

21st March, 1925

THE
LEGISLATIVE ASSEMBLY DEBATES
(Official Report)

SECOND SESSION

OF THE

SECOND LEGISLATIVE ASSEMBLY, 1925



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LEGISLATIVE ASSEMBLY.

Saturday, 21st March, 1925.

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

MEMBERS SWORN:

Mr. Andrew Gourlay Clow, M.L.A. (Industries Department: Nominated Official), and Mr. Robert Blair Milne, M.L.A. (Legislative Department: Nominated Official).

DEATH OF THE MARQUESS CURZON.

The Honourable Sir Alexander Muddiman (Home Member):
Sir, I have a melancholy duty to perform to-day. It has been generally known for some days past that the Marquess Curzon was seriously ill but the news of his death yesterday came, I think, as a shock to the public. It was received by the Government of India with profound sorrow and regret and it seems but fitting that this should be expressed in this House which is the descendant of the Legislature which often listened to his eloquent voice with rapt attention. The sad news will rapidly penetrate to the remote places of the whole East through—to use his own pregnant phrase—“the whispering galleries of Asia”, but it must necessarily awaken many memories in this country, for Lord Curzon was Viceroy and Governor General for a period longer than any other occupant of that exalted post. It is now nearly 20 years since he demitted office and those who served with him and knew him personally are becoming increasingly few, but the shadow of his great name remains. India, and Delhi in particular, bear triumphant witness to his devoted and passionate interest in the past and the things of the past. He lived to see the enlightened policy which he introduced in regard to the memorials of India's great and varied history brought to a triumphant issue and India owes a great debt to him in this respect. If that were all, that in itself would be an abiding claim to fame. But there was much more. The career which ended yesterday included, besides the years of his Viceroyalty, many years of devoted service in the highest offices under the Crown. This is not the time, nor the place, nor am I, the person to attempt to review or to pass judgment on the events of a career such as this. That will be the work for historians of the time in which he lived, for his life was so intertwined with great events that its story is almost the history of the period. The feeling which is uppermost in my mind and which I desire to express, however feebly, in this House is the sense of loss—the feeling that a great character has left the world's stage on which he strode so impressive a figure and that the world is poorer by his loss. His remarkable mental

[Sir Alexander Muddiman.]

capacity, his dominating personality, his great powers of oratory, his devotion to the service of the Crown made him by common consent one of the most remarkable personages of his day. The Empire which he served so long may well feel to-day :

“ Now is the stately column broke,
The beacon light is quenched in smoke,
The trumpet's silver sound is still,
The warder silent on the Hill.”

Mr. President: In associating the Chair with this expression of regret, I will convey to His Majesty's Government and to the relatives of the late Marquess Curzon the words which you, Sir, have chosen to salute the passing of a great servant of the Crown. ✓

MESSAGE FROM THE COUNCIL OF STATE.

Secretary of the Assembly: Sir, the following Message has been received from the Secretary of the Council of State :

“ I am directed to inform you that the Bill to fix the duty on salt manufactured in, or imported by land into, certain parts of British India, to remit or vary certain duties leviable under the Indian Tariff Act, 1894, to fix maximum rates of postage under the Indian Post Office Act, 1898, to reduce the import and excise duties on motor spirit, further to amend the Indian Paper Currency Act, 1923, and to fix rates of income-tax, which was passed by the Legislative Assembly at a meeting held on the 18th March, 1925, was passed by the Council of State on the 20th March, 1925, with the following amendment :

‘ In sub-clause (1) of clause 2 of the Bill, for the words ‘ one rupee ’ the words ‘ one rupee and four annas ’ were substituted.’

The Council requests the concurrence of the Legislative Assembly in the amendment.”

Sir, I lay on the table the Bill, as amended by the Council of State.

THE INDIAN FINANCE BILL.

The Honourable Sir Basil Blackett (Finance Member): Sir, I rise to move :

“ That the amendment made by the Council of State in the Indian Finance Bill be taken into consideration.”

The amendment made by the Council of State is in clause 2 of the Bill and is the addition of the words “ and four annas ” in regard to the rate of salt duty. It has the effect of bringing back the rate of duty on salt to the rate at which it stands at present and the rate at which it was originally proposed by the Government to continue it for the ensuing year. The House will remember that when the Bill was under consideration in this House, several motions were moved and carried to a division in regard to the rate of duty, and I think it was to some extent to the surprise of the House that the particular motion to reduce the duty from Rs. 1-4-0 to Re. 1 was carried. There was, I think, a feeling in all quarters of the House that the full significance of that amendment had not been altogether grasped at the time that it was carried, (*Mr. Jamnadas M. Mehta*: “ No.”)

and the Government of India felt that it was desirable, if possible, that another opportunity should be given to this House to consider this matter in relation to the finances of the year as a whole. The question before us is now reduced to a very simple one. It is the question whether the rate of duty for the year 1925-26 on salt is to be Rs. 1-4-0 or Re. 1. The effect of a reduction of the salt duty to one rupee will be, as I have already stated to the House, a loss of revenue in the year 1925-26 amounting approximately to Rs. 90 lakhs and a recurring loss for 1926-27 and the years thereafter of Rs. 125 lakhs. The Budget, as originally introduced, showed a total surplus of Rs. 324 lakhs of which Rs. 268 lakhs were regarded as recurring and Rs. 56 lakhs as non-recurring. In order to put the matter fully in its proper relation it is desirable in this connection to remember also the Bengal contribution of Rs. 63 lakhs. If you would treat that as part of the surplus for the year, the surplus for the year in the Budget, as originally introduced, was Rs. 387 lakhs of which Rs. 331 lakhs were recurring and Rs. 56 lakhs were non-recurring. The effect of the reduction of the salt duty is to reduce the recurring surplus to Rs. 206 lakhs, that is to say, Rs. 143 plus 63 lakhs—143 lakhs without the Bengal contribution and Rs. 206 lakhs including the Bengal contribution, while the non-recurring surplus becomes Rs. 91 lakhs and the total Rs. 297 lakhs. In any case it is clear that the amount of surplus that is available for distribution to the provinces on a recurring basis must be reduced to Rs. 206 lakhs including anything that may be given to Bengal, that is, if the reduction of the salt duty stands as proposed.

Now, the first point to remember is that the Government of India and this House are committed to the view that reduction and eventual extinction of the provincial contributions should be the goal and is the goal of our financial policy and that we aim at arriving at that goal at the earliest possible moment. The Honourable Pandit, the Leader of the Swaraj Party in this House, himself stated that he regarded it as most undesirable that there should be any reduction in the amount set aside originally in the Budget for the relief of the provinces. The effect of a reduction of the salt tax must unfortunately be to reduce the amount of that relief. It is clear, therefore, that the House must exercise its responsibility in choosing between the one or the other. I have been told that this is in the nature of a threat. I would put it to the House that there is no question of a threat: it is merely the inevitable position as the figures stand. There is no question now of anything except the amount of the surplus. The amount of the surplus depends simply and solely on the rate at which the salt duty stands. The amount of surplus will be reduced by Rs. 125 lakhs recurring if the salt duty is reduced to one rupee, and the only question that then remains is how to distribute the reduced surplus.

The choice before us is the distribution of the surplus in the form suggested in the Resolution that stands on the paper and the salt tax at Rs. 1-4-0, or some smaller relief to the provinces and the salt duty at one rupee. My Honourable friend, Diwan Bahadur Rangachariar, pointed out the other day that at Rs. 1-4-0 the salt duty is at the same rate as it stood at when the reforms were inaugurated, when the Meston Settlement took place and the contributions of the provinces were fixed. The position a year ago was somewhat different. We were then considering the question of the reduction of the salt duty from a higher rate back to the rate at which it stood when the reforms were inaugurated. This year it is a choice

[Sir Basil Blackett.]

between a reduction of the provincial contributions and a reduction of the salt tax below the figure at which it stood in 1921. I do not think that at this stage I need do more than put the problem before the House as it stands. Relief to the provinces has been the goal of the Government of India's financial policy now for some years and this year we felt that we were in a position to make a real and substantial beginning. We felt further that in the interests of the poor man most particularly, this relief to the provinces was urgently demanded, that far more true consideration would be paid to the interests of the poor tax-payer by a reduction in the provincial contributions than by this suggested reduction in the salt tax, and that the claim that the salt tax ought to be reduced in the interests of the poor tax-payer is one which at the present moment will not stand examination by those who are thinking of the true interests of India in the next generation. If the poor tax-payer is poor, it is partly at any rate because education has not reached him, because the sanitary conditions under which he lives have not been improved as much as they might be now, and because the money has not been available to give him an opportunity of a better life. And it will be by giving him an opportunity of that better life that we shall better serve the interests of the poor tax-payer to-day and of his children in the next generation than by making this reduction in the salt duty, which, as has been pointed out eloquently by my Honourable friend, Mr. Bipin Chandra Pal, can reach the individual only to the extent of three-fifths of an anna a year, and cannot, I think, for a moment, be regarded as a satisfactory, or at any rate, an adequate compensation for the loss of opportunities of improved education, improved medical attendance and improved conditions generally which reduction of the provincial contributions puts within his reach.

Sir, I move the motion that stands in my name.

Diwan Bahadur T. Rangachariar (Madras City: Non-Muhammadian Urban): The Honourable Member has not indicated to the House, if the salt duty stood at one rupee and the recurring surplus was reduced to Rs. 206 lakhs, what the rateable reduction of the provincial contributions would be on that basis. For instance, taking Madras, we would have got one crore 26 lakhs under the surplus as it stood before. What would be the amount which Madras will get, for instance, under the reduced surplus?

The Honourable Sir Basil Blackett: That is a hypothetical question which the Government of India have not thought it necessary to decide until they know the decision of the House on the question of the salt tax. All I can say is that it means a reduction of the amount available for recurring relief to the provinces of 125 lakhs.

Pandit Motilal Nehru (Cities of the United Provinces, Non-Muhammadian Urban): I rise to oppose the motion. This House after a full-dress debate reduced the salt duty from Rs. 1-4-0 to rupee one. We are now asked to reconsider our decision, because the Council of State has again restored the original duty which was proposed by the Government. Sir, the action of the Council of State was expected and fully anticipated when we came to our decision. Nothing new has happened. No new facts have been brought to light. No new arguments have been advanced. It is the

same old story of provincial contributions *versus* salt duty. We, Sir, refuse to recognise these as rival claimants. We want our food and we want our salt to eat it with. The relief to provinces is the food which the provinces require and the relief in salt duty will give them the salt they want to eat it with. But we are told by the Treasury Bench, who consider themselves the salt of the earth, that we can only have one or the other. Now, Sir, we feel that we shall not be true to our salt if we did not insist upon both. We have satisfied ourselves that you can give us both. You can find all the money you need for your own purposes. You can find over a crore of rupees to carry out the recommendations of the Lee Commission and you can find money for a hundred other things. You have a huge military expenditure. The least retrenchment if you were only so minded would give you all the money that you require to give relief in both the directions that we seek. At any rate we refuse to make a choice between these two, both of which are absolutely necessary. The choice will be yours, and not ours. I think, Sir, that that sums up the whole position and I need not take up the time of the House at any length. Sir, I oppose the motion.

Mr. R. K. Shanmukham Chetty (Salem and Coimbatore *cum* North Arcot: Non-Muhammadan Rural): Sir, having been myself a party to carrying the motion to reduce the salt tax to one rupee, as a result of which the Honourable the Finance Member has given a threat that the provinces would suffer, and which threat if given effect to would very seriously affect the province from which I come, I feel called upon to say something in vindication of the position that I have taken up and that I propose to take up to-day also. In voting for the reduction of the salt duty from Rs. 1-4-0 to one rupee I was not in the least actuated by any motive to embarrass the Government or by any sentiment or by political motives to play to the gallery. Sir, my position with regard to the salt tax is this. While I am prepared to concede the proposition that every individual in the State, however poor he might be, must contribute something towards the maintenance of the State, I contend that any tax upon an indispensable commodity like salt must not result in preventing the poor man from taking as much of that commodity as is necessary for his life. My criterion with reference to the salt tax will be this. If as a result of reducing the duty from Rs. 1-4-0 to one rupee you thereby increase the consumption of salt, then by keeping the duty at Rs. 1-4-0 you deprive the poor man of the maximum quantity of salt which he would otherwise have taken. Any duty on an indispensable article of food like salt must stand at such a figure that any further reduction from that would not materially increase the consumption of that commodity. That, I consider, must be the proper test in fixing a duty upon a commodity like salt. When I take up this position I am reminded that, having been a party to the Voting of the Demands for Grants under the Budget, it is my duty as a responsible Member of this House not to tamper with the Finance Bill in such a way as materially to affect the grants that we have voted. I am sure that it would be conceded by all Honourable Members of this House that neither this Legislature nor any Legislature in the world can have the time or the capacity to so scrutinise the figures of expenditure placed before the House by the Finance Member as to materially reduce them. But, Sir, in other Legislatures there are checks and counter-checks upon the Executive which compel them to keep expenditure at its absolute minimum. There are in the constitution of other Governments incentives

[Mr. R. K. Shanmukham Chetty.]

for the executive itself to come forward with proposals for the reduction of taxation on their own initiative. In this Government there is not that incentive in the irresponsible executives. In asking me or any Member of the House to take the responsibility for any taxation, while we have not any appreciable responsibility in the matter of expenditure, in asking us to take this responsibility, you are forcing upon us a responsibility which is not contemplated by or given under the constitution under which we work. We are very often reminded that we must work within the four corners of the constitution. If that is a correct position, may I not be excused if I refuse to take upon myself a responsibility which is not given to me under the constitution? The position of non-official Members of this House is as advisers to the Executive, as persons who are to interpret what the public feel and think about certain matters. Honourable Members sitting on the Treasury Bench have unequivocally told us that they are not responsible to this Legislature. Their masters are the Secretary of State and the British Parliament. If Honourable Members on the Government Benches interpret correctly and act according to the dictates and mandate of their masters, may I not be entitled to act upon the dictates of my constituency? I know that I will have the full approval of my constituency for the action that I have taken in reducing the salt tax from Rs. 1-4-0 to one rupee. It is my duty as a Member of this House under this constitution to tell the Executive Government that public opinion in the country wants the salt duty to be fixed at one rupee; and if the Government are not prepared to act upon that (*The Honourable Sir Basil Blackett*: "They are")—well, if you are prepared to act upon it, you ought to do that and take the responsibility and the credit of that upon yourself and not shove the responsibility on our shoulders. At the same time, Sir, we say that our electorates want you to remit the contributions from the provinces also. But in placing the choice in our hands, you are dealing very unfairly with us (Laughter). You are placing upon us a responsibility which we refuse to undertake. Well, Sir, even if the Government remit all the contributions payable by the provinces, I for my part will not be foolish enough to imagine that that credit will go to me. Perhaps my Honourable friend, Mr. Moir, from Madras or my Honourable friend, Diwan Bahadur Rangachariar, might say that were it not for their valiant fight, the provinces would not have had the benefit of the remission of the contributions. I for one would not be foolish enough to take upon myself that credit, and I do not want to take the responsibility either for not giving the relief to the provinces. Sir, Indian politicians, who have taken upon themselves a self-imposed responsibility which they were not bound to take upon themselves, have suffered for their action. In the last Assembly you had men in this House who took upon themselves a responsibility which is not given to them by the constitution (Laughter), and as a result of the last election, there are now very many of them musing in their arm chairs in their homes. like Cardinal Wolsley saying, "Had we but served our country with half the zeal with which we served the bureaucracy, the electorate would not have left us at the time of the election in this position." (Laughter). I do not know how many more will be compelled to muse in that strain next year (Hear, hear). But, Sir, I want to make my position absolutely clear. The Honourable the Finance Member in saying that the House must recognize its responsibility to choose between the two is dealing very unfairly with this House. He has shoved upon this House a responsibility which I for one am not prepared to undertake.

Mr. N. M. Joshi (Nominated: Labour Interests): Sir, I rise to oppose the motion made by the Honourable Finance Member. Sir, this House is not surprised that the Honourable Finance Member has made this motion to-day. There are very many men in this House who have as strong a faith in their own judgment as the Honourable the Finance Member has in his judgment. The Honourable the Finance Member, when he first proposed that there should be no change in the salt duty, felt sure that he would not be defeated when this House reduced the salt duty by four annas. Perhaps he knew at that very time that in this constitution there is the other House, a House where only the interests of the landlords and the capitalists are represented. Sir, I am told that in that House there is an elected majority. But I should like the Members of this House to examine the position. Was there a single important occasion when that House rejected the decree of this Government? I feel sure that, if we look into the whole past record of that House, we will not find even a single occasion when that House rejected what the Government of India wanted them to do. Therefore, Sir, we are not surprised that this motion is made to-day by the Honourable the Finance Member. Well, Sir, there are some symptoms which I see around me and which sometimes make me very sad. I find that local Legislative Councils have begun to act in such a way as to put pressure upon those Members who come from the provinces which are likely to benefit from the remission of the provincial contributions. Sir, I do not object to the local Legislative Councils expressing their opinions. But when I find Council after Council beginning to agitate and when I see telegrams being sent, I feel that this is not a solitary effort; I feel that this is an effort directed from a central place.

Mr. K. Ahmed: Were the telegrams sent by brokers in the salt business or shopkeepers? Are you sure that the telegrams are not from shopkeepers, the money-grabbers? Who are they? Will you please read them?

Mr. N. M. Joshi: But my point is, Sir, that I feel that this agitation is directed from a central place. Then, Sir, I am one of those Members who have been in the last Legislative Assembly. I have watched the trend of public opinion on this question. I have also studied the history of this question. I have read the proceedings of the old Legislative Council on this question.

Mr. K. Ahmed: But the facts vary. At that time, in 1923, the tax was doubled at the rate of Rs. 2-8 per maund; this time it has been reduced to Rs. 1-4 already.

Mr. N. M. Joshi: Sir, there was a time when even Members of the Government considered the salt tax as an odious tax, as a tax which should not be on the Statute-book. Then, Sir, there was a time when even Members of the Government considered that this tax should be looked upon only as a reserve to be used at a time of emergency. Then, Sir, I have seen a change in that attitude. I see now Finance Members who consider that this tax is not after all so odious as some of their predecessors made it appear to be. I have also seen a change in the opinion of Members of this House. Sir, there was a time when almost every Member of the Legislative Assembly said that this tax was the most iniquitous tax. They hated this tax. But, Sir, when the revenue received

[Mr. N. M. Joshi.]

from this tax was yoked to the provincial contributions, I unfortunately see a change in the public opinion of the Members of this House. At first I heard it privately said by Members that after all the salt tax was not such a bad tax and that the incidence was small; but, Sir, at that time they were quite sure that Government would have this tax whether they voted this side or that side. They were quite sure that the Government were ready to take the odium upon themselves and therefore they spoke in public as if they hated this tax. Sir, I have also seen a further change. I have seen now people getting up and stating, not privately but publicly, that this tax, the incidence of this tax, is not unjust, is not unfair. I have heard Members saying that the incidence is very small indeed. I have heard people saying that even a beggar could pay this tax. Sir, when I spoke last on this occasion I made it quite clear that I do not want any salt tax because I feel that it is wrong in principle. There is no tax which is so unjust, so unfair, as the salt tax which falls upon every man. It is a poll-tax.

Mr. K. Ahmed: But in March 1923 you sought for a reduction and made a speech—and it has been so done. It has been reduced already from Rs. 2-8-0 to Rs. 1-4-0.

Mr. N. M. Joshi: Sir, I feel quite sure that at least the Indian Members of this House hate the poll-tax. I have seen something of the agitation which the Indians had made against the poll-tax levied on Indians in Fiji. Sir, my impression was that our people objected not to the amount of that poll-tax but to the poll-tax itself. I feel quite sure that even to-day public opinion in India will protest against the imposition of a poll-tax by the Fijian Government on Indians in Fiji. But, Sir, unfortunately I find Indians in this House standing up and defending this poll-tax, which is not different from the poll-tax levied by the Fijian Government upon Indians in Fiji.

Sir, I am told that the incidence of this tax is small, but, Sir, have those people calculated all the incidence of all the small taxes placed upon the poor people in this country? Unfortunately, the Honourable the Finance Member has not yet made that calculation. Let him do so. Let him take into consideration the local taxation, the octroi duties, the terminal duties and all the other duties which fall upon the common people in this land. Then, Sir, let him take into consideration the provincial taxation. The largest amount which the provinces receive is from land revenue and excise. Who pays the excise? Who pays the land revenue? Sir, even taking the Central Government's revenues, I have said last time that out of our customs the largest part comes from the masses of this country. Sir, if you take all these small bits which fall upon the masses in this country, I am quite sure the total will not be a small amount.

Then, Sir, it is said that if you reduce the salt tax by only 4 annas the masses will not get much benefit. They say that they could have understood a proposal that the tax should be removed altogether. Sir, you know that at least I had voted for the reduction of the salt tax to 8 annas and if there was a motion for the removal of the salt tax altogether, I should have voted for it, and I feel sure that at least 75 per cent. of the Members by whose votes the 4-anna reduction was carried would have voted and had voted for the reduction of the salt tax to 8 annas. Sir, therefore it does not lie in the mouth of those people who opposed the reduction to 8 annas to say now that the reduction is so small that the benefit will not go to the poor people. We are not against reducing it to a larger

extent: we are quite in favour of reducing it to the largest extent that is possible. If you think the 4-anna reduction will not be useful, by all means reduce it to a larger extent and give the benefit to the poor people. But, Sir, I do not feel that it is quite an honest argument for people who oppose the reduction to any extent to say now that the reduction of 4 annas will not benefit the masses in this country to an appreciable extent. Even the reduction of 4 annas is an appreciable reduction. If you consider that your total duty is Rs. 1-4-0, it is 20 per cent. reduction. Sir, I have seen this House sometimes insisting upon even a 1 per cent. reduction of the duty. There were proposals that the cotton excise duty should be reduced by $\frac{1}{2}$ per cent. or 1 per cent. Sir, if the benefit of $\frac{1}{2}$ per cent. or 1 per cent. reduction would be passed on to the consumer, I cannot understand how a reduction by 20 per cent. would not be passed on to the consumer. If the middle man makes the profit out of the reduction, who is responsible for it? At least I am not against Government controlling salt prices. I propose, Sir, to the Government that if they think that the middle man is making more profit, they should control salt prices. But, Sir, they themselves will not do it. They are the friends of the middle man, not I.

Then, Sir, the worst part of this question is the linking together of the provincial contributions to this salt tax. This has been done now for the second time, in these two years, and I feel, Sir, that the Honourable the Finance Member has shown great cleverness in this matter. Sir, he is very clever indeed. By his method of linking together provincial contributions to the salt tax, he has made sure that the salt tax will not be reduced at least till provincial contributions are remitted altogether.

The Honourable Sir Basil Blackett: He has a way of recognising facts; that is all.

Mr. N. M. Joshi: The Honourable the Finance Member says he recognises facts, but, Sir, I know one fact that the salt tax is not the only tax in the world and I feel quite sure that the ingenuity of the Honourable the Finance Member has not come to an end that he should not be able to find any other tax except the salt tax which he should link to provincial contributions.

The Honourable Sir Basil Blackett: I did not link it; the House did.

Mr. N. M. Joshi: After all, Sir, if you want to give up provincial contributions—and I quite recognise the necessity—it is open to you to levy a new tax, which will be fair, which will be more just than the salt tax. Why don't you do it? Moreover, much is made of the use of the provincial contributions. It is said that the remitting of contributions to the provinces is in the interest of the poor people. But, Sir, let us examine this question in a little more detail. After all, we are only cutting down Rs. 90 lakhs during this year. Rs. 50 lakhs are going to be given to Bombay and some other provinces, although, strictly speaking, they are not entitled to this remission this year.

The Honourable Sir Basil Blackett: That depends on the passing of this motion.

Mr. N. M. Joshi: Sir, if the Honourable the Finance Member is not bound to give to Bombay and other provinces these 50 lakhs, why should he offer them this gift this year, when the House does not want to give him salt tax at Rs. 1-4-0? Sir, let him give up those 50 lakhs; then there remains only 40 lakhs. Sir, even out of these 40 lakhs, the whole amount will not go to what is known as the nation-building departments. When this

[Mr. N. M. Joshi.]

amount is given to the provinces, the provinces will divide the money between the reserved and the transferred subjects; at least half of it will go to the reserved subjects.

The Honourable Sir Basil Blckett: No.

Honourable Members: No. (*Mr. K. Ahmed:* "No, not in Bengal.")

Mr. N. M. Joshi: At least part of this will be given to the reserved subjects. (*Voices:* "No.") There is no guarantee. I have not heard any Provincial Government saying that they will ear-mark this amount only for the transferred departments. If the Honourable the Finance Member gets up in his place and says that Provincial Governments are willing to ear-mark the whole amount for the transferred subjects, and if they will also give the amounts which they are spending to-day, I am quite prepared to change my vote, my view.

Khan Bahadur W. M. Hussanally: Will you vote for the tax at Rs. 1-4-0 if Provincial Governments give an undertaking?

Mr. N. M. Joshi: Sir, I do not feel any Provincial Government will give you that guarantee. I feel sure that the Honourable the Finance Member will not give you that guarantee. Then, Sir, there are people, Members of this House, who have stated that this money will be utilised for education, for medical help, for sanitation, for co-operation, in their provinces and it will be of great help to the poor people. Now, Sir, let us examine this question also. I am told the incidence of this reduction of the salt tax will be only half anna. I do not know exactly what it is. Half an anna per person or, as some say, nine pies per person. Let us examine what these 9 pies, if given to the poor man, will bring him. How much education will these Provincial Governments give to each man for 9 pies? How many minutes' education will that afford? If Provincial Governments mean to give medical relief to each man who pays his tax of 9 pies, I want to know, Sir, how many doses of medicine will Provincial Governments give to each man who pays his tax. Sir, I feel quite sure that this amount is not going to benefit the tax-payers, at least all the tax-payers. This amount is bound to be used for the benefit of a very small number of people. I know, Sir, that in my own province it requires a sum of Rs. 20 to give education to a child in the primary school for a year. I do not know how many days' education each man's son will get for the 9 pies. (*Sir Hari Singh Gour:* "But every man who eats salt does not get education".) My friend Dr. Gour says that every man need not get education. Sir, it is this aspect of the question that makes me oppose this tax. If you want to levy a tax on all classes of people, its benefit must go to all of them. Then only that tax is a just tax. Sir, I oppose this tax because this tax is levied upon all people while the money that it brings in to the Government is spent only upon a few people. Sir, I know there are many Members who do not see anything wrong in this. They think that it is right to take a tax from all people and spend it on a few people. I feel, Sir, this is a most unjust and most unfair method of taxation. Sir, if a time comes when every child in this country will receive education and when every person in this country will get free medical relief, I shall cease to oppose the levying of the salt tax. But as long as all the children of

this country do not get education and as long as every man in this country does not get free medical relief, I shall continue opposing this tax.

Sir, I have heard it said several times that people do not like Bolshevism. They hate Bolshevism. They are horrified at Bolshevism. But what is Bolshevism? They say it consists in taking away the properties of a few for the benefit of the many. (*Sir Hari Singh Gour*: "For the benefit of the many!") Yes, for the benefit of the many. Sir, I feel less horrified at that Bolshevism than I feel horrified at the Bolshevism which levies a tax on the commonest people, on the masses, and gives the benefit to a much smaller number. (*Mr. K. Ahmed*: "That is the comedy of errors.") Sir, this comedy is the worst tragedy that should ever befall this world, namely, that people should be made to pay when the benefit should be given to some other class of people. Fortunately, Sir, in this House there are people who think that the richer people and the middle class are the only people who should get the benefit while the tax should be paid by all. Sir, I do not hold that view. I think it is unjust and unfair.

There is only one word more which I should like to say, and it is this. There are many Members here who seem to be weighed down by the sense of responsibility. (Laughter.) Sir, they feel that after having voted the Demands for Grants, they must now vote for this taxation. They are quite willing to place themselves in the place of the Honourable the Finance Member. But, Sir, I would very humbly ask the Honourable the Finance Member to place himself in my position. Sir, it is not in the hands of this House to levy a particular tax. It is not in the hands of this House to arrange a proper system of taxation in this country. It is in the hands of the Honourable the Finance Member. It is only in our hands to reduce a tax. The day on which the Finance Member gives me the power of arranging the taxation of this country in a proper manner according to my ideas, I shall feel that sense of responsibility. Then, Sir, he need not place himself in my position and I need not place myself in his position. But, Sir, till then it is only open to me to reduce a tax which I shall do and I ask the Finance Member to find out a more just and a fairer tax than the salt tax.

Mr. Darcy Lindsay (Bengal: European): Sir, I am not a salt tax expert like my Honourable friend Mr. Willson or Mr. Joshi, but I should like to offer a few remarks on the matter before the House. We have, Sir, the very sorry spectacle before us that for the sake of a political agitation and possibly with a view to capturing votes at the next general election one and a quarter crores of necessary revenue is to be sacrificed, revenue the non-collection of which will not benefit the people as was so very clearly expressed to us a few days ago by my Honourable friend Mr. Bipin Chandra Pal. And what is the sacrifice that we are asked to make, Sir? It is the sacrifice of the great benefit that it is admitted must come to the provinces if the proposed reduction of provincial contributions is brought about. If this is a sample of what is likely to happen were India to be handed over to self-government, it would almost be a breach of faith to her people to bring in responsible government. (*A Voice*: "It will never happen.") To talk of responsible government is a travesty. It is irresponsible government which is really meant. (*Mr. R. K. Shanmukham Chetty*: "That is what exists now, an irresponsible Government.") Now, Sir, to return to the point made by my Honourable friend Mr. Bipin Chandra Pal. I notice that neither my Honourable friends Mr. Chetty nor Mr. Joshi, the champion of labour, has explained to the House how

[Mr. Darcy Lindsay.]

this small reduction of 4 annas, which we are told amounts to 9 pies per head per annum, is going to be brought to the pocket of the people. I am told that the ordinary purchases made by the people cost a few pice, and we are told that one seer of salt would be affected to the extent of 1 pie, or one-twelfth of an anna. How is that one-twelfth of an anna to benefit the people?

Mr. C. Duraiswami Aiyangar: May I know what the Honourable Member's view is about the average income per head per annum?

Mr. Darcy Lindsay: I do not see what the average income of a man has to do with this question as to whether a 4-anna reduction in the salt duty will benefit the people or not. I agree with my Honourable friend Mr. Bipin Chandra Pal that it will benefit the middle man and nobody else. That was the point of his argument and that has not been refuted either by Mr. Joshi or by Mr. Chetty.

Friends of mine in this House and amongst them a very prominent member of the Swaraj party. . . . (A Voice: "Who is he.") He is Mr. Shamlal Nehru. Sir, these friends of mine state that if the tax on salt were raised to Rs. 2-8 and the whole of the increase between Rs. 1-4 and Rs. 2-8 were given over to the provinces, they would vote for such an increase. It is true that my Honourable friend Mr. Shamlal made a stipulation that this money would have to be devoted to such purposes as irrigation, canal-making and anything that could be done to increase the fertility of the soil. But the main point remains that he sees no harm

to the people of India in being asked to pay a salt tax at the rate of Rs. 2-8 per maund. Another point, Sir, in support of such an increase, if it were, as I say, to be earmarked for the benefit of the provinces, would be to bring home to the people of this country a sense of political responsibility, which I fear they very much lack at present. If the people were to realise that, by paying this extra Rs. 1-4 per maund for their salt, they were getting distinct benefits in their provinces, I maintain that they would then also realise that they were doing something towards the upkeep of the country. On those grounds, Sir, I ask this House not to take advantage of what was, in the opinion of some of us, nothing more than a catch vote the other day, and I ask the House to realise the great advantages to the country by allowing the provinces to spend more money on benefits for the people, and on these grounds I ask support to the Government in restoring the Rs. 1-4 rate in the Finance Bill.

Mr. C. S. Ranga Iyer: On a point of information, Sir. May I ask the Honourable Member when and where Pandit Shamlal Nehru gave expression to the opinion that if you raised the salt tax with a view to benefit the provinces by reducing the provincial contributions, he would support an increased salt tax?

Mr. Darcy Lindsay: In this House.

Pandit Shamlal Nehru: May I be allowed to clear the matter, Sir? I did suggest to Mr. Darcy Lindsay and the Honourable Sir Basil Blackett that I was in favour of increasing the salt duty to Rs. 2-8, provided it was

guaranteed that every picé of the duty would be utilised for making canals and other agricultural purposes only. (Hear, hear.)

Khan Bahadur W. M. Hussanally (Sind: Muhammadan Rural): Sir, I rise to support the motion that is now before the House, and in doing so I have only one or two remarks to make in connection with the speech of my Honourable friend Mr. Joshi and the remark that has just fallen from my friend Pandit Shamlal Nehru. Both of them have no objection to the principle of the tax as far as I can understand them. They quite agree with the principle of the salt tax, and they both think that they would be glad to vote for the tax, even if it is a tax beyond Rs. 1-4, provided the money is used for the nation-building departments of the State

Pandit Shamlal Nehru: No, I did not say that; only for one particular purpose.

Khan Bahadur W. M. Hussanally: Yes, irrigation; I take irrigation also as a nation-building department or, at any rate, a department of public utility.

Pandit Shamlal Nehru: For one purpose only, and that is to benefit the person who is paying the tax.

Mr. K. Ahmed: Will the Honourable Member from the United Provinces then withdraw his objection to the Bill called the Cattle Protection Bill which he says will stop export of meat to other countries?

Pandit Shamlal Nehru: I do not understand what relevance the Honourable Member's observation has to the present question.

Khan Bahadur W. M. Hussanally: My friend Mr. Joshi said he would be prepared to vote for an enhanced tax and he told me yesterday that he would be prepared to vote even for a tax of Rs. 10 a maund if the money were spent on education, etc., in the provinces. Now, Sir, if that is so, he has no objection to the principle of the tax. (*Mr. Percy Lindsay*: "Hear, hear!")

Mr. N. M. Joshi: May I make it quite clear?

Mr. President: Order, order. Mr. Hussanally.

Khan Bahadur W. M. Hussanally: If that is so, Sir, I want to draw the attention of the House to the fact that Mr. Joshi and his friends have no objection to the principle of the tax, and so far as Bombay is concerned, my friend Mr. Joshi knows that about two years ago they passed an Education Bill, and that Act is going to be brought into force from the 1st of April next. Under that Act, so far as the Bombay Presidency is concerned, it is going to take up the question of compulsory education by gradual stages, and it is expected that the Bombay Presidency will have compulsory education in the course of the next 10 years or so. Well, Sir, so far as the education of the Muhammadans of my province is concerned, they are extremely backward. I suppose no other province is so backward as our province of Sind, so far as Muhammadan education is concerned, and nothing will please me more than to see education made compulsory in my province first of all, and if the Presidency of Bombay has no money, where is it to go to find money to make education compulsory?

[Khan Bahadur W. M. Hussanally.]

We know that two money Bills were presented to the Council quite recently, and one of them was withdrawn, and the other thrown out; and we know now that the Bombay Presidency has a large deficit, and it looks to the remission of the provincial contribution from here to make its budget balance. If that is so, does not my friend Mr. Joshi see that, if this tax is kept at Rs. 1-4, the Bombay Presidency will have at least some kind of relief for which it has been clamouring all along ever since the Meston Award

Mr. K. Ahmed: So will Eastern Bengal, which is clamouring also.

Khan Bahadur W. M. Hussanally: Bengal has already stolen a march over the other provinces. It has already got a remission, and under the Resolution which the Honourable the Finance Member will place before us to-day, Bengal is to go scot free for all time. But Bombay is a province which has suffered the most and has been clamouring for a reconsideration of that assignment. So that it is in the interests of the Presidency from which Mr. Joshi comes that this tax should be allowed to remain at Rs. 1-4 as heretofore. If the tax were taken away entirely, nothing would please me more than to vote for it, if it could be done. I was one of those who voted against the enhancement of the tax two years ago and we succeeded in bringing it back to Rs. 1-4 as heretofore. But before the salt tax is taken off, we must make a point to remove the 50 crores of extra taxation which we imposed two or three years ago. That amount of extra taxation which we imposed on account of the war must go long before the salt tax is reduced, and more especially as my friend Mr. Joshi has no objection to the principle of the salt tax.

Mr. N. M. Joshi: Sir, on a point of personal explanation. The previous speaker has stated that I told him in my private conversation that I would be ready to put the tax at Rs. 10 a maund on salt, provided certain conditions were fulfilled. What I told him was this, that I am opposed to the salt tax in principle, but if you think the poor people in this country will not be educated without a salt tax, I shall be ready for it, provided every person who is taxed gets the benefit of the amount of that tax. As long as that is not done, I am not prepared to levy the salt tax on all people for the benefit of a few middle-class people.

Mr. M. A. Jinnah: I rise to a point of order, Sir. I want your ruling once for all as to whether it is permissible for any Member to refer to any private conversation that may have taken place between Members in the lobby, and is this House going to be the subject or the victim of controversies of this character?

Mr. President: I understood that when Mr. Darcy Lindsay referred to the opinions of Pandit Sham Lal Nehru and Mr. Joshi he was referring to something which had been said in this House and as Mr. Sham Lal Nehru said that he had said it in the House I assumed that it was said during debate. As far as private conversations outside the House are concerned, it is improper to bring them into debate because it is obvious that if two memories disagree, no one can decide between them.

Mr. Harchandrai Vishindas: I move that the question be now put.

Mr. Kamini Kumar Chanda (Surma Valley *cum* Shillong: Non-Muhammadan): Sir, this House has listened to enough speeches already and I shall not make one more speech now. I shall just say one word why I oppose this motion. Sir, after the decision of this Assembly regarding the salt duty the last time and the speech of the Honourable Sir Basil Blckett withdrawing the offer he made of 50 lakhs for reducing the provincial contributions, I received a wire from the two Ministers of my province, the Honourable Mr. P. C. Datta and the Honourable Maulvi Sayed Muhammad Saadulla. This is the telegram:

"Earnestly urge you to support Finance Bill if sent back by Council of State for reconsideration as it enables Assam to get considerable remission so badly needed."

Sir, the opinions and wishes and requests of the Ministers are entitled to every respect, but I cannot guide myself by that opinion until and unless it has been endorsed by my constituency; and one of these two Ministers, the Honourable Maulvi Sayed Muhammad Saadulla, does not belong to my constituency at all. (*An Honourable Member*: "Which is your constituency?") Surma Valley and Shillong. I therefore wired to them requesting them to ask the Members of the Assam Council from my constituency, who were then in Shillong, to let me know whether to oppose the reduction of salt duty even if Assam votes did not turn the scale. At the same time I sent a wire to my constituency, that is, the Sylhet Bar, who sent me here unopposed. Yesterday I got their reply; it is this:

"We support reduction of salt tax even if provincial remission be withheld. Bar Library."

I have not received any reply from the Honourable Ministers nor any wire from the Members of the Assam Council from the Surma Valley who are now in Shillong. Under these circumstances, Sir, apart from the fact that I formed my own judgment the last time after giving every due consideration to all the matters that were urged and after discussion with my friend, Mr. Cosgrave, the official Member for Assam, I say apart from the decision which I then formed, I do not see how I can disregard this mandate and support the motion. I therefore oppose the motion.

Some Honourable Members: I move that the question be now put.

Mr. C. S. Ranga Iyer: On a point of order, Sir. I believe Mr. Darcy Lindsay said that Pandit Shamlal Nehru made that statement "in this House". Judging from the official report, I do not think Pandit Shamlal Nehru gave expression to any such opinion "in this House". And I further understand, Sir, that it was a private conversation.

Mr. President: The Honourable Member need not take points of order in favour of somebody else who is present and can do so himself.

Pandit Shamlal Nehru: On a point of personal explanation, Sir, about this affair. I spoke about it to Sir Basil Blckett at the Maiden's Hotel dinner and to Mr. Darcy Lindsay in the lobby of this House.

Mr. Darcy Lindsay: Pandit Shamlal Nehru was sitting in his seat there.

Pandit Shamlal Nehru: I mean that I mentioned it during a private conversation.

Mr. President: Do I understand from Mr. Darcy Lindsay that this was a private conversation?

Mr. Darcy Lindsay: Yes, Sir.

Mr. President: Then he had no right to repeat it here.

***Mr. B. Venkatapatiraju** (Ganjam *cum* Vizagapatam: Non-Muhamadan Rural): Sir, I do not take the statement made by Sir Basil Blackett as accurate. I take it that he wanted to place it according to his interpretation and understanding that he could not spare any larger amount than what he states is available for provincial contributions. All the same, I am opposing his motion not on one ground but on several grounds; firstly, because we wanted to set up a convention in this House that whenever a money Bill is passed, as it is for us to provide money for expenditure, it is for us to provide means of defraying that expenditure. It is not the business of the upper House to do it and therefore I say that this House should jealously guard against any intervention. Whether we have committed mistakes or not, it should not interfere with reference to money Bills; and on that ground and that ground alone it is sufficient for this House to maintain its prestige, to maintain its rights and privileges, and they should not tolerate any interference from the other House. Secondly, Sir, I wish to say this. There is some idea that the reduction of the salt duty by four annas will not affect the poor. The Honourable Sir Alexander Muddiman mentioned the regrettable news of the death of Lord Curzon. It was Lord Curzon, whatever be his other faults, who had done the greatest service to our country by reducing the salt duty for the first time in the annals of India from Rs. 2-8 to Rs. 1-8 and from Rs. 1-8 to Re. 1. Why did he do so? He himself stated—I am quoting his own words—that he reduced it to Re. 1 because though it may not give much relief, yet the amount was very appreciable in a poor household in India. Even Lord Curzon stated that such relief was appreciable in India. When was it done? When they had a surplus of only 2 crores they were prepared to forego 160 lakhs in order to reduce the salt tax. Therefore I say we ought not to regard this reduction as appreciable or not. In those days Mr. Gokhale and Dr. Rash Behari Ghose stated that they were pleading only for reduction as an instalment—they were out for the abolition of that tax. Therefore I say that whatever relief you give will be helpful to the poor households of India. I may not agree with some of the observations of Mr. Shanmukham Chetty, but I state this. Whatever the Council there or elsewhere say, as we have come here to represent the people, it is our duty, not as a political gesture as our friend suggested or to make political capital or to secure votes, because we are not afraid that the securing of our votes depends upon whether we support this or that proposal, but it depends upon the whole conduct and upon the way in which we understand the situation and represent the views of the public. I am free to concede that those who are voting with the Government have got equally honest views, but they must concede the same honesty of purpose to us who oppose Government, instead of side-tracking the issue and saying we want to catch votes. I may say that I have been elected several times without opposition not because I had done this or I had done that, but because the electorate judged me by better methods; our people though illiterate know the worth of a man and they do not care for these things, whether he has voted for this or that.

*Speech not corrected by the Honourable Member.

But I ask, have we not got sufficient funds to provide for both? (*Mr. Mahmood Schamnad Sahib Bahadur*: "No.") My friend *Mr. Schamnad* says on behalf of Government that we have no funds. I pity his knowledge, because though he is as expert as the Honourable *Sir Basil Blackett*, the Honourable the Finance Member himself during the last three years has made mistakes. What did he say when he had to increase the taxation? He said that he could not balance the Budget unless he increased the taxation. But what were the actual figures? Were they not ultimately far better than he had expected. Did we not realise a far larger income than we had expected? He suggested that we should continue it in order to provide relief to the provinces. We said "No", and that whatever he did or what he did not do, he must not tax the poor tax-payer. Then also the other House wanted to interfere, and the Government thought it best not to interfere. And even now the Honourable *Sir Basil Blackett* has given his word that in whatever this House decides he would not interfere. Under these circumstances, we have to consider and find out whether we have funds to provide for the provincial contributions. The Honourable *Sir Basil Blackett* says he has none

The Honourable Sir Basil Blackett: The question is a perfectly simple one. If this tax is reduced to Rs. 1-4-0, the permanent amount available must be reduced by 125 lakhs. That will be the result of the vote.

Mr. B. Venkatapitiraju: Had he considered ten days before what amount we are going to realise in excess of his estimates in the current year from the railway estimates? Has he considered how much he is going to realise in the current year in military expenditure? Would not there be an actual reduction in our expenditure in 1925-26? This small sum of 90 lakhs or 1 crore is nothing for a mighty Government, and I am quite sure when the Honourable the Finance Member presents the figure for 1925-26 he would tell us that we had a saving of a crore or so. Again, I ask, is it not possible in the ways which are open to the Government to provide this small sum of 90 lakhs or a crore? According to our view, I say it would be quite possible for Government to provide this sum only if they have a mind to do so. I may mention one other circumstance. I have suggested various methods of reduction as well as various methods of increasing the revenue

The Honourable Sir Basil Blackett: I should like to know, Sir if all this is in order, because I did not deal with this subject. I am perfectly prepared to state that I have examined the estimates fully and that there is no possibility of any other result from this decision than a reduction of the provincial contributions.

Mr. B. Venkatapitiraju: I may state for the information of the House that from the very beginning I have been in favour of these provincial contributions. When some of our friends were hesitating to support provincial contributions in 1921 when a motion was made for the reduction of the Bengal contribution, I moved an amendment that the case of Madras and of other provinces as well should be considered. Since then I am moving, whenever an opportunity occurs, for reduction of provincial contributions. My honest belief is, in spite of the statement of the Honourable *Sir Basil Blackett* that he will not get anything, according to my own view of the matter, I am quite sure he would have enough savings. After all, these are only estimates. If *Sir Basil Blackett* says that he has found

[Mr. B. Venkatapatiraju.]

out the actual figures, I will not challenge his statement. But in the matter of guesses, every man has got a right of guessing according to his own view

Mr. President: I would remind the Honourable Member that the subject under debate is not Demands for Grants which have already been passed. What we are discussing now is that the reduction of four annas made in the salt duty be restored, and this debate is limited to that. When the Honourable Member talks of estimates which have been passed by this House, they must be held to stand as they were passed by this House. They are not now open to review.

Mr. B. Venkatapatiraju: Well, Sir, according to your ruling, I will confine myself to the subject under discussion. I am not one of those who think that we should act in this matter without any responsibility. We have as much responsibility as those who sit on the Treasury Benches, and as far as I am concerned, whenever I suggested a reduction of revenue, I suggested an increase of revenue as well. The Government have not seen their way to provide additional revenue by reducing taxation, and the responsibility for this neglect is therefore on the Government and on their advisers and not on us, because we want this salt tax to be reduced to its old level which was increased only during the period of the war. Therefore, Sir, now that we are in normal times, I urge that the salt tax should be reduced. Then, Sir, it was mentioned in the other House that some Members of the Madras Council wanted to condemn the action of the Madras representatives in this House who wanted to support a reduction of the salt tax, but it is not a fact. On reading the proceedings of the Madras Council, which have appeared in this morning's papers, we find that what they say is that they want the contributions, but they do not complain of their friends urging a reduction of the salt tax. Therefore, we would strongly urge the Government that they should think twice before they decide to increase the tax, and even if Sir Basil Blackett says that he would reduce the tax, the burden would be upon him to reduce

The Honourable Sir Basil Blackett: The burden would be on the provinces.

Mr. B. Venkatapatiraju: because the Government of India have given a pledge to wipe off all provincial contributions, and it is therefore their duty to fulfil their pledge. (*A Voice:* "Without money?")

Some Honourable Members: I move that the question be now put.

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

The motion was adopted.

Mr. President: The question is:

"That the amendment made by the Council of State in the Bill to fix the duty on salt manufactured in, or imported by land into, certain parts of British India, to remit or vary certain duties leviable under the Indian Tariff Act, 1894, to fix maximum rates of postage under the Indian Post Office Act, 1898, to reduce the import and excise duties on motor spirit, further to amend the Indian Paper Currency Act, 1923, and to fix rates of income-tax, be taken into consideration."

The Assembly divided:

AYES—68.

Abdul Mumin, Khan Bahadur Muhammad.
 Abdul Qaiyum, Nawab Sir Sahibzada.
 Abul Kasem, Maulvi.
 Ahmad Ali Khan, Mr.
 Ahmed, Mr. K.
 Aiyer, Sir P. S. Sivaswamy.
 Ajab Khan, Captain.
 Akram Hussain, Prince A. M. M.
 Alimuzzaman Chowdhry, Mr.
 Ashworth, Mr. E. H.
 Bhat, Mr. K. Sadasiva.
 Bhole, Mr. J. W.
 Blackett, The Honourable Sir Basil.
 Bray, Mr. Denys.
 Burdon, Mr. E.
 Calvert, Mr. H.
 Clow, Mr. A. G.
 Cocke, Mr. H. G.
 Cosgrave, Mr. W. A.
 Crawford, Colonel J. D.
 Dalal, Sardar B. A.
 Das, Mr. B.
 Fleming, Mr. E. G.
 Ghazanfar Ali Khan, Raja.
 Ghose, Mr. S. C.
 Ghulam Abbas, Sayyad.
 Gour, Sir Hari Singh.
 Graham, Mr. L.
 Hira Singh Brar, Sardar Bahadur Captain.
 Hudson, Mr. W. F.
 Hussanally, Khan Bahadur W. M.
 Hyder, Dr. L. K.
 Innes, The Honourable Sir Charles.
 Jeolani, Haji S. A. K.
 Jinnah, Mr. M. A.
 Kasturbhai Lalbhai, Mr.

Lindsay, Mr. Darcy.
 Lloyd, Mr. A. H.
 Mahmood Schamnad Sahib Bahadur, Mr.
 Makan, Mr. M. E.
 Marr, Mr. A.
 McCallum, Mr. J. L.
 Milne, Mr. R. B.
 Mitra, The Honourable Sir Bhupendra Nath.
 Moir, Mr. T. E.
 Muddiman, The Honourable Sir Alexander.
 Muhammad Ismail, Khan Bahadur Saiyid.
 Naidu, Mr. M. C.
 Nambiyar, Mr. K. K.
 Pal, Mr. Bipin Chandra.
 Purshotamdas Thakurdas, Sir.
 Rajan Bakhsh Shah, Khan Bahadur Makhдум Syed.
 Raj Narain, Rai Bahadur.
 Ramachandra Rao, Diwan Bahadur M Rangachariar, Diwan Bahadur T.
 Rau, Mr. P. R.
 Reddi, Mr. K. Venkataramana.
 Rhodes, Sir Campbell.
 Rushbrook-Williams, Prof. L. F.
 Sastri, Diwan Bahadur C. V. Visvanatha.
 Setalvad, Sir Chimanlal.
 Singh, Rai Bahadur S. N.
 Singh, Raja Raghunandan Prasad.
 Stanyon, Colonel Sir Henry.
 Sykes, Mr. E. F.
 Tonkinson, Mr. H.
 Willson, Mr. W. S. J.
 Wilson, Mr. R. A.

NOES—50.

Abdul Karim, Khwaja.
 Abhyankar, Mr. M. V.
 Acharya, Mr. M. K.
 Aiyangar, Mr. C. Duraiswami.
 Aiyangar, Mr. K. Rama.
 Aney, Mr. M. S.
 Ariff, Mr. Yacoob C.
 Chamau Lall, Mr.
 Chanda, Mr. Kamini Kumar.
 Chetty, Mr. R. K. Shanmukham.
 Das, Pandit Nilakantha.
 Datta, Dr. E. K.
 Dutt, Mr. Amar Nath.
 Goswami, Mr. T. C.
 Gulab Singh, Sardar.
 Hans Raj, Lala.
 Hari Prasad Lal, Rai.
 Ismail Khan, Mr.
 Iyengar, Mr. A. Rangaswami.
 Joshi, Mr. N. M.
 Kelkar, Mr. N. C.
 Kidwai, Shaikh Mushir Hosain.
 Lohokere, Dr. K. G.
 Malaviya, Pandit Krishna Kant.
 Malaviya, Pandit Madan Mohan.
 Mehta, Mr. Jannadas M.

Misra, Pandit Shambhu Dayal.
 Misra, Pandit Harkaran Nath.
 Murtuza Sahib Bahadur, Maulvi Saynd.
 Narain Dass, Mr.
 Nehru, Dr. Kishenlal.
 Nehru, Pandit Motilal.
 Nehru, Pandit Shamlal.
 Neogy, Mr. K. C.
 Patel, Mr. V. J.
 Phookun, Mr. Tarun Ram.
 Piyare Lal, Lala.
 Ranga Iyer, Mr. C. S.
 Ray, Mr. Kumar Sankar.
 Gulab Khan, Mr. M.
 Sarda, Rai Sahib M. Harbilas.
 Sarfaraz Hussain Khan, Khan Bahadur.
 Shafee, Maulvi Mohammad.
 Singh, Mr. Gava Prasad.
 Sinha, Mr. Ambika Prasad.
 Sinha, Mr. Devaki Prasad.
 Syamacharan, Mr.
 Tok Kyi, Maung.
 Venkatapattiraju, Mr. B.
 Yusuf Imam, Mr. M.

The motion was adopted.

Mr. President: Amendment made by the Council of State:

"In clause 2, sub-clause (1) of the Bill, for the words 'one rupee' the words 'one rupee and four annas' be substituted."

The question I have to put is that this Assembly do agree with the Council of State in that amendment.

The Assembly divided:

AYES—70.

Abdul Mumin, Khan Bahadur Muhammad.	Lloyd, Mr. A. H.
Abdul Qaiyum, Nawab Sir Sahibzada.	Mahmood Schamnad Bahadur, Mr. Sahib
Abul Kasem, Maulvi.	Makan, Mr. M. E.
Ahmad Ali Khan, Mr.	Marr, Mr. A.
Ahmed, Mr. K.	McCallum, Mr. J. L.
Aiyer, Sir P. S. Sivaswamy.	Milne, Mr. R. B.
Ajab Khan, Captain.	Mitra, The Honourable Sir Bhupendra Nath.
Akram Hussain, Prince A. M. M.	Moir, Mr. T. E.
Alimuzzaman Chowdhry, Mr.	Muddiman, The Honourable Sir Alexander.
Ashworth, Mr. E. H.	Muhammad Ismail, Khan Bahadur Saiyid.
Bhat, Mr. K. Sadasiva	Mutalik, Sardar V. N.
Bhore, Mr. J. W.	Naidu, Mr. M. C.
Blackett, The Honourable Sir Basil Bray, Mr. Denys.	Nambiyar, Mr. K. K.
Burdon, Mr. E.	Pal, Mr. Bipin Chandra.
Calvert, Mr. H.	Purshotamdas Thakurdas, Sir.
Clow, Mr. A. G.	Rajan Bakhsh Shah, Khan Bahadur Makhdum Syed.
Cocke, Mr. H. G.	Raj Narain, Rai Bahadur.
Cosgrave, Mr. W. A.	Ramachandra Rao, Diwan Bahadur M.
Crawford, Colonel J. D.	Rangachariar, Diwan Bahadur T.
Dalal, Sardar B. A.	Rau, Mr. P. R.
Das, Mr. B.	Reddi, Mr. K. Venkataramana.
Fleming, Mr. E. G.	Rhodes, Sir Campbell.
Ghazanfar Ali Khan, Raja.	Rushbrook-Williams, Prof. L. F.
Ghose, Mr. S. C.	Sastri, Diwan Bahadur C. V. Visvanatha.
Ghulam Abbas, Sayyad.	Setalvad, Sir Chimanlal.
Gour, Sir Hari Singh.	Singh, Rai Bahadur S. N.
Graham, Mr. L.	Singh, Raja Raghunandan Prasad.
Hira Singh Brar, Sardar Bahadur Captain.	Stanyon, Colonel Sir Henry.
Hudson, Mr. W. F.	Sykes, Mr. E. F.
Hussanally, Khan Bahadur W. M.	Tonkinson, Mr. H.
Hyder, Dr. L. K.	Wajihuddin, Haji.
Innes, The Honourable Sir Charles.	Willson, Mr. W. S. J.
Jeelani, Haji S. A. K.	Wilson, Mr. R. A.
Jinnah, Mr. M. A.	
Kasturbhai Lalbhai, Mr.	
Lindsay, Mr. Darcy	

NOES—50.

Abdul Karim, Khwaja.
 Abhyankar, Mr. M. V.
 Acharya, Mr. M. K.
 Aiyangar, Mr. C. Duraiswami.
 Aiyangar, Mr. K. Rama.
 Aney, Mr. M. S.
 Ariff, Mr. Yacoob C.
 Chaman Lall, Mr.
 Chanda, Mr. Kamini Kumar.
 Chetty, Mr. R. K. Shanmukham.
 Das, Pandit Nilakantha.
 Datta, Dr. E. K.
 Dutt, Mr. Amar Nath.*
 Goswami, Mr. T. C.
 Gulab Singh, Sardar.
 Hans Raj, Lala.
 Hari Prasad Lal, Rai.
 Ismail Khan, Mr.
 Iyengar, Mr. A. Rangaswami.
 Joshi, Mr. N. M.
 Kelkar, Mr. N. C.
 Kidwai, Shaikh Mushir Hosain.
 Lohokare, Dr. K. G.
 Malaviya, Pandit Krishna Kant.
 Malaviya, Pandit Madan Mohan.
 Mehta, Mr. Jannadas M.

Misra, Pandit Shambhu Dayal.
 Misra, Pandit Harkaran Nath.
 Murluza Sahib Bahadur, Maulvi Sayad.
 Narain Dass, Mr.
 Nehru, Dr. Kishental.
 Nehru, Pandit Motilal.
 Nehru, Pandit Shamlal.
 Neogy, Mr. K. C.
 Patel, Mr. V. J.
 Phookun, Mr. Tarun Ram.
 Piyare Lal, Lala.
 Ranga Iyer, Mr. C. S.
 Ray, Mr. Kumar Sankar.
 Samiullah Khan, Mr. M.
 Sarda, Rai Sahib M. Harbilas.
 Sarfaraz Hussain Khan, Khaw Bahadur.
 Shafee, Maulvi Mohammad.
 Singh, Mr. Gaya Prasad.
 Sinha, Mr. Ambika Prasad.
 Sinha, Mr. Devaki Prasad.
 Syamacharan, Mr.
 Tok Kyi, Maung.
 Venkatapatiraju, Mr. B.
 Yusuf Imam, Mr. M.

The motion was adopted.

THE INDIAN COTTON CESS (AMENDMENT) BILL.

Mr. J. W. Bhore (Secretary: Department of Education, Health and Lands): I beg to move for leave to introduce:

“A Bill further to amend the Indian Cotton Cess Act, 1923.”

I do not think, Sir, that it is necessary for me to supplement at any length the Statement of Objects and Reasons attached to this Bill. As the House is aware, the Indian Cotton Cess Act, 1923, provided for the levy of a cess on all cotton produced in British India and either exported from a customs port to any port outside India or consumed in any cotton mill in India. But that did not provide for the case of cotton exported by land to foreign territory either for the purpose of consumption in mills or for the purpose of export. So last year an amending Act was passed to cover these cases. But, Sir, experience has again shown yet another difficulty. Cotton which is taken to foreign territory is often re-exported into British India. In fact, two-thirds of the cotton produced in India which finds its way into the Portuguese territory of Goa is taken there for the purpose of transport by sea to other parts of India. Now, Sir, this cotton pays the cess twice over. It pays the cess firstly when it crosses the land customs frontier and it pays the cess secondly when it passes into consumption in the mills in India. Obviously this double levy is inequitable, and the present Bill provides for the grant of a refund of the first payment in such cases. It also authorises the Central Board of Revenue to exempt, under conditions, cotton which passes the frontier, merely in transit from one part of British India to another, from payment of the cess.

Sir, I beg to move the motion that stands in my name.

The motion was adopted.

Mr. J. W. Bhore: I introduce the Bill.

Mr. J. W. Bhore: Sir, I beg to move that the Bill further to amend the Indian Cotton Cess Act, 1923, be taken into consideration.

The motion was adopted.

Clause 2 was added to the Bill.

Clause 1 was added to the Bill.

The Title and Preamble were added to the Bill.

Mr. J. W. Bhore: I beg to move that the Bill be passed.

The motion was adopted.

THE INDIAN TRADE UNIONS BILL.

APPOINTMENT OF MR. A. G. CLOW TO THE SELECT COMMITTEE.

The Honourable Sir Bhupendra Nath Mitra (Industries Member): I beg to move:

"That Mr. A. G. Clow be appointed to the Select Committee on the Bill to provide for the registration of Trade Unions and in certain respects to define the law relating to registered Trade Unions in British India."

The motion was adopted.

RESOLUTION RE PROVINCIAL CONTRIBUTIONS.

The Honourable Sir Basil Blackett (Finance Member): I rise to move the Resolution which stands in my name on the paper:

"That this Assembly recommends to the Governor General in Council that he be pleased:

- (a) in pursuance of sub-rule (1) of rule 18 of the Devolution Rules, to determine the sum of rupees 733 lakhs as the total contribution to be paid to the Governor General in Council for the financial year 1925-26 by the Local Governments mentioned in rule 17 of the said rules;
- (b) to take the necessary steps to amend sub-rule (2) of rule 18 of the Devolution Rules in such a way as to secure to the Local Government of Bengal the remission of the contribution payable under sub-rule (1) of rule 18 of the said rules by that Government to the Governor General in Council in the financial years 1925-26, 1926-27 and 1927-28, and further to provide that for the financial year 1928-29 the last previous annual contribution of the Local Government of Bengal shall be deemed to be the remitted contribution for the year 1927-28;
- (c) further to amend the Devolution Rules in such manner as to provide that out of the sum of Rs. 733 lakhs recommended to be determined by the Governor General in Council as the total contribution to be paid by the Local Governments to the Governor General in Council for the year 1925-26 the following remissions be made, namely:
 - to the Government of Bombay 22 lakhs,
 - to the Government of Burma 13 lakhs,
 - to the Government of the Central Provinces 9 lakhs,
 - to the Government of Assam 6 lakhs;

and further to provide that the sum determined by the Governor General in Council as the total amount of the contribution for the year 1925-26 shall include the amounts so remitted and that for the year 1926-1927 the last previous annual contributions of the said Local Governments shall be deemed to include in each case the amounts remitted as aforesaid."

This Resolution, Sir, is the fruit of our work on the Budget which has now passed through its last storm and is safely home in port. This Resolution proposes a certain distribution of the recurrent surplus that is available on the estimates of the year. It proposes in addition a certain distribution of that part of the surplus which is non-recurrent, which we can count on we hope in the year 1925-26 but cannot count on in years thereafter. That is clause (c) of the Resolution. The Resolution has three clauses. Clause (a) proposes a distribution of a sum of 2½ crores strictly in accordance with the Devolution Rules Nos. 17 and 18. By that clause the distribution of the surplus among the provinces mentioned in my budget speech will be carried into effect. Clause (b) proposes that the moratorium granted to Bengal in 1921 should be continued for a further three years. The House will remember the history of that remission in the case of Bengal. It was granted in recognition of the special circumstances of Bengal and in accordance with the recommendation of the Joint Select Committee of Parliament. When the question came up as to what was to happen when that period of remission came to an end, it was obvious that the Government were in something of a difficulty. They desire to adhere strictly to the Devolution Rule in regard to the distribution among the provinces of the surplus as it becomes available. The rules of distribution may be taken as being an essential part of the recommendations of the Financial Relations Committee or what is generally known as the Meston Settlement, but in 1921 the Meston Settlement was altered in favour of Bengal and having regard to the fact that in the current year we are at the present time in a position to make a considerable beginning in the distribution of a surplus in accordance with the Devolution Rules and having regard to the history of the case the Government of India felt that the wisest thing was not to reopen an old question, a question which may be regarded as having been to a large extent settled by the action taken in 1921. I do not therefore regard this clause (b) as so much an alteration of the Devolution Rule as it now stands as a recognition of the historical fact that an alteration was made in that Rule in 1921. The position would of course have been quite different had we been in the position of not having a surplus to distribute or even of having a deficit. But as we had a considerable surplus to distribute to the other provinces, it did not seem a matter of practical politics to ask Bengal to contribute for the first time since 1921 a sum of sixty-three lakhs in order that that sum might be redistributed among the other provinces. Clause (c) of this Resolution represents the addition to the original proposals made by me in the Budget as announced by me during the discussion of the Finance Bill. We felt that the representations that have been made in this House in regard to the undue caution with which I was charged, though otherwise unjustifiable, had this justification that we were carrying forward a surplus of 74 lakhs in addition to making a provision for reduction and avoidance of debt and in addition to having the railway finances completely separated from the general finances; and that in this first year in which we were able to give an encouragement to the provinces by a reduction of the provincial contributions, there were special arguments for making that encouragement general and widespread. This proposal of course does not affect in any way the distribution of any future surplus, recurrent or non-recurrent. It is merely the abstention from insistence during the year 1925-26 on the full payment of the contributions due by the provinces concerned.

Now we have had considerable discussion of the provincial contributions incidentally in connection with the various debates that have taken

[Sir Basil Blackett.]

place during the last three weeks. Three weeks ago in introducing the Budget I stated that the Government of India's policy was, as had been promised before, so to shape their financial course as to secure the reduction and eventual extinction of the provincial contributions at the earliest possible moment. The Government of India feel that there is no contribution that they can make which is more likely to forward the cause both of the working of the reformed constitution in India and of the building up of opportunities for a better life for the peoples of India from one end to the other than by a reduction of the provincial contributions. That is the goal at which our financial policy is aimed. We are still far from the goal of completely extinguishing the contributions but, given good monsoons, I do not see why we should regard that goal as very very distant. Nor do I want to be taken as finally closing the door to the possibility of other uses of a surplus before the whole of the provincial contributions have been released. I do not want to prejudice that question either for or against by anything that is said to-day. It is clear, I think, that when that question comes up—whether we should reduce the provincial contributions or whether we should apply some portion of the surplus to a reduction of other forms of taxation,—the onus of proving the necessity of diverting money from the provincial contributions is one which lies on those who wish to make the diversion, and a very strong case will have to be made out when the time comes, but I do not want absolutely to close the door. Our policy is, other things being equal, that provincial contributions take precedence first, second and last.

In the course of the debate we have just had, I was asked, though I did not have the opportunity of replying, the question whether I could guarantee that the whole of the amount of the reduction of the provincial contributions would go to the transferred departments. That is a question to which the Finance Member of the Central Government cannot make a categorical answer. But it is obvious, if you study the Budgets of the provinces, that their surpluses will usually and necessarily be devoted mainly if not entirely to new expenditure on the transferred side which though it had become most urgently desirable has had to be left aside for want of funds. On the reserved side much of the expenditure is expenditure which is almost inevitable even if it has to be incurred at the expense of a deficit. Optional expenditure is mainly on the transferred side; and I should like to say that, if the House has any such desire, the Government of India would have no objection to the moving of, shall I say, a resolution

1 P.M. Provincial Governments that they should so far as possible—I have not any exact words framed—devote this relief to the purposes to which we desire it should go and to which they, I am sure, intend to put it. As the case of individual provinces will, I think, be better dealt with by representatives from those provinces, as I do not want to take up more time on a Saturday beyond what is necessary and three weeks, I will content myself now with moving this Resolution, saying only that I am confident that we are taking a very great step forward for India and that it is one which we can all congratulate ourselves on and that it is one which we are in a position to-day to take.

Mr. A. Marr (Bengal: Nominated official): Sir, I rise to plead the cause of Bengal. In the first place on behalf of the Government of Bengal I

wish to thank the Honourable the Finance Member and the Government of India for the recommendation which has now been placed before this House, namely, that the remission of the annual contribution for Bengal should be continued for another three years. Naturally, I welcome that recommendation and strongly support it. I am glad at the same time that the Honourable the Finance Member has been able to afford some relief to most of the other provinces and I hope very strongly that, when he comes to present his Budget this time next year, the conditions of trade and a good monsoon will have improved the finances of the Government of India so greatly that he will be able to give them all very considerable relief again. While thanking the Government of India for the proposal which has been brought forward before this House, I still want to make it quite clear that Bengal in no way resiles from the position which she has always taken up regarding the financial settlement. From the moment the Meston Award was published, Bengal, and, I may add, Bombay also, who are our co-partners in misfortune in this Award, have protested strongly against the Award and have pressed for its revision. I wish to make it clear that Bengal still adheres to this position and I think Bombay also does. I do not wish to discuss the merits or demerits of the financial settlement, but I think it is necessary for me to explain to this House what the effect of the settlement has been on the Bengal finances. I shall try and be as short as I can but still I shall have to give a certain number of figures.

I shall deal with the figures of receipts first. The Meston Award fixed 8 crores and 57 lakhs as the normal figures of receipts for Bengal. What is the latest figure. The revised estimate for the current year, 1924-25, gives an estimated revenue of 10 crores and 31 lakhs, that is to say, an increase of 1 crore and 74 lakhs. Now, at first sight, this would seem to be a very satisfactory increase but I must remind the House that in 1922 Bengal taxed herself by raising the rate of stamp duties and by imposing a tax on betting and amusements. We estimated that the new taxation would bring us a revenue of 1 crore and 40 lakhs, but our hopes have not been fulfilled owing to the depression in trade and other causes. I shall not weary the House with details, but I have analysed the figures myself and this new taxation plus excise has brought in about 1 crore and 30 lakhs. Therefore, if these two items be omitted, the improvement in the finances of Bengal under the Meston Award has been very little indeed—a proof of how inelastic the sources of revenue left to us are.

Now, let us take the expenditure side. As most of the Members of this House know, the Meston Committee very carefully avoided going into the question of the expenditure side of the provincial budgets. Therefore, we have to go back to the Conference of provincial representatives which was held in Simla in September 1919. That Conference fixed the normal expenditure for Bengal at 7 crores and 91 lakhs. Bengal protested most strongly against this on the ground that many items had been excluded which should have been included in the normal expenditure. After a long fight, about two years afterwards the Government of India admitted that that figure was too small by 1 crore and 11 lakhs. Therefore, the Government of India admitted that our basic scale of expenditure was a little over 8 crores. Even that figure did not satisfy Bengal, because she still maintained many normal items of expenditure had been omitted. I shall not weary the House with details. The Government of Bengal gives Rs. 9 lakhs a year to the University. This University was founded by the Government of the Dacca Uni.

[Mr. A. Marr.]

of India without reference to the Government of Bengal, and the University has to depend practically wholly on this annual grant for its working. The Government of India have always refused and still refuse to admit that item as an item of normal expenditure. I am only giving that as an example. We have therefore maintained all along that our basic figure of normal expenditure should be considerably over 9 crores. Our latest figures on the revised estimate for the current year, 1924-25, gives an estimated expenditure of 9 crores and 99 lakhs, practically 10 crores. So that our increase over the basic figure is only a little under a crore. Everyone in this House knows how since then the cost of everything has gone up. The pay of superior and inferior services had to be revised, time-scales of pay had to be introduced and the cost of living has increased generally. Therefore when I say that Bengal kept her expenditure down to slightly under a crore over the old figure, I think I can say that she has done very well.

I would now like to explain to the House what the result of all these years has been on our balances. In 1921-22, the first year of the new settlement, Bengal ended with a deficit of 170 lakhs. This naturally alarmed the Government very much and they overhauled the whole position. Government cut old and new expenditure to the tune of 89 lakhs and the Government of India also came to our help with a remission of the contribution of 63 lakhs. If we had not got this remission, we should have had a deficit of just under 40 lakhs in 1922-23, of about 24 lakhs in 1923-24, of about 26 lakhs in the current year according to the revised estimates, and of about 30 lakhs next year, excluding all new expenditure whatsoever. A province cannot possibly progress if it goes on with repeating financial deficits like these. It is unfair to the Provincial Government to ask them to work with deficit budgets. When we come to the Ministers, who are responsible for transferred subjects, the position becomes impossible. Now, when receipts and expenditure will not balance, the obvious course is either to cut down the expenditure or to resort to new taxation. As regards the first, we have already cut down our expenditure, as I said before. In 1921-22, we cut 89 lakhs of rupees. In 1922-23, we cut 49 lakhs of rupees. In 1923-24 we cut 13 lakhs. We also brought about certain retrenchments, the ultimate effect of which we do not know yet. For instance, in the matter of travelling allowance we altered the rates, reduced them and cut down allotments. It will not be for another year or two that we can estimate actually the value of this retrenchment. Personally, I can assure this House that every item, where we could retrench expenditure, has been very carefully overhauled and examined. I have been Financial Secretary in the Government of Bengal for five years since 1919 till last year and I know that we insisted on every department overhauling its expenditure. I do not think Bengal can do anything more in the matter of retrenchment.

Diwan Bahadur T. Rangachariar: May I ask my Honourable friend whether the Bengal Government has carried out the recommendations of its own Retrenchment Committee?

Mr. A. Marr: No, Sir, not in their entirety because, when we came to examine all these recommendations of the Retrenchment Committee, we found that owing to certain mistakes and misunderstandings certain of these recommendations could not be carried out.

Diwan Bahadur M. Ramachandra Rao: Is it with regard to the all-India services, Members of the Executive Council, Members of the Board and several appointments in the all-India services in which the Secretary of State had control that he would not carry out those recommendations?

Mr. A. Marr: No, Sir; it is also in regard to many of the other recommendations, not only as regards the all India services; for instance, with regard to police stations, we found the recommendations were impossible; there was a mistake in the figures. We found it impossible to carry them out. Therefore, as I said, I do not think that Bengal can be expected to do any more in the matter of cutting down expenditure. In certain cases we have gone too far already. There remains the other alternative, new taxation. As I said already, Bengal has taxed herself to the tune of over a crore of rupees and I am afraid the "unthinkable sequel" of the Meston Award has already occurred in Bengal. I shall read that passage:

"Looked at somewhat differently, the limit we have imposed on ourselves is that in no case may a contribution be such as would force the province to embark upon new taxation *ad hoc*, which to our minds would be an unthinkable sequel to a purely administrative rearrangement of abundant general resources."

Khan Bahadur W. M. Hussanally: May I know what incidence of all taxation works out to per head in Bengal?

Mr. A. Marr: I could not give that figure.

Khan Bahadur W. M. Hussanally: Is it Rs. 2½ per head or more or less?

Mr. A. Marr: I could not say. I do not think therefore that any one in this House could press Bengal to impose further taxation to meet the cost of the ordinary administration. The only other alternative for meeting the present position is that proposed by the Honourable Finance Member and I would strongly urge this House to accept that proposal as a provisional relief. At the same time I would again press upon the Government of India the urgent necessity of revising the whole of the financial settlement.

Diwan Bahadur T. Rangachariar (Madras City: Non-Muhammadan Urban): Sir, we must congratulate ourselves after all that we are in the happy position of being able to distribute to the needy what we have got left in our hands. It has always been a painful portion for my part for the last four years not to have been able to devise some measures by which the much-needed provincial contributions could have been relieved. If this year, Sir, we are able to do it, it is due to a combination of various circumstances. It has been a very painful duty indeed on my part as an Indian to stand up and defend the imposition of the salt duty to any extent. But unfortunately there was no question of choice this year. I was keen on bringing back the salt duty to Rs. 1-4, where it was before; but I could not bring my conscience to say that it should be further reduced when the provinces were crying for the much-needed relief. Now, Sir, when Bengal got its gift of relief from all contribution some time ago, we complained that Bengal had been unduly leniently favoured at the expense of other provinces. But now in the time of plenty, when we are all getting a share, I do not wish to share the same resentment against Bengal as I did three years ago. But at the same time I have heard it loudly complained from Bengalis themselves that the Bengal Government have not carried out the recommendations of its own Retrenchment Committee on which my Honourable friend Sir Campbell Rhodes sat and other great

[Diwan Bahadur T. Rangachariar.]

business men sat also. That shows there is something wrong with the Bengal Government if they are not able to carry out the recommendations of their own Retrenchment Committee who made careful recommendations. That shows the Bengal claim for relief has to be carefully considered by the Finance Member before he embarks upon any further concession. I may say at once that I do not quarrel with the present concession which Bengal gets; nor have I any quarrel, Sir, with the gifts which are being made to other provinces in the shape of non-recurring surplus distribution as proposed by my Honourable friend Sir Basil Blackett. I think the scheme which he has evolved to-day is really a good scheme and we have to congratulate ourselves upon that. Madras, Sir, has done her best to deserve relief. What did she do? She tried on the one hand to induce the Government of India year after year to remit the contribution, at least a part. She did not keep quiet merely by making appeals to the Government of India. She set to work vigorously and I believe she carried out retrenchment in various departments to the extent of more than a crore recurring expenditure in the province stinting medical relief, stinting education, and also refusing to carry out the much-needed reform in the excise policy of the Madras Government. The two chief sources of revenue in Madras are the land revenue and the excise revenue, and Madras depends upon these two sources. Pressure is brought to bear upon the Excise Minister and he is asked what he is doing as regards his excise policy. He is asked when he is going to reach the goal of total prohibition which Madras set herself for the purpose in this matter. The excise revenue has been going up, and I think that accounts for nearly more than a third of the revenue. The Minister has to face that problem. How can he face a popular Assembly and say that he is making his revenue from the drink evil? So he has to take determined steps to reduce that revenue. Now the Education Minister has to carry on developments in various departments, either in primary education, or secondary education, or technical education or industrial education, in which Madras stands far behind her sister province of Bombay. We spend about Rs. 2 or Rs. 3 per head whereas Bombay spends about Rs. 20 per head of the population in this matter. So we have to hang down our heads in shame when we compare ourselves with rich Bombay in this respect. Therefore, money is needed in the various departments, especially in the departments which are in the hands of the Ministers. Ministers are chosen by the electorate and they are always questioned as to what they have done. I for one, Sir, though I have many quarrels with them would not altogether blame the Ministers, because financial difficulties have stood in the way of carrying out many reforms which they might otherwise have introduced. But whatever quarrels we might have with the Ministers, the welfare of the people of my province is dear to my heart, and therefore, Sir, I am very glad indeed that Madras gets a substantial relief this year. Sir, that is not enough. I have spoken to the Honourable the Finance Member, and the Home Member and I have an amendment in order to carry out the understanding which we have come to, and I am glad to say that they are ready to accept my amendment. I therefore propose to add as a rider to the Honourable Member's Resolution the following:

"It further recommends that the Governor General in Council be pleased to convey to the Provincial Governments concerned the view of this Assembly that the amounts hereby released or given may be devoted mainly for expenditure in the transferred departments."

Sir, I move that amendment, and, as the Honourable the Finance Member has already accepted it, I hope the Local Governments will put their shoulders to the wheel and see that progress is made in the transferred departments.

Mr. President: Amendment moved:

“That at the end of the Resolution the following be added:

‘(d) to convey to the Local Governments concerned the view of the Assembly that the amounts hereby released or given may be devoted mainly for expenditure in the transferred departments.’”

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

The motion was adopted.

Mr. President: This House stands adjourned till Half Past Two. After that I propose to take Mr. M. K. Acharya's amendment to omit clause (b).

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

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

Mr. M. K. Acharya (South Arcot *cum* Chingleput: Non-Muhammadan Rural): Sir, before I formally move the amendment* that stands in my name I desire to congratulate the Honourable Sir Basil Blackett on the successful termination of his arduous manoeuvres during the past so many days. (*Mr. Devaki Prasad Sinha*: “Very arduous and successful too.”) He has, though in very brief language, yet with apparent glee, referred to the fact that the Budget has been passed in the form in which he wanted it, and therefore I suppose he has come now with proposals for munificent gifts, doles of charity, to commemorate his triumph. I have no quarrel with his intentions. But the whole question, I beg to submit, requires much more careful and thorough consideration—the question of provincial contributions in general and of Bengal in particular, because the case of Bengal must necessarily be considered along with the rest of India. Several friends have been asking me just as I was coming in whether I have any personal or special grudge against Bengal that I should move for the omission of Bengal in my amendment. I desire to express at once that far from having any ill-will towards Bengal, towards the province of Bengal or towards the people of Bengal, I have very great good-will, nay, admiration. Bengal, I am ready to recognise, has been the most nationalist of all the provinces of modern India; and therefore to Bengal, and to Bengal's orator, my good old friend Bipin Babu, I have very great esteem and very great good-will. And, in spite of the troubles of the province or the shortcomings of my friend, my good-will will continue to both. Therefore, it is not through any particular ill-will or grudge or through any inter-provincial jealousy that I sent in notice of this amendment. But, Sir, I desire by this amendment to raise the general question with regard to the whole of these provincial contributions

*That clause (b) be deleted.

[Mr. M. K. Acharya.]

in general and with reference to Bengal in particular: whether the whole has not been arbitrarily fixed, arbitrarily dealt with, and to-day, therefore, is being arbitrarily revised.

With the origin of these contributions, Sir, this House must be fairly well acquainted. Even the Committee that was appointed to fix these contributions said that they were rather proceeding arbitrarily, and there were a great many limitations to which their proposals would necessarily be subject. For instance, they admit that:

"Whatever standard ratio of contributions we might devise—and a subsequent chapter will narrate our proposals in that direction—it would have, were it to be applied immediately, the effect of starting some provinces on their new career with a deficit. This limit, however, obvious as it is, makes it inevitable that the initial contributions—(and subsequent contributions also)—should be in some measure arbitrary, dictated by the existing financial position of each province and not by any equitable standard such as its capacity to pay."

This is the admission made by the Committee themselves when they decided what exactly each province should pay at the time when they fixed these things. The method was arbitrary, the amount was arbitrary and not according to any equitable standard with respect to the capacity of each province to pay. That has been the complaint not only in Bengal but in every other province. In fact, so far as Madras is concerned, the complaint there has not been by any means less loud than in any other province nor less just and reasonable. Our complaint, in fact, has been that we have been penalised for our economy, and for the careful husbanding of our revenues from the best financial standards. In fact, those provinces that were not economical, and Bengal perhaps is one of them, passed away lightly under the Meston Award, and those who were very frugal and economical had to pay very much larger contributions than the rest. Similarly, the Committee themselves say:

"To do equity between the provinces it is necessary that the total contribution of each province to the purse of the Government of India should be proportionate to its capacity to contribute. Unfortunately the application of this principle in practice presents many difficulties."

Therefore, as these quotations must suffice to show, the way in which these contributions were originally fixed was very arbitrary and complaints were raised not only in Bengal but in every other province.

Now, Sir, I come to the question of Bengal. Three years ago a similar Resolution in this House was discussed and passed. Sir Malcolm Hailey who was then in this House and who moved that Resolution made it, I think, fairly distinct that it was as a very temporary measure that that Resolution was then brought in this House. After reviewing the origin of the provincial contributions and in the case of Bengal the recommendation made by the Meston Committee themselves, he said:

"Well, Sir, this is my case. What we now propose is, in effect, to give a breathing space by waiving her contribution for the next three years."

That was what was thought to be done in 1921; because Bengal they said was starting with a deficit and could not easily find a way out of that deficit. It was evidently thought then that a breathing space of three years ought to enable Bengal to make both ends meet. It was further advanced on behalf of Bengal when this motion was pressed in 1921 on

those who were in this House then by Sir Frank Carter for instance, who, on behalf of Bengal, pleaded eloquently in this way:

"Sir, this House has a great responsibility. By its vote to-day it will largely contribute to the making or marring of the reforms in Bengal."

And so this House three years ago did grant to Bengal the relief that Bengal then thought it was entitled to. But I do not know if the purposes for which it was then asked, namely, to give a breathing space for Bengal or to make the reforms in Bengal a success, have been realised. So far as we see to-day, the financial resources of Bengal are perhaps just as bad as they were in 1921, and so far as the reforms in Bengal are concerned, well—the most eloquent testimony to the success of the reforms in Bengal is perhaps to be found in the Criminal Law Amendment Act of that province! Therefore, Sir, I think it will be only right for us to demand what special circumstances there are with respect to Bengal which will again reasonably entitle Bengal to this measure of complete relief so far as the provincial contributions are concerned.

The argument that Bengal's revenues fall short of Bengal's expenditure by itself cannot be a sufficient argument. If it were granted that whenever a province's revenues fall short of its expenditure a sufficient relief must be given from the Central Government—if this general proposition were accepted, then it would be open, it would be an inducement, it would be almost an offer, it would be a temptation for every province to come and say, "Our finances are bad. Our expenditure is very high and our revenues are very low. Therefore remit the total of our provincial contributions". It is a bad example to set; and I hope that I shall not be understood as saying that I have any special grievance against Bengal or that I have any ill-will against that province. But a business way of doing things requires that every province must be able to adjust its resources in the proper measure, in the proper manner from time to time. Therefore, Sir, I desire to know what the case is. I do not believe that the special case as regards Bengal has been put before us exactly, except that Bengal is in financial need and therefore that Bengal should be again given total remission for another three years. The experience during the past three years has not been very fruitful in making the case for Bengal very strong or clear. It is not clearer to-day than it was three years ago. The Financial Secretary to the Government of Bengal who spoke just before the House adjourned for lunch was referring to certain deficits. His argument was that Bengal has been having deficits continuously for a certain number of years. Is that by itself an argument for saying that therefore the provincial contribution should be remitted completely? Is that a complete and final argument? Why should they say, "We shall go on spending more than our resources permit and you had better make good the deficit?" The argument comes to something like this that Bengal's capacity has not been properly assessed. Therefore it strengthens my case, that the Meston Award has been very arbitrary, rather blind, that it did not carefully assess the needs of each province nor the capacities of the various provinces. They drew it all in a rough way and where a province was economical and showed a surplus they put a large contribution as in the case of Madras. And to-day people say, "Oh, Madras has got 126 lakhs. What reason have you got to complain against other provinces", as if I am complaining against them. They forget that Madras has been paying very much more than any other province. Madras has got a larger remission to-day than any other province because Madras has been paying all these four years very much more than any other province in India.

Sir Campbell Rhodes: We do not forget it. We deny it.

Diwan Bahadur T. Rangachariar: How do you deny it?

Mr. M. K. Acharya: It is easy to deny what is inconvenient to admit; but until it is supported by arguments, which can be met by counter-arguments, we can only say that it is convenient to make a denial in the absence of argument. Therefore I shall leave it at that. My whole point is this. I shall not press my amendment, if Sir Chimanlal Setalvad's amendment that this whole question of provincial contributions should be carefully inquired into and investigated and that the matter should be dealt with on a more businesslike manner than it has been dealt with now, is accepted. We should not rely entirely upon the munificence of the Finance Member who will give us any doles only on those occasions when he finds the Budget is passed in the form in which he wants it to be passed. I say, Sir, that the provinces should be able to incur their expenditure on the scale on which they want to spend upon various subjects, irrespective of the central Budget, irrespective of the Finance Member's success or failure over his Budget, irrespective of what happens here over his proposals. This question of the contribution of the various provinces should be decided once for all on a thoroughly equitable basis. In the case of Bengal and in the case of other provinces as well the Meston Award has been shown to be completely arbitrary. Therefore I wish strongly to press on the attention of Government and this House that it is very necessary at as early a date as possible to revise the whole question of provincial contributions and to make them more equitable than they are to-day or to make them less inequitable than they are at present, for I do not think they are at all equitable at the present moment.

One word more, Sir, and I have done, about the remission of Bengal's contribution. Are we to help the people of Bengal or the Government of Bengal? Do the people of Bengal want it? Are they sure that all this money will go to them to help them in their national aspirations? Or shall we give this money to the Government of Bengal for augmenting repression? I am aware that for this reason my friend Diwan Bahadur Rangachariar moved an amendment this morning, and I am glad it was accepted, that these remissions should go more or less completely to the transferred departments. In the case of Bengal, however, I again ask is it to go the transferred departments or will it go towards additional expenditure on the C. I. D., or other police force for the coercion of patriots in Bengal for sending them away to places where they will be less troublesome to the Bengal Government? The Government of Bengal comes before us with not a very good story, with not any very good record so far as the immediate past is concerned. Therefore, Sir, if Bengal wants very careful and very sympathetic consideration at the hands of the Central Government, the Bengal Government should during the coming few years take care that its policy of the general administration meets with the approbation of the large bulk of the people of India and the large bulk of the patriotic, selfless Members of this House, and not alone the approbation of those who find it convenient and politic to sit on the Treasury Benches. Therefore, Sir, I press strongly that the whole question of provincial contributions in general and of Bengal in particular deserves very careful inquiry and revision; and if this is not promised I for one, to make sure of such inquiry, will be strongly for objecting to the total remission of the contribution of Bengal. I hope, Sir, a satisfactory response will come from the opposite side in respect of the general inquiry which I am trying to press upon the attention of the Government.

Mr. T. R. Phookun (Assam Valley: Non-Muhammadan): Sir, before I say a word or two in connection with the amendment moved by Mr. Acharya, pray allow me to assure this House and in particular the Honourable Members from Bengal that when I sent in an amendment to the same effect I was not actuated by any mean motive of provincial jealousy of Bengal having received a concession in the matter of provincial contribution from the Honourable the Finance Member. My amendment was meant as a fair protest against the most arbitrary action of the Honourable the Finance Member in moving part (b) of his Resolution which, in my opinion, is in distinct violation of the recommendations contained in the Government of India's despatch No. 13, dated 13th July, 1922, an extract from which I will presently place before this House.

Bengal was given three years' remission on the recommendation of the Joint Parliamentary Committee but the Government of India in giving effect to the recommendations laid down in no uncertain terms that should in future any occasion arise to disturb the Devolution Rules it should not be done before the representatives from different provinces are given a chance to state their financial difficulties before an impartial Committee.

Now, the Honourable the Finance Member has gone and done just the very thing he was asked not to do. In support of my contention I will place before this House one or two extracts from the despatch mentioned above:

"The representatives of the other provinces, with the exception of Bengal, evinced strong disapproval of the proposal to revise the financial settlement. While they laid the greatest possible stress upon the necessity for the speedy reduction and abolition of the provincial contributions, they held firmly to the view that the existing financial settlement, as contained in the Devolution Rules, should be retained intact. They pointed out that the settlement had been made after full inquiry by an impartial committee and had been accepted by Parliament after every province had been allowed to state its views regarding the proposals of the Financial Relations Committee, and they urged that the statutory arrangements so fixed should be rigidly observed. The only difference in the attitude of the Bengal representatives from that of the other provinces was that, while the representatives of other provinces were strongly opposed to any disturbance in the future of the present distribution of revenues between the Central and Local Governments, the Bengal representatives stated that the revenues they had obtained under the existing settlement were insufficient to cover the cost of the ordinary administration as it stood at the time of the introduction of the reforms, that the relief afforded by the remission of the provincial contribution was inadequate, and that, while they quite realised that in the existing financial position it was impossible for the Central Government to afford any further relief at present, they would, when the financial position of the Government of India improved, again raise a claim that some additional source of revenue should be assigned to them."

It was on this representation that they further went on to say:

"All provincial representatives were further most emphatically of opinion that, since the allocation of revenues between the Central and Local Governments and the contributions payable by the Local Governments had been definitely fixed by Statute, no action should be taken by the Secretary of State in Council or by the Government of India for the benefit of any province which would be likely to prejudice the interests of other provinces, without the latter being given an opportunity of commenting thereon beforehand."

I repeat to emphasize that the Honourable the Finance Member has done what he was warned not to do. The concession to the Bengal Government was cited as one in which action was taken without any previous consultation and I think it has been done so again without reasonable excuse the result being that the interests of other provinces have been prejudicially affected and that is where I come in on behalf of Assamese

[Mr. T. R. Phookun.]

and say that we are treated very unfairly regard being had to our financial difficulties. The Despatch goes on to say:

"All members attending the conference were unanimously of opinion that, should there be any question of disturbing the settlement embodied in the Devolution Rules, no action should be taken in that direction until the proposal had been referred to, and considered by, an impartial committee before which each province should have an opportunity of stating its case. We are in entire agreement with the view expressed by the provincial representatives that no question of altering in any way the present financial settlement should be considered except by an impartial Committee and after full discussion with each of the provinces."

Now, may I ask the Honourable the Finance Member if that has been done—if the direction laid down has been followed, if he consulted the representatives so as to give them a chance of placing their cases before an impartial Committee? I take it it has not been done or the Honourable the Finance Member would have spoken. The Despatch goes on:

"We further agree with the representatives of all provinces, except Bombay and Bengal, that the present settlement should be retained intact. We adhere to the view expressed in our first Reforms Despatch that it is essential that the financial arrangements between the Central and Provincial Governments should be free from ambiguity, and we are of opinion . . ."

Here again they have repeated to emphasize on the importance of their recommendations and say:

"... that it would be most disastrous to hold out hopes to the provinces of the possibility of the present financial settlement being disturbed, at all events until the provincial contributions have been abolished."

I draw the attention of the Honourable the Finance Member to this passage in the Despatch particularly:

"Any such hope would have the effect of encouraging the provincial Legislative Councils to sanction new expenditure without undertaking the liability of raising the necessary revenues. Without financial responsibility there can be no responsible government. We would renew the undertaking given in the despatch of Lord Chelmsford's Government . . . that we would work our financial policy towards reducing, and ultimately abolishing, the existing financial contributions."

Nor, Sir, all this was accepted by the Secretary of State. May I, therefore, without offending the Honourable the Finance Member accuse him of disloyalty to the Government of India and to the Secretary of State? How can he explain his action against what I have quoted. May I also incidentally ask him "Why this sudden tenderness for Bengal?" For if I guess rightly Bengal at the present moment is not in the good books of Government: (a) am I to take it as a small concession after terrible repression (b) or is it to enable the unpopular ministers to be a little more popular or (c) may be it is to fight the Swarajist in Bengal where the fountain-head of all the Swaraj activities lie. But that is not my point. My point is that we have been prejudicially affected by the arbitrary action of the Honourable the Finance Member. The Honourable the Finance Member

3 P.M. has now tried to justify his action but by what means? By offering a small bribe of 6 lakhs to the Government of Assam, and the Government of Assam have accepted the bribe. I am sorry I can be no party to such wicked acts of the Government. I will therefore remain content by giving my moral support to Mr. Acharya's motion, but by refusing to give him my vote in favour of his motion because it will be of no consequence now.

Referring to the action taken by the Honourable the Finance Member an Honourable Member of the Legislative Council in Assam asked "Is there a Hailey-Blackett Code by which from time to time they can alter the Devolution Rules as they like and gradually seduce the House to accept it?" Sir, I think that was a very pertinent question and I feel tempted to repeat the same question with the name of present Home Member substituted. Sir, now that there is a bigger question of thoroughly inquiring into the Devolution Rules and changing them, which my Honourable friend Sir Chimanlal Setalvad is moving, I hope it will, once for all, be definitely settled after proper inquiry into the financial positions of the different provinces and that the whole thing will be overhauled giving full opportunity to the representatives of different provinces to state their case. With these few words I give my moral support to the motion and enter into a strong protest against the motive which moved the Honourable the Finance Member to move clause (b) of his Resolution but not on his action in moving clause (c) of the same Resolution which saves him from glaring partiality.

Mr. President: I understand the Honourable Member from Madras does not move the motion standing in his name.

Mr. M. K. Acharya: I am not anxious to move it, in view of Sir Chimanlal's amendment which I wish to support.

Mr. President: Now that the Honourable Member from Madras does not move his motion does the Honourable Member from Assam wish to move the amendment?

Mr. T. R. Phookun: No, Sir, I do not either.

Mr. K. O. Neogy (Dacca Division: Non-Muhammadan Rural): Sir, in their despatch, dated the 24th June 1920, on the Meston Committee report, the Government of India stated as follows:

"We recognise the difficulties likely to arise from a continuance of the recriminations between the provinces regarding the comparative amounts that they should pay to the Central Government, and from this point of view alone we think it desirable that the provincial contributions should be abolished as soon as possible."

After having listened to the two Honourable Members who have just preceded me, I hope that we may yet be able to disappoint the Government of India in the prediction that they made in the despatch about this question raising provincial recriminations in this House. Sir, I maintain that so far as Bengal is concerned, we have tried to approach this question not from the narrow provincial point of view, but from the point of view of the wider national interest; and I will show by quoting from the latest representation which has been sent up on behalf of the people of Bengal to the Secretary of State that when we in Bengal ask for a revision of the financial arrangements we have not only the hard case of our own province in mind, but we plead for the betterment of the financial position of other provinces as well. This is what this representation states:

"My Council, though primarily interested in the financial position of the Local Government of Bengal are also vitally concerned with a just and equitable solution of the difficulties in the financial position of the Government of India as also of every province of India, for my Council appreciate that successful working of the reforms and the welfare of India generally must depend upon the sound financial position of every province as also of the Government of India. Approaching the problem, as our representation does, from this all-India point of view, the Council of my League trust that it will receive a sympathetic and prompt consideration from Your Lordship."

[Mr. K. C. Neogy.]

Sir, I very much hope that some consideration will be shown to Bengal in view of the stand she has made on behalf not merely of herself but of all the afflicted provinces of India. I am not unmindful of the sympathy and consideration that were extended to Bengal on the last occasion when the Government came up with a Resolution proposing the remission of the contribution from Bengal for three years, in 1921. And I trust that if we were entitled to that consideration at the hands of this House in a year of financial difficulties, in a year when this House was faced with the necessity of imposing fresh taxation in order to carry on the administration of the Central Government,—I trust that that consideration will not be denied to us to-day when the Government of India are in a position to distribute a respectable sum for the benefit of all the provinces. Sir, I was a little surprised the other day when an esteemed friend of mine who represents Bombay in this House raised the question as to why it was that Bengal was recommended for a remission of contribution for a further period of three years, and he asked why were the Government of India giving so much weight to that one sentence of recommendation which finds place in the Joint Parliamentary Committee's report for giving special treatment to Bengal. Sir, I was very much surprised because the Honourable Member who made that statement generally takes a very wide and very lofty view of things that affect the welfare of the different provinces of India, whenever such questions come up for consideration here. I trust that he will revise his opinion and he will vote with us in regard to this matter to-day.

Sir, my Honourable friend Mr. Acharya wants to know what the special case of Bengal is to entitle her to this special treatment. The best reply that I could give to him would be by quoting from a despatch which the Government of Madras addressed to the Government of India on this financial question on the 1st June 1920. We find that in an annexure to that despatch it is pointed out that whereas the normal income settled at the Simla Conference, on the basis of which the Meston Committee proceeded, was in the case of Madras 14,42,00,000, and the normal expenditure settled at that Conference was 10,55 lakhs; and the normal income for Bombay was 11,48 lakhs and the normal expenditure 10,99 lakhs, the normal income of Bengal was fixed at 7,73 lakhs and the normal expenditure at 7,92 lakhs.

Khan Bahadur W. M. Hussanally: Will my friend give us the incidence of taxation in the different provinces?

Mr. K. C. Neogy: I will try to meet my Honourable friend as far as I can.

Diwan Bahadur T. Rangachariar: And also the rate of expenditure.

Mr. K. C. Neogy: Certainly, I am coming to that. The Simla Conference thus left Bengal in the singularly unhappy position of having been assessed at a low rate of expenditure which again exceeded the normal income settled at that Conference by 19 lakhs of rupees. Now, Sir, my Honourable friend Mr. Rangachariar wants to know the expenditure per head. I will come to that. I am quoting from a Parliamentary paper which includes the opinions of the different Local Governments and the Government of India on the Meston Committee's report. I find that the total annual expenditure per thousand of population for Bombay is given at Rs. 5,494, for Madras it is Rs. 2,573, and for Bengal it is Rs. 1,759.

Then, Sir, I believe my Honourable friend Mr. Rangachariar would like to know how much we spend on subjects like medical relief, sanitation and other subjects. We find that Bombay spends Rs. 196 per thousand of population on medical relief, Madras spends Rs. 102 per thousand, and Bengal only Rs. 70; and I may in this connection remind my Honourable friends that the people of my province is a dying race. The rate of birth is less than the rate of death, and but for the fact of a regular influx of people from outside Bengal, the census figures would show a steady decline in the population of that province. Therefore, I trust my Honourable friends will, so far as this question of medical relief is concerned, be prepared to make it possible for Bengal to fight the scourges that account for the heavy toll that is levied on her population. Now, Sir, I come to the expenditure per thousand on education. Bombay spends Rs. 653 per thousand of population on education

Mr. H. G. Cocks: Will the Honourable Member kindly tell us which year he is dealing with?

Mr. K. C. Neogy: I am quoting from an official statement bearing on the Meston Committee's report. I believe they took the figures as they found them at the time the Meston Committee's report came out. Bombay spends per thousand of population on education Rs. 653, Madras Rs. 312, and Bengal Rs. 201. Now I come to sanitation, Bombay spends per thousand of population Rs. 115, Madras Rs. 60, and Bengal Rs. 31.

Mr. Kamini Kumar Chanda: ASSAM?

Mr. K. C. Neogy: The Assam figure does not appear in this list. It is not my intention to enter into a discussion as to whether we ought to get better relief than Madras or Bombay. My intention is to explain the peculiar position in which Bengal finds herself to-day, and the necessity for granting this relief, because my Honourable friend Mr. Acharya was anxious to know what the special circumstances of Bengal were to justify this special treatment. I had no intention of touching on this comparative aspect of the question but for the fact that my Honourable friend Mr. Acharya raised this question. Sir my Honourable friend Mr. Acharya also stated that Madras always has paid more to the central exchequer. I do not at present want to go into that vexed question as to whether we are entitled to take into account the contribution the provinces make in the shape of income-tax and customs duty to the central exchequer when we come to consider this question. I might incidentally mention, however, that in the year 1921-22 Bengal accounted for over five crores of rupees in the shape of income-tax out of a total of 26 crores and odd for all India, and 3 crores in the shape of super-tax out of a total of 8 crores odd for all India

Mr. Devaki Prasad Sinha: Sir, may I ask the Honourable Member whether he knows it or not that a good portion of the income-tax and super-tax paid in Bengal is derived from income that is earned in the province of Bihar and Orissa?

Mr. K. C. Neogy: I will again satisfy my Honourable friend by quoting from the Parliamentary paper I have in my hand, where it is calculated by the Government of Bengal that 90 per cent. of the income-tax shown under Bengal is actually derived from income earned in Bengal. My Honourable friend might like to have a look at this paper, and I will be very glad to hand it over to him whenever he desires. Look at another figure, about which I believe there is no competitive claim from Bihar, and that

[Mr. K. C. Neogy.]

is the Rs. 3,75 lakhs of revenue which comes out of Bengal in the shape of export duty on jute. However, Sir, I will not pursue the point further. My Honourable friend Mr. Phookun stated that the Honourable Finance Member was in this Resolution disturbing the Meston Award, was going against the despatch of the Secretary of State, and he characterised his attitude as disloyal to the Secretary of State. My Honourable friend must be very much mistaken in this view, because the Joint Parliamentary Committee wished the Government of India to extend special treatment to the Government of Bengal and this recommendation is certainly a part of the statutory arrangement embodied in the Devolution Rules. The Joint Parliamentary Committee did not themselves undertake the task of finding out the exact manner in which the relief should be granted to Bengal; otherwise I have no doubt that they would have embodied such relief in the Devolution Rules themselves. The only difference is that instead of making provision for it themselves in the Devolution Rules, they have left it to the choice of the Government of India to determine the particular manner in which such relief should be given to Bengal, and I take it that that recommendation of the Joint Parliamentary Committee constitutes a part of the statutory agreement between the Government of India and the Secretary of State

Mr. T. R. Phookun: May I ask if it is not a fact that the despatch I referred to was approved by the Secretary of State?

Mr. K. C. Neogy: Exactly so. I think my Honourable friend must have misread that despatch because I do not remember to have come across a single sentence in any single despatch either from India or from Whitehall bearing on this subject which disputes the fact that the provincial contributions have got to be wiped off as early as possible; and that is all that my Honourable friend, the Finance Member, is asking this House to agree to. And it is only when the provincial contributions are wiped off that the question of the reopening of the Meston Settlement can arise: that is the position that the Government of India and the Secretary of State have all along taken up.

Diwan Bahadur T. Rangachariar: My Honourable friend is aware that Bengal has not contributed a pie of her provincial money.

Mr. K. C. Neogy: She was not expected to contribute a pie as a result of the recommendation by the Joint Parliamentary Committee which is an essential part of the financial settlement between the provinces and the Government of India. I want to repeat that it is an accident that the Joint Parliamentary Committee did not themselves provide for this relief in the Devolution Rules. In their report on the Devolution Rules they make a definite recommendation that Bengal should be treated on a different basis altogether and they merely leave it to the discretion of the Government of India to determine the manner in which the relief should be granted, and the Government of India are to-day merely carrying out that recommendation of the Joint Parliamentary Committee

Mr. Kamini Kumar Ohanda: May I know what is the correct interpretation of the passage in the Joint Parliamentary Committee's Report? Does it mean that the Government of India would have power for ever to make a remission or has this power not been exhausted when they remitted the provincial contribution for Bengal for three years? Is there any power left to the Government of India now?

Mr. K. O. Neogy: I will read out the particular recommendation to which I was referring. This is what the Committee say:

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

When this matter came up for consideration in the year 1921, as I have already stated, the Government of India themselves were faced with an enormous difficulty and they could balance their Budget only after imposing fresh taxation on the people. Therefore it was, I think, that the Government of India instead of proposing any permanent remedy in this matter came up before this House with a recommendation for giving relief to Bengal for a period of three years. I do not suppose

Mr. T. R. Phookun: May I ask Mr. Neogy if he maintains that the Government of India have power to alter at any time and for all time to come these financial arrangements?

Mr. K. O. Neogy: I maintain that according to the recommendation of the Joint Parliamentary Committee, it is open to the Government of India to come up to this House with a recommendation like the one we have just now before us, to give relief to Bengal either for one year, or for a number of years, or permanently. That is what I maintain

Mr. T. R. Phookun: What happens then to the despatch I referred to?

Mr. K. O. Neogy: The despatch certainly takes into account the recommendation that the Joint Parliamentary Committee made for the special benefit of Bengal, and it cannot be construed to mean as if the Committee were going to depart from the position they had taken up on that particular occasion. However, Sir, I have no intention of entering into a sort of wordy duel with my friend from the other provinces in this connection. Sir, I was a little surprised to find my Honourable friend, Mr. Phookun, taking up the cudgels against Bengal in this matter because, supposing

Mr. T. R. Phookun: I have no quarrel with Bengal; my quarrel is with the Honourable Finance Minister in upsetting the Devolution Rules and not taking our province into account.

Mr. K. O. Neogy: I am very glad to hear that he has no quarrel with Bengal. I am very much afraid that my Honourable friend has really overlooked the last clause of the Resolution as it now stands, because it proposes to grant 6 lakhs and odd for the benefit of Assam. If the Finance Member had strictly followed the letter of the Devolution Rules, where would Assam have been to-day? Besides that, as I stated the other day in connection with the discussion on the Devolution Rule 15, Assam has benefited beyond expectation under that rule, and if you take the amount which Assam gets as a share of the income-tax under Devolution Rule 15, and add it to the relief which she is going to get under this Resolution, I believe that she will find a very large proportion of her contribution is going to be remitted this year

Mr. Kamini Kumar Ohanda: Do you know that Assam contributes an export duty—that on tea? This, I believe, amounted to 90 lakhs this year.

Mr. K. C. Neogy: I am very glad that my friend mentions that fact, because we ourselves have been asking for a share of the export duty on jute. However, when occasion arises, I am sure now that I will have the support of my Honourable friend Mr. Chanda in Bengal's fight for the export duty on jute.

Mr. Kamini Kumar Chanda: I can assure you of my support.

Mr. K. C. Neogy: Then my friend Mr. Phookun referred to what he called a sudden tendency (A Voice: "Not tendency. but tenderness.") a sudden tenderness on the part of the Government of India. I may remind him that this "sudden tenderness" dates from the year 1921, the very first year of the reformed administration. So that I do not suppose this tenderness has got anything to do with the circumstances which he mentions as having influenced the present policy of the Government of India. My Honourable friend the Finance Member has been charged with disloyalty to the Secretary of State, but, Sir, I would have certainly charged him with disloyalty to the whole financial understanding and to Parliament, if he had not come up with this recommendation so far as Bengal is concerned.

Mr. W. A. Cosgrave (Assam: Nominated Official): Sir, I have been requested by the Government of Assam to protest against the preferential treatment which the Honourable the Finance Member proposes to give to the Bengal Government by clause (b) of this Resolution. (Hear, hear.) But before going further, I would like, however, to express to the Government of India and to the Honourable the Finance Member in particular the grateful thanks of the Government of Assam for the proposed remission of six lakhs as announced by the Honourable the Finance Member.

Khan Bahadur W. M. Hussanally: Small mercies.

Mr. W. A. Cosgrave: Small mercies are appreciated in small provinces. I think that in this expression of thanks, I may associate my non-official colleagues Mr. Phookun, Mr. Chanda and Mr. Ali Ahmed Khan although some of them may perhaps hold different views from myself on some aspects of this problem. Sir, this temporary relief, although very acceptable to the small province of Assam, does not, however, affect the larger question of preferential treatment given to Bengal against which I am asked to protest. Now, Sir, before I enter on this protest, I desire to make it clear to the House that in speaking on this Resolution, I am in the proverbially difficult position of a man serving two masters. As an official Member of this Assembly nominated by the Governor General, I could not have voted for the amendment put down by my friend Mr. Phookun, however much I sympathised with his views at any rate on this occasion. (Laughter.) On the other hand, as a Member of the Indian Civil Service who has served 20 years in Assam, I naturally wish to do my best for the province of Assam, to which I am proud to belong. If, therefore, the Honourable the Finance Member is surprised at the moderation of my language, (Laughter.) I hope that he will realise my peculiar position and not discount my protest as faint-hearted.

I shall now explain the reasons for my protest. The Assam Government consider that the proposed remission of the Bengal contribution is a breach of the pledge given in the Government of India's despatch No. 13 of the 13th July 1922 that no modification of the financial settlement embodied in the Devolution Rules would be considered except by an impartial committee and after full discussion with each of the provinces. (Mr. K. C. Neogy: "You will not accept your relief this year, I suppose.")

Now, Sir, I need not read out the two relevant sections, Nos. 9 and 10, of that despatch as my Honourable friend, Mr. Phookun, has already made copious quotations from those two sections. Everybody has seen this despatch as it was a published document. The then Secretary of State, Lord Peel, in paragraph 4 of his Financial Despatch No. 17, dated the 9th of November 1922, accepted the views put forward in paragraph 10 of the Government of India's despatch, namely, that the present system as laid down in the Devolution Rules should be maintained. Now, Sir, whatever criticisms may be levelled against the report of the Meston Committee—and I am afraid that the report has few friends—that Committee at any rate did give some reasons for its proposals as regards the various provinces. I would like to read an extract from that report which shows that the Meston Committee considered that the four provinces, Bihar and Orissa, Burma, the Central Provinces, and Assam, all deserve more consideration than Bengal. The report says:

“The provinces which caused us most anxiety were Burma and Bihar and Orissa.”

They then proceed to make recommendations for Bihar and Orissa which were accepted and to make a recommendation for Bihar and Orissa which was not only accepted but expanded. They go on in the next paragraph to say:

“The two provinces which come next in difficulty are the Central Provinces and Assam. They have a small margin at the best of times and their need for development is great. The former has a more rapidly expanding revenue than the latter, but on the other hand its finances are liable to disturbance by famine. On the whole we do not feel that it would be just to ask more than roughly 40 per. cent. of their windfall in both cases, and we have based our recommendations accordingly.”

The Committee go on to say:

“The special treatment of these four provinces left us with Rs. 882 lakhs to allocate among their five richer neighbours. After the most careful scrutiny of their various peculiarities, we see no marked necessity for differential treatment *inter se*.”

They discuss Madras, the United Provinces, the Punjab and Bombay, and finally they say about Bengal:

“Bengal on the other hand has a low scale of expenditure and an inelastic revenue; and it will receive only a very moderate start in its new financial career. But its size, intrinsic wealth and general economic possibilities prevented us from treating it more favourably than the other provinces in this category.”

Contrast the adequate reasons given in the Report of the Meston Committee with the bald recommendations of the Joint Select Committee of Parliament as regards Rule 20 in the following brief paragraph. This is all that the Joint Select Committee wrote:

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

Now, Sir, what are the peculiar financial difficulties of Bengal? I have heard various explanations which I would like to detail below. I doubt, however—I say this with all respect to the Honourable the Finance Member—if the Assam Government will regard as quite satisfactory the explanation given to-day by the Honourable the Finance Member as to why the temporary remission granted for three years should now be continued for another three years. It has been suggested in some quarters that pressure was put on the Joint Parliamentary Committee by some European commercial magnates of Bengal who feared that their interests would be heavily taxed by the Local Government unless the provincial contribution was remitted. The opinion more widely held is that Bengal has been given special treatment on account of its inelastic land revenue due to the permanent settlement. (Mr. Devaki Prasad Sinha: “That is so in two other

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provinces too.") Now, Sir, we have heard much in the present session of obsolete and out-of-date laws. This expression has been applied freely to the Bengal Regulation of 1818. I suggest for the consideration of Honourable Members from Bengal, of all parties and classes, to my Honourable friend Mr. Marr, Mr. Bipin Chandra Pal, Sir Campbell Rhodes, Mr. Neogy, and last but not least Mr. K. Ahmed (Laughter) that if they require more money for the nation-building departments of Bengal, they should demand the repeal of even an older and very obsolete law. I refer, of course, to the Bengal Permanent Settlement Regulation of 1793. If Bengal gave such a gesture of self-help, then I think that no province could oppose its claim for preferential treatment at the hands of an impartial committee. Sir, other views have lately been put forward as to the real reason why the Government of India propose to remit for three years more the contribution of 63 lakhs due from Bengal according to the statutory Devolution Rules. It is hinted by some that the chariot of dyarchy is running so creakily in Bengal that the wheels want oiling, *i.e.*, that the Ministers must be given some money to see what projects they can carry out in the nation-building departments. Other people hint that the remission of 63 lakhs is the sugar given to coat the bitter pill of the Bengal Ordinance. Now, Sir, I do not personally believe in the truth of any of these rumours, (Laughter) but I desire to express my personal opinion that these rumours would not have been heard in various quarters if the Government of India had in accordance with their despatch of 1922 allowed the claims of each province for remission to have been considered by an impartial committee before they put forward the present proposals for remitting the Bengal contribution *in toto* for a further period of three years.

Now, Sir, I do not propose to try to follow the figures given by my Honourable friend Mr. Marr. Mr. Marr is a financial expert, who has been the Financial Secretary of the Government of Bengal for the last five years, and I believe that it was his able pen in some way that led to Bengal's contribution being remitted some years ago. I do not want to inflict a lot of figures on the House, and in making this protest, I prefer to take my stand on the despatch of the Government of India. Sir, the Government of India are aware that recently an adjournment of the Assam Council was carried by the startling majority of 37 votes to 1 as a protest against the unfair treatment proposed in the matter of remission of the provincial contribution of Assam as compared with Bengal. That motion for adjournment was accepted by the Honourable Sir William Reid on behalf of the Assam Government. Naturally, Assam can raise no objection to the remissions proposed in section (a) of the Resolution put forward to-day for the four provinces, namely, Madras, the United Provinces, Punjab and Burma, according to the statutory Devolution Rules. But Assam considers that it must record its protest against the preferential treatment granted to Bengal although it accepts with thanks the partial remission of its contributions now offered by the Honourable the Finance Member. (*A Voice*: "That has nothing to do with the Devolution Rules.") I do not think that I can conclude this speech in a better way than by repeating some of the words used by Sir William Reid, the Finance Member of the Government of Assam, in his speech when he accepted recently the motion for the adjournment of the Assam Provincial Council. This is what he said then:

"We do not envy Bengal her good fortune but we do claim equal treatment. If our neighbours receive remission wholly or in part then that same measure of remission must be ours."

Sir Ohimantal Setalvad (Bombay: Nominated Non-Official): If I venture to occupy the House for a little time on a Saturday afternoon at the **fat end of a heavy session**, my excuse is the importance of the subject to the province from which I come. But, Sir, before I address myself to the subject before the House, I may be permitted to congratulate my Honourable friend, Mr. Neogy, on finding himself, after having done all that lay in his power by recording his vote for the reduction of the salt duty to one rupee, in the singularly fortunate position of securing this bounty for Bengal out of the surplus which he did his best to destroy. (Hear, hear.)

In dealing with the subject now before the House, I propose to take a few moments in recalling the manner in which the Meston Award was arrived at and the effect which it had on the various provinces. If in doing so, I have to make comparisons between the financial position of the various provinces under the settlement, let me assure my Honourable friends that I propose to do so in no carping spirit at all. I am not going to grudge them the relief that they are getting under this Resolution. But it is absolutely necessary for me, Sir, to point out how the Meston Award has from its very inception been unjust particularly to Bombay and Bengal. (Voices: "To all.") I am very glad to hear the general chorus of disapproval as regards the Meston Settlement, and I do hope that the Government of India will be moved now by this unanimous protest against the Meston Award to take immediate steps to have it reconsidered. Now, to recall the position before the Meston Committee, the idea was this that with the inauguration of the reforms in 1921 there should be a corresponding readjustment of the financial relations between the Government of India and the various provinces with a view to do away as far as possible with the divided heads of revenue that obtained before and to allocate to the provinces their own separate revenues so that they may work out their own progressive development. In order to secure that end, let us see what the Meston Committee recommended and did. They did away with the divided heads of revenue that obtained before and allocated land revenue, excise and stamps as their sources of revenue to the various provinces, and they made income-tax and other sources of revenue purely central. The initial mistake that was committed in laying this down was that no regard was paid to the varying circumstances of the various provinces. While this allocation of revenue between the Central and the Provincial Governments was in practice calculated to work all right so far as what one may call the agricultural provinces were concerned, it was bound on the face of it to work very unfairly towards what one may call the industrial provinces like Bombay and Bengal. The Meston Committee took into account the revenues of the various provinces of the year 1920-21. They compared them with the year 1912-13 and on that comparison estimated the progressive rise in the revenues in future years. They estimated what they believed would be the increase in revenues in the various provinces. They allocated the revenues in the manner I have said, namely, giving land revenue, excise and stamps wholly to the provinces. What was the result of this allocation between the Central Government and the provinces? The result was certainly, when one looks into the figures, very startling indeed. What happened was this, Sir, that Madras got an additional revenue of 5·8 crores, that is an increase of 66 per cent. over its normal revenue. The United Provinces got an increase of 4 crores, an increase of 51 per cent. over its normal revenue, Punjab got 2·9 crores with an increase of 50 per cent. in the revenues, Burma got 2·5 crores with an increase of 41 per cent. Bengal got only an increase of a little over a crore which works out only to 14

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per cent. increase compared with the 66 of Madras and the 51 of the United Provinces. Poor Bombay got only an increase of 92 lakhs making an increase of only 9 per cent. In the Central Provinces there was an increase of 52 lakhs which works out to 15 per cent., Bihar and Orissa got 51 lakhs an increase of 16 per cent., Assam got 42 lakhs an increase of 27 per cent. So the position became this, that Bengal and Bombay, the industrial provinces, got respectively an increase only of 14 and 9 per cent. as against 66 of Madras and 51 of the United Provinces and 50 of the Punjab and 41 of Burma. That is the handicap with which Bengal and Bombay started. Then the provincial contributions were fixed by the Meston Committee with reference to the anticipated increases of revenue. (*A Voice*: "Increase over what?") Increases over the revenue of the datum line year 1920-21.

Diwan Bahadur T. Rangachariar: The Government of India took the rest.

Sir Chimanlal Setalvad: I will come to that if Mr. Rangachariar will wait. Having given Madras an additional revenue of 5·8 crores they fixed 3·5 as her contribution. Having given 4 crores to the United Provinces they fixed 2·4 as the contribution. Punjab being given 2·9 the contribution was fixed at 1·75. Bengal having got only a crore, her contribution was fixed at 63 lakhs. Bombay having got 92 lakhs only, her contribution was fixed at 56 lakhs. The House will see that though no doubt the contribution of Madras looks big in figures, 3·5 crores, it must be remembered that they were asked to surrender 3·5 crores out of 5·8 crores that they got. Similarly, the United Provinces were asked to surrender 2·4 crores out of 4 crores that they got; while Bombay was asked to surrender 56 lakhs out of only 92 lakhs that Bombay got and Bengal was asked to surrender 63 lakhs out of one crore that Bengal got. These figures, Sir, make it abundantly clear that the increases of revenue that fell to the various provinces were not based on the financial needs of each province at all. They were fixed haphazard as the result of laying down one principle of treatment for all the provinces whose circumstances were very different, and the Meston Committee itself recognized this fact. This is what they say:

"It is of importance to realise the nature of this transaction. In the first place it implies no judgment on the merits of previous financial settlements with any province. The increase in revenues comes to the provinces as a windfall, or as a bye-product of a constitutional change. It is not due, as financial settlements have been in the past, to consideration of the financial needs of individual provinces. It cannot properly be quoted as an admission of financial inequalities or as an act of tardy justice to the provinces that gain by it. Clearly it has come about from political and not primarily from financial motives. It originates in the desire to secure a greater measure of devolution in the provinces, and in the endeavour to draw for this purpose a defensible line of financial partition between Local Governments and the Government of India. While we consider that a windfall of this nature affords a suitable basis for initial contributions by the provinces, it is not surprising to find that its application requires some modifications in view of individual circumstances."

That shows, Sir, how unequally the various provinces were treated in the result. But very soon afterwards, very naturally, all that was forgotten and the cry was, "Oh, here poor Madras is made to contribute 3·5 crores a year, and the United Provinces 2·4 crores, while Bombay contributes only 56 lakhs and Bengal contributes only 63 lakhs." (*Diwan Bahadur T. Rangachariar*: "Bombay ought to have contributed about 150 lakhs.") I do not see why? It is forgotten that the increase given

to Bombay was only 92 lakhs and to Bengal only one crore; whereas the increase that Madras got was 5·8 crores and the United Provinces 4 crores. As I said, Sir, I am not grudging Madras the increase of 5·8 crores. By all means let them have all of it if it is necessary for the purposes of the expansion of their nation-building departments. But what I am pointing out is that when all this time the cry has been raised that Madras, the United Provinces and the Punjab are made to contribute heavy sums to the Central Government, it must be remembered in that connection that what they were asked to surrender was only a part of the very large increase of revenue which they got under the Meston Settlement, while Bombay and Bengal comparatively got very little. Further, Sir, as I have pointed out already, this allocation of revenue was made on a certain assumed increase of the normal revenue in future years. Now that assumed increase, as it was assumed by the Meston Committee, has never materialised so far as Bombay is concerned, and I believe the same is the state in Bengal, while it has very largely materialised with regard to the other provinces.

With regard to Bombay, Sir, the assumed annual increase under the three heads of revenue transferred to that province were as follows: They anticipated an annual increase of 12½ per cent. in excise, 15 per cent. in general stamps, and 4 per cent. in land revenue. Now every one of these anticipations has been falsified. If you look into the actual figures, we have recovered much less than these anticipations of the Meston Committee. (*Diwan Bahadur T. Rangachariar*: "Did you try to expand it?") We have done everything we could—I am coming to that in a minute—we have done everything to tax ourselves, we have done everything to retrench. Now, as I have said, with regard to land revenue they anticipated an average increase of four per cent. every year. On the contrary, that anticipation has never been fulfilled. With regard to excise, it has never been fulfilled to the extent estimated by the Meston Committee; while with regard to stamps, it has never been fulfilled at all: and the net result is that while the Meston Committee estimated that during the period of four years after their settlement there would be an increase of 234 lakhs in the sources of revenues allotted, as a matter of fact there has been a decrease on the contrary of 60½ lakhs. That shows, Sir, that the basis on which the settlement was made as regards the anticipated revenues from the sources allotted to the provinces has never materialized so far as regards Bombay and I believe also as regards Bengal.

Diwan Bahadur T. Rangachariar: How did the deterioration take place? Was there a famine, and so forth?

Sir Chimanlal Setalvad: There is no question of deterioration at all. The Honourable Mr. Rangachariar will remember that the datum line was wrongly taken. They took as the datum line the exceptional year 1920-21 as compared with the year 1912-13 and arrived at the anticipated average increase, and these anticipations were entirely fallacious. They blundered in taking an abnormal year for their datum line. On that wrong datum line, they calculated the average increase of revenue in future years which was never possible to materialize and which in fact did never materialize. It is no fault of Bombay that the revenue did not go up to the expectations of the Meston Committee. The fact is that those expectations were entirely miscalculated. The expectations were not justified by the real

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situation. That, Sir, was the position in Bombay at the time this settlement was made. With regard to income-tax which became a wholly central source of revenue, the following figures shew what the major provinces were paying in 1920-21:

Madras was paying 87 lakhs of rupees,
Bombay was paying 245 lakhs of rupees,
Bengal was paying 177 lakhs of rupees.

So these two last provinces were contributing much more than any other province to the central revenues. And the actual figures, Sir, come out even better than the anticipations of the Meston Committee. While the Meston Committee estimated an increase of 12½ crores in income-tax in five years in Bombay the actual figures of income-tax are 32·14 crores, so that in two ways their anticipations were falsified. While they estimated an increase of the central revenues so far as Bombay was concerned at 12½ crores, Bombay has given much more than that,—32·14 crores. On the other hand, as regards the revenues assigned to Bombay, while they anticipated a certain progressive increase, that increase has never materialized at all. And Bombay and Bengal lost all their share in the progressive revenue of income-tax which they had before the settlement. Devolution Rule 15 which was designed to do something for Bombay and Bengal has entirely failed in its object. The position, Sir, to-day is this: that so far as the contributions of the various provinces to central revenues are concerned, if you work out the total contributions to central revenues by the various provinces, you arrive at the following very remarkable figures:

Bombay pays to central revenues Rs. 4 per head of its population,
Bengal pays to central revenues Re. ⅔ per head of its population,
Madras pays the magnificent figure of Re. ⅓ per head of its population.

and that is the province which got the largest windfall and now gets the largest remission of the provincial contribution. Bombay, which contributes Rs. 4 a head of its population to the central revenues is treated in the manner I have indicated.

Then, Sir, taking another test, as regards provincial taxes, Bombay has taxed itself much more than any other province with which it can be compared. (*An Honourable Member*: "No.") Provincial taxation per head of the population in 1922-23 was as follows:

Madras	...	...	...	3·2
Bengal	...	...	...	1·9
Burma	...	...	...	5
Bombay	...	...	...	6·1

Bombay is the highest among all the provinces as regards provincial taxation.

Diwan Bahadur T. Rangachariar: Does it include local and municipal taxation?

Sir Ohimanlal Setalvad: No. The provincial taxation figures that I have given comprise land revenue, excise, stamps, irrigation, scheduled taxes and the surplus of income-tax granted to the Provincial Government. That is all. The figures for Bombay work out to 6·1, as against 8·2 of Madras, 2·5 of the Punjab and 1·9 Bengal. I submit, Sir, that these figures show that Bombay has helped itself the best. I have already shown, Sir, that we have retrenched in every direction. The new Legislative Council strongly took the matter in hand and enforced an immediate cut of 60 lakhs of rupees at their budget meeting in 1922. We levied additional taxation in various ways and we tried to help ourselves. The adage is: "Heaven helps those who help themselves". We hope the Government of India will help us in the manner that Providence is expected to help those who help themselves. We appealed to the Government of India time after time. The Bombay Government and the people of Bombay have continuously appealed, but the Government of India have till now turned a deaf ear to our requests in the matter.

Then, Sir, it must be remembered that Bombay is shouldering a very heavy expenditure of administration. It must be remembered, Sir, in this connection that Bombay has a very long coast line and the Bombay Presidency includes two big ports, Bombay and Karachi, and the health and sanitation of those two ports, Bombay and Karachi, is not merely a provincial concern; it is a matter really of imperial concern, a concern of the whole country, while the expenditure on the sanitation and improvement of the condition of the people of those two cities is now undertaken entirely out of provincial revenues. We, in Bombay, Sir, have undertaken vast schemes of development and improvement, both in the city and outside. (*Diwan Bahadur T. Rangachariar:* "Extravagant") My Honourable friend says "extravagant". Little he knows about it. We have undertaken not extravagant, as my learned friend styles it, schemes of improvement in the Bombay city. The schemes that are undertaken in Bombay city are schemes that are financially sound and which will ultimately pay. They are not in the least extravagant. They are schemes that are absolutely necessary for the expansion of the city and for the health of its population. We have undertaken large responsibilities, Sir, not only in the city of Bombay, but in the province in various other parts. For instance, we have undertaken the Sukkur Barrage scheme in Sind, a scheme which will transform that province into a very fertile province indeed. (*Mr. Devaki Prasad Sinha:* "Very doubtful.") Mr. Devaki Prasad Sinha's business here is to doubt everything, but I can assure him that those who have been charged with the scheme, those who considered the scheme, have undertaken it after very very anxious inquiry. I am sure that Mr. Sinha does not know that the scheme was under consideration and examination for a period of more than 80 years. It has been examined both by the Government of Bombay, the Government of India and the Secretary of State, by successive Committees and financiers appointed by those authorities and ultimately sanctioned by the Secretary of State. There is no question of doubt there at all. We in Bombay feel as assured as anything that that scheme is bound to succeed, but what is important to remember, Sir, is this. What will be the result of that scheme when it succeeds as it is bound to succeed? Not only will it bring prosperity to Sind and other parts of the Bombay Presidency but it will increase—and I ask the Honourable the Finance Member to note this point—by crores the central revenues in the

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form of customs and railway revenues. When Sind becomes a fertile province, when millions and millions of acres will be brought under cultivation and a provincial water supply secured, the central revenues will profit by crores and crores and surely a province that has undertaken the responsibility of financing a scheme of that character desires to be well treated.

The Honourable Sir Basil Blackett: Where do they borrow to get money?

Diwan Bahadur M. Ramachandra Rao: From the Central Government.

Sir Ohimanlal Setalvad: We are grateful to the Government of India for having lent their credit to us for borrowing the capital necessary for the scheme. But we are paying everything with regard to that loan. We are paying the interest, we are paying the sinking fund, we are paying everything and we are going to repay the whole loan out of provincial revenues. I quite agree that the Government of India have no doubt assisted us by lending us their credit. But that is all. I do not deny that this is a considerable help but we are paying every pie in the way of interest and sinking fund on that loan that we require both for the development purpose in Bombay and for financing the Sukkur Barrage scheme. My point is that a province that has undertaken such large commitments and which realises its responsibilities fully to the inhabitants of that province both as regards education, sanitation and developments of the character mentioned requires to be treated in a more generous manner than it has been treated till now by the Government of India with regard to the Meston Settlement.

Mr. President: I would ask the Honourable Member to bring his remarks to a close.

Sir Ohimanlal Setalvad: I am very nearly finished. We are no doubt thankful to the Government of India for the little doles that are promised to us in the amendment now proposed by the Honourable Sir Basil Blackett. But, while we thankfully accept that, I must point out, Sir, that no wiping out of the provincial contributions is going to solve the question so far as Bombay and Bengal are concerned. The only right way and the only stable way to effect a permanent remedy is to have the whole question investigated, as I have suggested in my amendment, by an independent committee. As I have said in my amendment, it must be an independent committee because you have now two parties to this question—the Government of India and the various Provincial Governments who are dissatisfied with the Meston Award, which has broken down from its inception as appears from the fact that relief had to be given to Bengal. My amendment will have to require a little modification in view of the new amendment introduced by Sir Basil Blackett. My clause will now become (d) and where I say at the end “contemplated in (b)” it will now be “contemplated in (b) and (c)”. What I submit, Sir, is this that spasmodic and temporary action as is contemplated in clauses (b) and (c) will never meet the situation. The only way, I suggest, is to grapple with the question fully and to appoint as early as possible an independent committee to investigate the whole question of the financial relations between the Central Government and the various Provinces and to adjust and put the same on some satisfactory basis.

Several Honourable Members: I move that the question be now put.

Mr. President: Amendment moved :

“ That after clause (d) the following be added :

‘ (e) That this Assembly further recommends that immediate steps should be taken to resurvey the whole question of the financial relations between the Government of India and the various Provinces by an independent authority with a view to avoid in the future the necessity of action by way of temporary relief of the character contemplated in (b) and (c).’ ”

Mr. W. F. Hudson (Bombay: Nominated Official): Sir, I wish to support as briefly as I can the amendment proposed by my friend Sir Chimanlal Setalvad. I remember, Sir, that the first time I ever had the honour of addressing the Assembly, the subject was the provincial contributions, and it is a curious and, as it seems to me, rather a pathetic circumstance that my swan-song in this House, after such a considerable interval, should be on the same subject. Yet I feel that I must make one last attempt to impress upon the Honourable the Finance Member and the Government of India what the position in Bombay is as a result of the four years' working of the Meston Settlement and what is the unanimous view of the Government and the people of Bombay in this matter. The other day, in answer to a question put by my Honourable friend Mr. Patel, the Honourable the Finance Member stated that he believed the Bombay Government had on one or two occasions pressed for the re-opening of the Meston Award. Of course that was only an answer given from memory to a supplementary question, but I would like to remind him that the answer was certainly a remarkable understatement of the facts. Sir, in season and out of season, on the floor of this House and in another place, in endless formal representations to the Government of India and in informal conferences, the Government of Bombay have never ceased since 1922 to urge on the Government of India the necessity for a complete revision of the Meston Settlement. They were first in the field and for some time they ploughed a lonely furrow. Before the Financial Conference of April 1922 they had pressed for a complete revision. At the Conference they continued to press, but, as has already been stated this afternoon, they received no support except from the representatives of Bengal. The other provinces evinced strong disapproval of the proposal to revise the Financial Settlement. Even the Bengal Government were rather half-hearted at the time, and so naturally the Government of India and the Secretary of State followed the line of least resistance, and the Meston Settlement is still with us. We made another attempt in the Assembly in September, 1922. We put up an amendment to a Resolution to the effect :

“ That the provincial contributions as fixed at present under the Devolution Rules having been found unworkable in the case of many provinces, immediate steps be taken to re-examine through a Royal Commission or any other impartial agency the financial relations between the Central and Provincial Governments as now laid down in the Devolution Rules.”

On that occasion, Sir, though the case for re-examination was most convincingly put by representatives of Bombay, who now, alas, are no longer with us, no one went into the lobby with us except the representatives of Bengal, and I think one Honourable Member from Assam. The Government of India naturally thought this was quite good enough and more or less went on their way rejoicing. Well, Sir, nearly three years have passed since that golden opportunity was missed, and I am glad to observe that what Bombay thought in 1922 most of India thinks to-day. The Muddiman

[Mr. W. F. Hudson.]

Report shows clearly that Madras, which, under the guidance of my friends Mr. Moir and Diwan Bahadur Rangachariar, voted against our proposal in 1922, is now singing quite a different tune much more closely in harmony with ours. It is of course true that the various Local Governments object to this settlement on different grounds, but surely this is no good reason for maintaining it. At any rate the Reforms Inquiry Committee seem to be convinced of the general discontent. The minority say on page 144 that practically every Government has entered a protest against the injustice of the Meston Award, and the majority think that the Settlement should be revised as soon as a favourable opportunity occurs. And that is the point. I do not know exactly what is meant by a "favourable opportunity", but I desire on behalf of the Government of Bombay to urge that the country simply cannot afford to wait any longer for the settlement of this all-important question, and that a Royal Commission or some other independent and impartial and expert body should be appointed with the least possible delay to go over the whole ground again in the light of the experience of the last four years. After all, at least a year must elapse before they can report. We do not want any more "lightning calculations" such as were made by that Committee. We want a full investigation and a considered report, and this must take time, so the sooner they start the better. It is perhaps forgotten that the authors of the Montagu-Chelmsford Report themselves suggested that six years would be a suitable period after which a revision might appropriately be made of the financial arrangements. And even if a Royal Commission came out next cold weather the six years would be certainly completed before any new scheme could be brought into effect. In Bombay at any rate the greatest obstacle to the success of the Reforms has been the financial system which is the outcome of the Meston Award, and if we are ever to progress politically and economically, some new and more elastic system must be discovered.

Last year, if you remember, in the general discussion my predecessor, Mr. R. D. Bell, made a very powerful statement of the Bombay case against the Meston Award and I do not want to trouble the House with the details again. A still more powerful representation has just been made by the Bombay Legislative Council, and I venture to commend a perusal of that document to all fair-minded men in the House. If Honourable Members will promise to read it, I will spare them the figures now. But I do desire to emphasise once again the fact that, not only was the settlement utterly inequitable to the industrial provinces in its basis, but that time has proved its anticipations to be entirely wrong. Lord Meston's Committee were not only lightning calculators; they were also remarkably bad guessers, and their worst guess was about Bombay. Here again I will not worry the House with the details, but a salient fact stands out. The Bombay revenues for the period of the last four years have been over 9 crores less than the Meston Committee anticipated. This year, therefore, you will not be surprised to hear that the Bombay Government is budgetting for a deficit of over 40 lakhs. Can the House wonder that in these circumstances Bombay feels that it cannot afford to wait for a "favourable opportunity," and that in a matter of this sort there is no time like the present? In one of his budget speeches last year, the Honourable the Finance Member said that he "recognised as strongly as any one else that the Settlement had placed a province such as Bombay or a province

such as Bengal in rather a peculiar difficulty, in so far as it gives them no elasticity." But, he added that it was impossible in his judgment to contemplate the reopening of the award, and these are the important words, "until you have at any rate made a beginning with the reduction of the provincial contributions". Well, Sir, that condition is being satisfied this year, and a very useful beginning is being made if this Resolution is passed to-day. And therefore I do beg the Government of India to get beyond the stage of "contemplation" and take the necessary steps with the least possible delay.

Sir, if any further proof were needed of the complete failure of the settlement, surely the motion on the paper is sufficient. In his speech at the close of the budget discussion on March the 4th, the Honourable the Finance Member pointed out quite fairly that he was not responsible for the Devolution Rules or for the way they operate. We give him that straight-away, and we feel no doubt that if he had had the drafting of Devolution Rules 17 and 18 they would probably have been more intelligible and possibly more equitable in their effect. But, Sir, who is responsible for the very important and significant deviation from the Devolution Rules which is proposed in paragraph (b) of this Resolution? Is it the Finance Member or the Government of India? No, Sir, I think there can be no doubt that the real responsibility lies in the inexorable facts of the case; and the facts of the case stated quite simply are that the Bengal Government literally cannot carry on under the Meston Award and the Settlement has admittedly broken down. This Resolution appears to me to put the final nail in its coffin. Sir, I am not here to oppose the special treatment of Bengal. On the contrary we in Bombay are really to support it. But we desire to point out that this remission of nearly two crores in the next three years, coming on top of a remission of nearly two crores in the last three years, does destroy any supposed inviolability of the Devolution Rules; and we also desire to point out on this occasion that in our opinion at any rate Bombay has just as good a claim as Bengal to complete exemption from the operation of the rules. I am not going to give the House masses of figures—but there are four important facts in this connection. Firstly, Bombay contributes more per head to the Central exchequer than any province in India, and several times as much as most other provinces. Secondly, as regards provincial taxation, Bombay taxes itself per head, as Sir Chimanlal Setalvad said, more heavily than any province in India. Thirdly, Bombay has to maintain a famine fund greater than any other Province in India; and fourthly, in spite of our most strenuous efforts to retrench our expenditure, in spite of the additional taxation put on in the last few years, which our people could ill afford to pay, we are faced this year with a deficit of nearly half a crore. In his first budget speech, the Honourable Finance Member said:

"For my part the strongest appeal that the Provincial Governments can make in the matter of provincial contributions is to show themselves worthy of assistance from the Central Government by strenuous and successful endeavours to make both ends meet for themselves."

Sir, that was sound doctrine, to which we subscribe, and I maintain that in Bombay we have so far as in us lay fulfilled his conditions. The Legislative Council has kept a most careful and jealous eye over all expenditure. As has been said, in 1922 they demanded a cut of 60 lakhs, a cut which was carried into effect and which as a district officer I know seriously impaired the efficiency of our administration in very vital matters.

[Mr. W. F. Hudson.]

Our Retrenchment Committee's recommendations effected an annual saving of 33 lakhs. The Council passed a permanent tax on entertainments—a most unpopular tax—and temporary Bills to enhance the court fees and the stamp duties. We have done we could and we are now tired of waiting. We can make no progress either politically or economically under the present system; and we ask now, as we have been asking for the last four years, for something better. We are of course duly grateful to the Honourable Finance Member for the present of 22 lakhs that is offered us to-day and we say, "For this relief, much thanks." But I am sure he will forgive us if we add that even the most welcome and appetising crumbs that fall unexpectedly from the rich man's table are not a very satisfactory form of diet. What we ask is that we should be allowed some reasonable share in the proceeds of our own wealth, some part in the State's taxation of our industries. We cannot run a progressive province like Bombay on anything so inelastic as land revenue, so moribund as excise, and so trifling as stamps and we feel confident that, before an impartial and expert tribunal, we shall be able to establish our claim to something more in accordance with the insistent needs of the Presidency. If we fail, we fail. But for Heaven's sake, give us a chance, as soon as possible, of proving our case.

Several Honourable Members: I move that the question be now put.

Mr. Devaki Prasad Sinha (Chota Nagpur Division: Non-Muhammadan): Sir, I know that the different provinces of India in their jubilation on having received this tainted money are perhaps not in a mood to listen to any wholesale condemnation of the Resolution of my Honourable friend the Finance Member. But, Sir, I feel that I shall be failing in my duty to my province and to my constituency if I do not enter a protest against the whole scheme underlying the Resolution of the Honourable the Finance Member.

Sir, the question of provincial contributions is a big hoax clothed in a garb of patriotism. The Honourable the Finance Member every year presents it before the House and puts the Members in a dilemma. On one side of the see-saw he places provincial contributions, and on the other side he places indirect taxes that fall upon the poor population of this country. If you pull down one side of the see-saw, the other is sure to rise. Well, Sir, that is the scheme with which he has sought to baffle the wit of Members of this House time and again. In his enthusiasm for the cause of provincial contribution, he very often appeals to provincial jealousies and tries to show that if we remit provincial taxation, we shall be giving to the people of the provinces much more benefit than if we were to remit indirect taxes which fall upon the poor people of this country.

Before I attempted to take part in this debate, an Honourable Member asked me, how do I come in; Bihar does not pay anything? My answer to that is that this remission of provincial contribution or the doles that are promised to the other four provinces of India come out of the entire surplus of the Government of India. Now, what is that surplus made of? The surplus is made of additional revenue paid by the whole of India which comprises people living in the province of Bihar and Orissa as well. Sir, I never hesitated to express my enthusiastic approval to some of the schemes

formulated by the Honourable the Finance Member, but, Sir, on this occasion I hope he will pardon me if I cannot resist giving expression to very strong words of condemnation with reference to the scheme which he has presented before this House. Sir, the first part of this Resolution, which is paragraph (a), to my mind seems to be an act of indiscretion. The second paragraph is lending support to an act of piracy on the part of one province, and the third part is the offering of bribes to four different provinces of India. Well, Sir, it has been mentioned by several Members who have taken part in this debate that Bihar and Orissa has been favourably treated by the Meston Committee. I want to make it quite clear, Sir, that, when the Meston Committee recommended that a very small contribution should be levied on Bihar and Orissa and when the Joint Committee upset the recommendations of the Meston Committee and absolved our province from paying any contribution at all, they were not doing so as an act of charity. I would draw the Honourable Members' attention to paragraph 18 of the Report of the Meston Committee, which says :

" In Bihar and Orissa the Local Government is quite the poorest in India, and very special skill will be required in developing its resources. Heavy initial expenditure lies in front of what is still a new province; and there is a wholly abnormal want of elasticity about its revenues."

Well, Sir, although in its natural resources our province happens to be one of the richest provinces in India, owing to the fact that it is undeveloped, the Government of our province is one of the poorest, if not the poorest, in the whole country. Sir, the Honourable the Finance Member and most of the Honourable Members of this House are probably aware that the two biggest sources of taxation in our province are the land revenue and the excise. While the land revenue has been for the past several years a steady figure, there has been a growing increase in the excise revenue and for every scheme of improvement we have to depend upon the growth of the excise revenue. It has therefore become a common saying in our province that if fathers want to educate their children they must drink more and more. Sir, the fact is that the taxable capacity of the people in our province has been stressed to such an extent by indirect taxation levied by the Government of India that the province of Bihar and Orissa does not find it very convenient to raise additional taxes from some other sources. I remember, Sir, when in the local Legislative Council I had myself accorded support to a measure of taxation necessary for the development of education in our province and ultimately that proposal for taxation was very unfavourably received by the whole province. Well, Sir, I do not wish to tire the patience of the House at this late hour but all that I can say is that in considering the justice or the injustice of the Meston Award, I resent very strongly if anyone says that Bihar and Orissa received charitable treatment at the hands of the Meston Committee or of the Joint Committee. My contention is that we received just what was our due and if to-day the Honourable Sir Chimanlal Setalvad proposes to reopen the whole question of contributions by the provinces, I desire to assure him on behalf of my province that we shall resist as strongly as anyone else any avaricious glance cast at the fortunes of our province.

Mr. W. M. Hussanally: I move, Sir, that the question be now put.

The Honourable Sir Basil Blackett: Sir, I share with apparently all Members of this House a certain sense of grievance against the Meston Committee. The latest grievance that I just discovered this year is the

[Sir Basil Blackett.]

particular one mentioned by the last speaker. If only the Meston Committee had succeeded in imposing some sort of contribution on Bihar and Orissa, we should have had a different kind of grievance from him, but his grievance seems to me to be that the Meston Committee or that the Joint Select Committee did not require a contribution from Bihar and Orissa. (*An Honourable Member*: "Impose it now.") This is the first debate on the subject of provincial contributions which I remember in which some one has not talked about a milch cow. Like Mr. Hudson the first debate or almost the first in which I took part in this House referred to provincial contributions and I remember the milch cow was fairly prominent on that occasion.

The difficulty of course, as I understand it to-day, is that all the provinces including Bihar and Orissa claim that they are in the position of the milch cow. I am not sure from the ferocity of the attacks that have been made on me to-day whether Mr. Cosgrave, being Irish, might not say that that cow is really a bull. As I have said, I have a feeling that the safest position for me is the position that was taken up by the man in the famous Limerick:

"If I sit on the stile and continue to smile,

Shall I soften the heart of the cow?"

because it is very difficult to be sure that in whatever I say I shall not be arousing enmity in one or other of the nine provinces. The difficulty of any inter-provincial settlement is of course a very great one. The Joint Select Committee put it shortly and succinctly:

"The difficulty, amounting to almost an impossibility, of arriving at any solution which is likely to be acceptable to all Local Governments."

The Meston Award was made undoubtedly at a difficult time, and it was made in circumstances when the value of money was rather different from what it is to-day and when the whole outlook in regard to things like income-tax was not comparable to what it is to-day. I am not sure that the biggest sufferer from that Award has not been the Government of India. The Government of India, which was supposed to be able to balance its Budget on the basis of the Meston Award, has had deficits in the year in which it was made and in the following year and in the year after that. In all these years it had somehow or other, by means of additional taxation and by retrenchment, to make ends meet. It is not therefore only the milch cows that have a complaint about the amount of milk in the pail.

Mr. A. Rangaswami Iyengar: You could not have got more out of the provinces.

The Honourable Sir Basil Blackett: The difficulty of re-opening the case is of course this, that if you re-open it, there is only a certain amount to go round. At present, that amount is distributed in certain ways with which neither the Government of India nor any of the Provincial Governments are quite satisfied. If you redistribute it, you must take money from somebody and give it to somebody else. Personally I see no probability of any solution of the financial relations question being at all satisfactorily arrived at until the happy time comes when the Government of India

are in a position to pay away something to each of the Provincial Governments. Till that time comes any other settlement will, I think, cause just as great difficulties as the existing settlement.

Sir Chimanlal Setalvad has presented the case of the Bombay Government very strongly. I recognise at once the efforts that have been made by Bombay and other provinces to make ends meet. I do not think that Sir Chimanlal Setalvad himself would claim that Bombay has done any more than the other provinces. All the provinces have been in this position. They have had to attempt to raise additional revenue and they have had to go in for very severe retrenchment, and it is retrenchment particularly in the sphere of transferred subjects which has been one of the big obstacles to the successful working of the reforms. The House knows, it has already been quoted to-day, that the Reforms Inquiry Committee, both in the majority and in the minority reports, recommend that the question of the Meston Settlement should be reconsidered as soon as a favourable opportunity occurs. The Government of India have not yet had time to examine in detail the recommendations of the Reforms Inquiry Committee and their provisional decision on that particular recommendation has not yet been arrived at. In these circumstances it is clearly impossible for the Government of India to accept the amendment which is put forward by Sir Chimanlal Setalvad and I trust he will feel, that being so, that he has taken full opportunity on this occasion to press the views of the Government of Bombay and will not desire to press his amendment but would be willing to withdraw it seeing that it has served its purpose. I recognise as I have always said the peculiar difficulties of Bombay and Bengal and the difficulty arising from the absence of elasticity in the revenues which are left to the Provincial Governments generally. I think that is the kernel of the complaint of Bombay and Bengal, that the revenues which are left to them are not sufficiently elastic. If they felt that they were more elastic they might perhaps be content with the position as it stands. The Joint Select Committee was very definite on the question of provincialisation of the taxation on income. I have already said that the Government are prepared to look into the question of the working of one particular rule about the share of the income-tax which was added I think by the Joint Select Committee to the proposals of the Meston Committee and I trust that that will come before the next meeting of the provincial Finance Members' Conference, though naturally I am not in a position to say at the present moment what if anything it will be possible for the Government of India to do in that matter. But it is clear that if that rule is to work satisfactorily the datum line from which it starts is not altogether a happy one. Further, the Taxation Committee will, we hope, have reported before the end of this year. The revision of the Meston Settlement is not within the province of the Taxation Committee. It is not the sort of body to whom such duty could be suitably assigned. But its report must necessarily throw considerable light on some of the problems which underlie this difficulty. The problem is more than merely one of giving the provinces a little more money. It is a problem of arranging central, local and municipal taxation with a view to the future of India under the reforms scheme. The difficulty of appointing a committee, as has been suggested, to revise the Meston Settlement or a Royal Commission, as has been suggested by some one, is obvious to all Members of this House. It is not a question which you can deal with entirely apart from the major

[Sir Basil Blackett.]

political questions of the future of the reforms. Possibly one of the difficulties of the Meston Settlement is that it was made in order to fit in financial arrangements to a political frame-work without sufficient consideration of all the financial difficulties involved. I think we should get into equal or even greater difficulty if we were now to turn round and try to arrive at a financial settlement without reference to some of the political questions which underlie it, the big matters of principle, such as the problem of provincial autonomy. I hope therefore that after the debate it has had to-day the House will be willing to pass this Resolution without any amendment.

I do not propose to enter into the other questions that have been raised during the debate to-day. The subject has been up before us now for three weeks in one form or another, and I do not think there is anything much to be added to what has been said on one side or another during the course of these debates and particularly to-day in regard to the detailed proposals in this Resolution. I should however like to say this, that the Government of India do not regard this Resolution as involving in any way a departure from the principle of the Devolution Rules. (*Dewan Bahadur T. Rangachariar*. "Except as regards Bengal.") We do not admit that Bengal is in essence a departure from the Devolution Rules, at any rate as we find it in the circumstances of to-day. The objective of the Government of India is at the earliest possible date to get rid of the provincial contributions, and I think that it is obvious to those who have been listening to this debate to-day that in the interests of India as a whole the earlier that moment arrives the better, not only for our internal harmony but really for the progress of constitutional reform in this country.

Mr. President: The question is:

"That at the end of the Resolution the following be added as clause (c):

'That this Assembly further recommends that immediate steps should be taken to resurvey the whole question of the financial relations between the Government of India and the various Provinces by an independent authority with a view to avoid in the future the necessity of action by way of temporary relief of the character contemplated in clauses (b) and (c).'

The Assembly divided:

AYES--27.

Abdul Karim, Khwaja.
Abul Kasem, Maulvi.
Acharya, Mr. M. K.
Ahmad Ali Khan, Mr.
Alimuzzaman Chowdhry, Mr.
Cocke, Mr. H. G.
Crawford, Colonel J. D.
Das, Mr. B.
Das, Pandit Nilakantha.
Dutt, Mr. Amar Nath.
Hussanally, Khan Bahadur W. M.
Joshi, Mr. N. M.
Kasturbhai Lalbhai, Mr.
Lindsay, Mr. Darcy.

Muhammad Ismail, Khan Bahadur
Saiyid.
Mutalik, Sardar V. N.
Neogy, Mr. K. C.
Pal, Mr. Bipin Chandra.
Patel, Mr. V. J.
Phookun, Mr. Tarun Ram.
Purshotamdas Thakurdas, Sr.
Rajan Bakhsh Shah, Khan Bahadur
Makhdum Syed.
Ranga Iyer, Mr. C. S.
Ray, Mr. Kumar Sankar.
Rhodes, Sir Campbell.
Setalvad, Sir Chimanlal.
Sykes, Mr. E. F.

NOES—44.

Abdul Mumin, Khan Bahadur
Muhammad.
Abdul Qaiyum, Nawab Sir Sahibzada.
Ahmed, Mr. K.
Aiyangar, Mr. K. Rama.
Aiyer, Sir P. S. Sivaswamy.
Ajab Khan, Captain.
Akram Hussain, Prince A. M. M.
Ashworth, Mr. E. H.
Bhat, Mr. K. Sadasiva.
Bhore, Mr. J. W.
Blackett, The Honourable Sir Basil.
Bray, Mr. Denys.
Burdon, Mr. E.
Calvert, Mr. H.
Chetty, Mr. R. K. Shanmukham.
Clow, Mr. A. G.
Cosgrave, Mr. W. A.
Fleming, Mr. E. G.
Ghose, Mr. S. C.
Graham, Mr. L.
Hira Singh Brar, Sardar Bahadur
Captain.
Hyder, Dr. L. K.
Innos, The Honourable Sir Charles.

Jeelani, Haji B. A. K.
Lloyd, Mr. A. H.
Marr, Mr. A.
McCallum, Mr. J. L.
Milne, Mr. R. B.
Mitra, The Honourable Sir Bhupendra
Nath.
Moir, Mr. T. E.
Muddiman, The Honourable Sir
Alexander.
Ramachandra Rao, Diwan Bahadur
M.
Rangachariar, Diwan Bahadur T.
Rau, Mr. P. R.
Rushbrook-Williams, Prof. L. F.
Sarda, Rai Sahib M. Harbilas.
Sastri, Diwan Bahadur C. V.
Visvanatha.
Singh, Mr. Gaya Prasad.
Singh, Rai Bahadur S. N.
Singh, Raja Raghunandan Prasad.
Sinha, Mr. Devaki Prasad.
Tonkinson, Mr. H.
Venkatapatiraju, Mr. B.
Wilson, Mr. R. A.

The motion was negatived.

Mr. President: The question is :

"That the Resolution, as amended,* be adopted."

The motion was adopted.

The Assembly then adjourned till Eleven of the Clock on Monday, the 23rd March, 1925.

* "This Assembly recommends to the Governor General in Council that he be pleased :

- (a) in pursuance of sub-rule (1) of rule 18 of the Devolution Rules, to determine the sum of rupees 733 lakhs as the total contribution to be paid to the Governor General in Council for the financial year 1925-26 by the Local Governments mentioned in rule 17 of the said rules;
- (b) to take the necessary steps to amend sub-rule (2) of rule 18 of the Devolution Rules in such a way as to secure to the Local Government of Bengal the remission of the contribution payable under sub-rule (1) of rule 18 of the said rules by that Government to the Governor General in Council in the financial years 1925-26, 1926-27 and 1927-28, and further to provide that for the financial year 1928-29 the last previous annual contribution of the Local Government of Bengal shall be deemed to be the remitted contribution for the year 1927-28;
- (c) further to amend the Devolution Rules in such manner as to provide that out of the sum of Rs. 733 lakhs recommended to be determined by the Governor General in Council as the total contribution to be paid by the Local Governments to the Governor General in Council for the year 1925-26 the following remissions be made, namely :
 - to the Government of Bombay 22 lakhs,
 - to the Government of Burma 13 lakhs,
 - to the Government of the Central Provinces 9 lakhs,
 - to the Government of Assam 6 lakhs;

and further to provide that the sum determined by the Governor General in Council as the total amount of the contribution for the year 1925-26 shall include the amounts so remitted and that for the year 1926-1927 the last previous annual contributions of the said Local Governments shall be deemed to include in each case the amounts remitted as aforesaid;

- (d) convey to the Local Governments concerned the opinion of the Legislative Assembly that the amounts hereby released or given may be devoted mainly for expenditure in the Transferred Departments."