does not believe in putting the cart before the horse. We are told: first have the Supreme Court and then you will have responsible Government. Sir, we concentrate on responsible government and when we get it, we will not only have our Supreme Court but the whole administration modelled on lines that we choose. Mr. Jinnah tried to shatter by "a gesture and a pose" the argument about separation of judicial and executive functions, of racial discrimination, and so on. On this question of establishing a Supreme Court in this country opinion is not unanimous, though of course Sir Hari Singh Gour is very much enthusiastic about it. What we want is not a Supreme Court but supremacy.

Sir Hari Singh Gour: It has been very refreshing to hear the divergent views expressed and I am somewhat surprised that the follower of Mr. Gandhi has for once deserted him because if I understand it aright it is the third point in his Belgaum speech when Mahatma Gandhi preached to his disciples, including my friend Pandit Motilal, advocating the establishment of a Supreme Court in India. I was little prepared for this exhibition of revolt on the floor of this House by his *fidus* 5 P.M. *achates*. And what are the reasons that he has given? The reasons that he gives are, we shall have nothing of your improvements in the social or political structure of this country unless we get *Swaraj*. I am afraid my friend is living in Arcadia if he ever thinks lie is going to get *Swaraj* in one morsel. If he is an aspirant for *Swaraj* he will get it in instalments. And I submit, Sir, that if he gets a Supreme Court in India it will be *Swaraj* in the Judicial Department and he will be nearer to it than he ever would be with his round-table conferences or oblong-table conferences. I have no patience with doctrinaires who aspire to *Swaraj* but do not know how to get it. (*A Voice*: "Do you?") Then, Sir, my learned friend for once sees eye to eye with my friend Colonel Sir Henry Stanyon. (*Pandit Motilal Nehru*: "I protest against that because I have often agreed with my friend Sir Henry Stanyon.") I am very glad to hear, Sir, that my friend Pandit Motilal Nehru has made a compact to agree with Sir Henry Stanyon. (*Pandit Motilal*

[Sir Hari Singh Gour.]

Nehru: "We have practised together at the same court too.") I see, Sir, they agree not because it is right to do so but because they practised together. I now understand, Sir, (*A Voice*: "The reason.") the reason why they agree. Now, Sir, I pass on to Sir Henry Stanyon because he is the protagonist of the opposition (*Pandit Motilal Nehru*: "Why don't you go on to my reasons?")—because he is the protagonist of the opposition of which my learned friend *Pandit Motilal Nehru* is the humble henchman. I am surprised to hear a lawyer, Sir, of Sir Henry Stanyon's eminence proclaim to this House that His Majesty's prerogative is in danger by the establishment of a Supreme Court in this country, and in that very breath say that there are Supreme Courts established in the major Colonies of England, such as Canada, Australia and South Africa. Is the King's prerogative in danger or in jeopardy in those Colonies? My friend has entirely forgotten that the King's prerogative remains where it is and the Supreme Court is a Court that will merely take the place which the Supreme Courts in the major Colonies of England have taken long ago. And then my learned friend says, a Supreme Court will come only when you have self-Government; a Supreme Court is a distant dream, it is a vision which you may see but it will only come to you when you have self-Government. And my friend *Pandit Motilal Nehru* with a strange irony ejaculated, "Yes it is only then that it will come." I am surprised, I am astounded that the two Honourable Members of my profession who are in politics as the Poles asunder should combine upon a matter on which I am asking this House to give to the people of this country (*A Voice*: "More litigation") judicial independence. Then, Sir, my Honourable and learned friend Sir Henry Stanyon said that if you have a Supreme Court in this country you will be affecting the powers of the High Courts and the prestige of the High Courts would diminish. If that were the argument used that would be an insuperable argument to the establishment of Supreme Courts in England's large Colonies; and yet how is it, Sir, that in all the Colonies to which I have referred, Canada, Australia and South Africa, there are Supreme Courts in existence side by side with the High Courts. Then, Sir, my friend said, "Look at the question of location, look at the question of personnel, look at the question of cost." I thought, Sir, that after the doyen of the Indian Bar, Mr. Eardley Norton, had disposed of this question, my friend Sir Henry Stanyon would meekly submit to his higher and more experienced authority. But I now find that the argument has once more been revived and my learned friend has completely forgotten that if there is no place fit for the establishment of a Supreme Court in this country, there is no place in this country fit for the establishment of a Central Legislature; because while the Supreme Court administers the law, the Central Legislature enacts it. It is a superior body, and if there is no proper place for the establishment, I say, of a Supreme Court, there is no place for the establishment of the Central Legislature. Then it has been said, what about the personnel? Sir, I heard these remarks with a certain amount of sadness. When I see before me High Court after High Court rising empowered to pass final and irrevocable sentences of life and death without recourse to appeal to any higher authority; when I find cases—it may be said 999 out of 1,000—of great value finally disposed of by these High Courts, I cannot myself believe that there is any dearth of personnel in this country. Do you not trust your High Court Judges? Are they not men of honour, integrity and

learning? I submit, Sir, that if you have faith in your High Court Judges you would equally have faith in the personnel of the Supreme Court.

Pandit Shamlal Nehru: May I draw the Honourable Member's attention to the fact that it is getting very late now.

Sir Hari Singh Gour: My Honourable friend has to thank his leader for that. Then, Sir, as my Honourable friend Mr. Jinnah has pointed out, what is the personnel of the Privy Council? Are not three members ex-Indian Judges? And did they not serve their full term in this country? And if they are still capable of disposing of cases in the Privy Council, can you not get men of the same calibre, eminence and intelligence to man your Supreme Court? Then, Sir, we were told about the cost. I need not detain this House on the question of cost. I have already pointed out that if you are to get justice, if you are to aspire to justice, no cost, I submit, is too great for it, and I for one would refuse to look at the question of cost when it is a question of justice. Then we were told further by one of the members of my own profession—the argument has been repeated, and I have no doubt is in the minds of many Honourable Members of this House—that the establishment of a Supreme Court in this country will promote and foster litigation. Now, Sir, do the Honourable Members, and my friend, the Honourable Pandit Motilal Nehru who ejaculates "Hear, hear", consider the consequences of what he says? If there are litigants in this country who want to seek justice and if these seekers after justice are debarred from going to England, is that any reason why you should not bring justice home to them?

Pandit Motilal Nehru: Why are they debarred? Who debarred them?

Sir Hari Singh Gour: Distance, time, cost, inconvenience. Well, Sir, my submission is that this particular argument that there would be more cases for disposal by the Supreme Court if it is established is the best vindication for the establishment of a Supreme Court in this country. The Honourable the Home Member repeated the arguments of his predecessor and said, "There is no identity of opinion". I know, Sir, that there is no identity of opinion in this country. Men come and talk of Swaraj. If the Honourable Sir Alexander Muddiman were to get up and say, "Gentlemen, you will have *Swaraj* from to-morrow", these *Swarajists* will go in deputation to his house, besiege all the nooks and corners of his bungalow and tell him, "Please do not give us *Swaraj*, we cannot manage it." I am only surprised that the Honourable the Home Member does not make them the offer—they are thoroughly unfit.

Pandit Motilal Nehru: That is why the Honourable Member has gone back from the *Swaraj* camp.

Sir Hari Singh Gour: Yes, Sir, time has made me wiser. (Laughter.) I feel, Sir, that those who oppose my Resolution do so out of diffidence and lack of confidence in the power of themselves and of their fellow-countrymen. I am one of those who feel, and I have always felt, the utmost respect for their Lordships of the Privy Council, but I have not disguised the fact, namely, that in cases of Hindu and Muhammadan law the judgments of their Lordships of the Privy Council have been far from satisfactory, and I have given my reasons for it; and the Honourable the Home Member has admitted that some reinforcement of that tribunal is necessary. Whether that reinforcement should take the form of strengthening it in England

[Sir Hari Singh Gour.]

or establishing a Court in this country is a matter of detail; and I submit, Sir, that my Resolution is supported by numerous Associations in this country, and I have got a compilation of them here. I have referred to the leading opinions in my speech and I have a compilation here in which I have set out the pros and cons: and I feel fortified in saying that a substantial body of public opinion supports my proposal. But whether a substantial body of public opinion did or did not support my proposal, I have the supreme satisfaction that my proposal is supported by reason—and those who are reasonable men in this House will support me.

Mr. President: The question is that the following Resolution be adopted, namely:

“This Assembly recommends to the Governor General in Council to take early steps to bring into existence a Supreme Court in India for (*inter alia*) the disposal of civil suits now disposed of by the Judicial Committee of the Privy Council, and for the disposal of appeals in serious criminal cases.”

The Assembly divided:

AYES—15.

Abdul Kasem, Maulvi.
Alimuzzaman Chowdhry, Mr.
Das, Mr. B.
Dutt, Mr. Amar Nath.
Gour, Sir Hari Singh.
Ismail Khan, Mr.
Jajodia, Baboo Runglal.
Jeelani, Haji S. A. K.
Jinnah, Mr. M. A.

Muhammad Ismail, Khan Bahadur
Suyid.
Ramachandra Rao, Diwan Bahadur
M.
Ray, Mr. Kumar Sankar.
Roy, Mr. Bhabendra Chandra.
Shams-uz-Zoha, Khan Bahadur M.
Venkatapatiraju, Mr. B.

NOES—56.

Abdul Mumin, Khan Bahadur
Muhammad.
Abhyankar, Mr. M. V.
Ahmad Ali Khan, Mr.
Aiyangar, Mr. K. Rama.
Aiyer, Sir P. S. Sivaswamy.
Ajab Khan, Captain.
Akrar, Hussain, Prince A. M. M.
Ashworth, Mr. E. H.
Blackett, The Honourable Sir Basil.
Burdon, Mr. E.
Calvert, Mr. H.
Chaman Lall, Mr.
Chetty, Mr. R. K. Shanmukham.
Clow, Mr. A. G.
Cooke, Mr. H. G.
Cosgrave, Mr. W. A.
Crawford, Colonel J. D.
Dalal, Sardar B. A.
Das, Fandit Nilakantha.
Fleming, Mr. E. G.
Ghose, Mr. S. C.
Graham, Mr. L.
Hira Singh, Sardar Bahadur Captain.
Hudson, Mr. W. F.
Innes, The Honourable Sir Charles.
Iyengar, Mr. A. Rangaswami.
Kasturbhai Lalbhai, Mr.
Kazim Ali, Shaikh-e-Chatgam Maulvi
Muhammad.
Malaviya, Pandit Madan Mohan.

Marr, Mr. A.
McCallum, Mr. J. L.
Mehta, Mr. Jamnadas M.
Misra, Pandit Harkaran Nath.
Moir, Mr. T. E.
Muddiman, The Honourable Sir
Alexander.
Naidu, Mr. M. C.
Nehru, Pandit Motilal.
Nehru, Pandit Shamlal.
Neogy, Mr. K. C.
Raj Narain, Rai Bahadur.
Rangachariar, Diwan Bahadur T.
Ranga Iyer, Mr. C. S.
Rhodes, Sir Campbell.
Rushbrook-Williams, Prof. L. F.
Sarfaraz Hussain Khan, Khaw
Bahadur.
Sastri, Diwan Bahadur C. V.
Viswanatha.
Singh, Mr. Gaya Prasad.
Singh, Rai Bahadur S. N.
Sinha, Mr. Devaki Prasad.
Sinha, Kumar Ganganand.
Stanyon, Colonel Sir Henry.
Sykes, Mr. E. F.
Tonkinson, Mr. H.
Webb, Mr. M.
Willson, Mr. W. S. J.
Yakub, Maulvi Muhammad.

The motion was negatived.

RESOLUTION RE PROVISION OF INDIAN REFRESHMENT
ROOMS ON THE EAST INDIAN RAILWAY.

Maulvi Abul Kasem (Bengal: Nominated Non-official): Sir, I understand that the Railway authorities accept the principle of any Resolution and that they have provided in their budget for some refreshment rooms, and I think that no useful purpose will be served by my formally moving this Resolution.* I do not, therefore propose to move it.

RESOLUTION RE ESTABLISHMENT OF A MILITARY COLLEGE.

Mr. B. Venkatapatiraju (Ganjam cum Vizagapatam: Non-Muhammadan Rural): Sir, the Resolution that stands against my name runs as follows:

"This Assembly recommends to the Governor General in Council that early steps be taken for starting a well-equipped Military College in a suitable locality to train Indians for the commissioned ranks in the Indian Army Service and the necessary amount be sanctioned to start the preliminary work."

Diwan Bahadur T. Rangachariar (Madras City: Non-Muhammadan Urban): May I move, Sir, that the discussion of this Resolution be adjourned till the next non-official day?

The Assembly then adjourned till Eleven of the Clock on Wednesday, the 18th February, 1925.

* "This Assembly recommends to the Governor General in Council that Indian refreshment rooms (Hindu and Muhammadan) should be provided at the principal railway stations on the East Indian Railway."

APPENDIX A.

Statement showing the Debt of India outstanding on the 31st March 1914, the 31st March 1924 and the 31st March 1925.

(Figures in crores of rupees.)

	31st March 1914.	31st March 1924.	31st March 1925.
<i>In India :</i>			
Loans	145.69	358.81	370.40
Treasury Bills in the hands of the public.	...	2.12	...
Treasury Bills in the Paper Currency Reserve.	...	49.65	49.65
Other obligations—			
Post Office Savings Banks.	23.17	24.79	26.04
Cash Certificates	8.42	13.02
Provident Funds, etc. . .	10.93	39.20	42.10
Total Loans, etc.	145.69	410.58	420.05
Total other obligations . . .	34.10	72.41	81.16
Total in India	179.79	482.99	501.21
<i>In England (at Rs. 15 to the £):</i>			
Loans	265.60	366.80	395.36
War Contribution	28.90	28.20
Capital value of liabilities undergoing redemption by way of terminable rail- way annuities amounting to (at Rs. 15 to the £).	105.90 (= £70,600,893)	90.14 (= £60,095,487)	88.25 (= £58,836,487)
Total in England	371.50	485.84	511.81
Total Debt	551.29 crores.	968.83 crores.	10,13.02 crores.