

Friday, 24th March, 1922

THE  
**COUNCIL OF STATE DEBATES**  
(Official Report)

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**SECOND SESSION**  
OF THE  
**COUNCIL OF STATE, 1922**



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# COUNCIL OF STATE.

*Friday, the 24th March, 1922.*

The Council assembled at Metcalfe House at Eleven of the Clock.  
The Honourable the President was in the Chair.

## MEMBER SWORN.

The Honourable Mr. E. Burdon, C.I.E., I.C.S.

## QUESTIONS AND ANSWERS.

### REGISTERED STEAMERS IN INDIA.

135. The HONOURABLE MR. LALUBHAI SAMALDAS: Will Government be pleased to state: (a) The number of steamers registered in India with their names and their total gross tonnage?

(b) The number of steamers owned by them and registered in this country?

The HONOURABLE MR. H. A. F. LINDSAY: The information is being collected and will be supplied to the Honourable Member on receipt.

The replies to the remaining questions by the Honourable Mr. Lalubhai Samaldas are rather elaborate and contain rather complicated statistics. If the Honourable Member will agree, I will lay them on the table.

The HONOURABLE MR. LALUBHAI SAMALDAS: I have no objection.

### REGISTERED SHIPPING COMPANIES IN INDIA FROM 1860 UP TO DATE.

136. The HONOURABLE MR. LALUBHAI SAMALDAS: Will Government be pleased to state the number of shipping companies registered in this country from 1860 onwards up-to-date, and the names of the shipping companies that were wound up or carried into liquidation during that period?

The HONOURABLE MR. H. A. F. LINDSAY: I am afraid it would be an impossible task to collect the statistics required by the Honourable Member from 1860. The names of shipping companies that have been wound up or that have gone into liquidation could only be collected from the Annual Provincial Reports on the working of the Indian Companies Act in each province as there is no All-India return. I think, however, that the Honourable Member will find the essential information he requires in the publication of the Department of Statistics 'Joint Stock Companies in British India and Mysore' the last issue of which, for 1918-19, is in the library. Table 4 of that return gives the number and paid-up capital in rupees of each class of company at the end of each year from 1894-95.

### INDIAN, ENGLISH AND FOREIGN COAL.

137. The HONOURABLE MR. LALUBHAI SAMALDAS: Will Government be pleased to state the total quantity of Indian, English and Foreign coal bought in each of the last 5 years for:

- (a) the Indian Railways, and
- (b) the Royal Indian Marine?

The HONOURABLE MR. H. A. F. LINDSAY: The quantity of Indian and Foreign coal (including English) bought by railways during each of the past five years is not available. The Honourable Member is, however, referred to Appendices 13 and 14 of the Administration Report for the year 1920-21 on the Railways in India, in which will be found the quantity of Indian and foreign coal consumed by railways during each of the years referred to.

2. As regards the Royal Indian Marine the figures are not available, but an endeavour is being made to have the information collected. The result will be communicated to the Honourable Member in due course.

#### INDIAN COAL CARRIED BY SEA.

138. The HONOURABLE MR. LALUBHAI SAMALDAS: Will Government be pleased to give separate figures for the total quantity of Indian coal carried by sea for the Indian Railways and the Royal Indian Marine in each of the last five years?

The HONOURABLE MR. H. A. F. LINDSAY: The following are the figures given separately of the total quantity of Indian coal carried by sea for the Indian Railways and the Royal Indian Marine during each of the past five years.

	Indian Railways.	Royal Indian Marine.	Total.
	Tons.	Tons.	Tons.
1916-17 . . . . .	133,835	436,574	570,409
1917-18 . . . . .	<i>Nil.</i>	245,129	245,129
1918-19 . . . . .	117,774	414,447	532,221
1919-20 . . . . .	179,526	213,947	393,473
1920-21 . . . . .	344,526	198,787	543,313

#### COAL FOR INDIAN RAILWAYS AND ROYAL INDIAN MARINE.

139. The HONOURABLE MR. LALUBHAI SAMALDAS: Will Government be pleased to give information regarding the following:

- (a) Who settles the rate of freight for the carriage by sea of Indian coal for the Indian Railways and the Royal Indian Marine?
- (b) What were the rates of such freights for the different ports during the last 5 years, and with which company or companies was the business fixed?
- (c) Were public tenders invited before fixing the rates of freights referred to in (a) and (b)?
- (d) Is it a fact that the contract for carrying by sea Indian coal required for the Burma Railways from Calcutta to Rangoon is fixed with the British India Steam Navigation Company, Limited, for a period of 5 years at a time?
- (e) If the answer to (d) is in the affirmative, will a statement giving particulars of the rates of freight settled for each year be laid on the table and was it done so after inviting public tenders?

The HONOURABLE MR. H. A. F. LINDSAY: (a) In the case of State Railways such freight rates require the final approval of the Railway Board,

and in the case of Company lines of their Home Boards; in the case of the Royal Indian Marine, the freight charges are settled by the Director, Royal Indian Marine. Sea freight however is usually included in the contract price of the coal.

(b) No State Railways have taken any Indian seaborne coal within the last five years. The information asked for cannot be given in the case of Companies' Railways. With regard to the Royal Indian Marine the information is being collected and will be supplied to the Honourable Member when received.

(c) Public tenders were invited for seaborne coal in 1916-17, but the rate included the cost of the coal. From 1917 to December 1919 owing to scarcity of tonnage no freight contracts were made for any railway, but steamers were arranged as necessity arose by the Shipping Controller, since then contracts have been arranged by private treaty. As regards the Royal Indian Marine, information will be supplied to the Honourable Member later.

(d) The Burma Railway Company have a contract with the British India Steam Navigation Company for carrying coal for a period of ten years.

(e) Government do not consider that they are empowered to disclose details of such contract.

#### RAILWAY MATERIALS AND GOVERNMENT STORES.

140. The HONOURABLE MR. LALUBHAI SAMALDAS: Will Government be pleased to state the total quantity of the tonnage of the railway materials and Government stores imported by sea in India during each of the last 5 years?

The HONOURABLE MR. H. A. F. LINDSAY: The information so far as it is available is contained in the 'Annual Statement of the Seaborne Trade of British India with the British Empire and Foreign Countries' for the year 1919-20 and in the 'Accounts relating to the Seaborne Trade and Navigation, of British India' for March 1921 issued by the Department of Statistics to which I would invite the attention of the Honourable Member.

#### IMPORT OF JAVA SPIRIT.

141. The HONOURABLE MR. PHIROZE SETHNA: Will Government be pleased to state:

- (a) if any proposal has been made for allowing the Government of Bombay to import molasses and liquor from Java without paying any duty thereon as also any railway surtax, and the intention of the Government of India regarding such proposal?
- (b) the amount of probable loss per annum to the Imperial revenues should above concessions be made (1) in regard to import duties, and (2) in regard to railway surtax?

The HONOURABLE MR. H. A. F. LINDSAY: (a) The Government of Bombay have recently asked whether the Government of India are prepared to allow them to import Java spirit free of import duty. The question is at present under consideration, and I am unable to inform the Honourable Member of the Government of India's intentions in the matter. No such request has been received with regard to molasses, nor for exemption from railway surtax.

(b) In the circumstances, it is impossible to estimate the probable loss to Central revenues.

The HONOURABLE MR. SETHNA: May I ask, Sir, whether the Government of India are thinking of necessary legislation on the point on which they have not yet decided?

The HONOURABLE MR. H. A. F. LINDSAY: I think it is a purely executive matter.

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#### STATEMENT LAID ON TABLE.

The HONOURABLE MIAN SIR MUHAMMAD SHAFI: Sir, I beg to lay on the table the information promised by the Honourable Sir John Wood in reply to part (c) of the Honourable Mr. Phiroze Sethna's question in the Council of State on the 20th March 1922 regarding the cost of maintaining refugees from Central Europe.

In reply to item (c) of the question by the Honourable Mr. Phiroze Sethna at the meeting of the Council of State on the 20th March 1922, the Honourable Sir John Wood stated that the information had been called for from the Local Government concerned and would be laid on the table on receipt. The following information has now been received:—

The monthly cost of maintaining the eight Lithuanian refugees is Rs. 598-8-0.

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#### INDIAN FINANCE BILL.

The HONOURABLE MR. E. M. COOK: Sir, I beg to move that the Bill to fix the duty on salt manufactured in, or imported by land into, certain parts of British India, further to amend the Indian Tariff Act, 1894, and the Indian Post Office Act, 1898, to amend the Indian Paper Currency (Amendment) Act, 1920, to impose an excise duty on kerosene, to fix rates of income-tax and to abolish the freight tax, as passed by the Legislative Assembly, be taken into consideration.

The object of this Bill, Sir, is to place the Governor General in Council in funds to meet the cost of the administration during the coming year, and its necessity arises from the deficit in the State's resources, as shown in the estimates of revenue and expenditure which were submitted to the Legislature on March the 1st. I think all Honourable Members know that the Bill, as it has come up to us, has arrived in a somewhat truncated form, and that there are some substantial omissions in it, as compared with the form in which it was introduced in the other House. When the Bill was circulated to Honourable Members two days ago, there was circulated with it a printed memorandum which showed the effect of those reductions upon the taxation as originally proposed, and it may be convenient if I now summarise very briefly the position of Government as it now stands with reference to the resources available for next year. Now, the extra taxation proposed by Government on March the 1st left, as Honourable Members will remember, an uncovered deficit next year of 271 lakhs, apart from any additional, though, at present, indeterminate expenditure that may have to be incurred in respect of Waziristan. Honourable Members will have seen from that printed memorandum that the Assembly has reduced that taxation by a total amount of 956 lakhs,

although, as against this, there will be an improvement in our revenue position for next year by an amount of about 302 lakhs owing to the suspension of the operation of section 13 (3) of the Paper Currency Act, which, Honourable Members will see, is provided for in clause 6 of the Bill now before us. On the other hand, the result of the omissions made in the other House will be that we shall have to make refunds in respect of taxes which have already been collected since the 1st of March, and probably those refunds, which will, I expect, be paid next month, will amount to about 85 lakhs. Finally, on the expenditure side, during the voting of supply, the Assembly made reductions in the estimates of expenditure amounting to about 94 or 95 lakhs. I cannot say if there will be actual savings of that amount. It may be that, under one or two heads, it may be necessary for Government to apply for a supplementary grant from the Assembly later in the year, but, for present purposes, let us assume that those reductions will be made. The net result of all these variations is that there remains an uncovered deficit of 916 lakhs, apart from any additional liability on account of Waziristan, to which I have already alluded.

I must say at once, Sir, and indeed it must be apparent to all Honourable Members, that the position so created is a serious one, and one which justifies the entertainment of considerable apprehension regarding our financial administration next year. That perhaps may seem a serious statement to make, but I make it deliberately. I need not go over the ground which the Honourable the Finance Member covered in his Budget speech, regarding the way in which we have been financing a series of deficits and the grave results which must inevitably ensue if that process is continued much longer. I will only say, Sir, that neither here nor in any other place have I heard that statement of the position seriously disputed. On the contrary, such comments as have come to my hearing or notice have emphasised the danger of continuing to tread that path.

Now, it may be said that an uncovered deficit of 916 lakhs is a very different thing from an uncovered deficit of about 32 crores, which was the amount shown by the estimates of revenue and expenditure, apart from the extra taxation proposed. I admit that. At the same time I venture to think that that difference is one only of degree. The financing of a deficit of 32 crores has of course only got to be mentioned to be dismissed at once as an impracticable proposition. I do not go so far as to say that the financing of a deficit of 916 lakhs is impracticable, but I do venture to submit that it will impose a strain, possibly a severe strain, upon the resources of our financial administration. I fear that it may hamper our general Ways and Means arrangements; it may possibly affect the borrowing policy which we might otherwise be able to pursue, and I rather think that we shall be fortunate if it does not force us into undesirable expedients.

It may be that there are some Honourable Members here who do not agree with that statement of the position, and who may consider that I have rather exaggerated its seriousness. They may be inclined to dismiss this matter with a wave of the hand and say :

‘ Oh ! well, you can find the money somehow ; you can borrow it.’

I have no doubt, Sir, that we shall find the money somehow, and that, somehow or other, we shall borrow it, either from the public or from the Currency Reserve; but that does not alter by one iota the fact that the country is outrunning its income, not once in a way, but continuously,

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and I fear, on this particular occasion, with its eyes open. I think the position is essentially in no way different from that of a private individual who, so long as he can get the credit, endeavours to meet his current expenditure by an overdraft on the bank. There may be other Honourable Members who seek to minimise the difficulty by saying that the remedy lies in the hands of Government and that, by sweeping reductions and retrenchments in expenditure, most if not all of this uncovered deficit can be made to disappear. Those who hold that view may indeed go so far as rather to welcome this large uncovered deficit, as representing something which the country can hold *in terrorem* over Government in order to force a policy of retrenchment. Such people have before them the possibly not unattractive spectacle of an unwilling bureaucracy being forced to choose between insolvency and sweeping retrenchments, and having to bow to the popular will and make retrenchments.

Mr. President, I am afraid that I do not share the equanimity of those people who hold that view, and who console themselves by the spectacle of compulsory retrenchment, for any uneasiness that I rather suspect they may feel in their heart of hearts regarding our financial future. I admit, as I have already admitted very fully on one occasion in this Council this Session, that the financial position of the country is such as necessitates the undertaking of the most strenuous efforts in order to leave no stone unturned whereby a policy of economy, ruthless economy, and retrenchment can be translated into action. But what is the position? Does any one here seriously think that during the next twelve months it will be a practicable proposition to effect economies in the administration, in addition to the reductions already made by the Assembly, sufficient to produce something between Rs. 9 and 10 crores? If there be any such people I say they are harbouring a delusion. The Council will no doubt have read what the Honourable the Finance Member said recently elsewhere regarding the appointment of a Retrenchment Committee, a Committee with, we hope, a sufficiently strong personnel, of outstanding authority and weight, to be entrusted with the task of suggesting retrenchment in practically the whole field of our entire expenditure. If such a committee can be constituted, then I am quite sure, Sir, they will start their work with the united wishes of the Legislature and of the Government for their success. But I cannot imagine that, even if we had the most deadly axe ever forged and wielded by a Hercules, it would be possible to produce 9 or 10 crores sufficiently soon to have any substantial effect on our finances during the coming twelve months. I think, Sir, that the utmost that we can reasonably hope for is, that that Committee would be able to suggest to Government, apart of course from mere economies, such changes in methods or even in policy as may ultimately result in a definite lowering of our present general scale of expenditure in various directions. If so, and if those changes come into operation, then we may hope that their result will be apparent in a steadily decreasing scale of expenditure. But I venture to submit to this Council, as a body of practical men, whether you can by a mere stroke of the pen dismiss establishments, or absorb them in other establishments, or make immediate and sudden changes of policy or methods such as will bridge this gap either in the coming year or even in the next. If I am right in thinking that, then I submit that, taking even an optimistic view of the possibilities of retrenchment, it will be unsafe and dangerous to rely to any material extent on this method for enabling us to get through our financial difficulties during the coming year.

I have spoken, Mr. President, at some little length on this subject, because I think it is my duty to place before the Council the view that the financial advisers of the Government take as regards the position created by the action of the other House. At the same time, as the House is aware, no notice has been sent in on behalf of Government, nor has any formal recommendation been made to this Council, to replace some or all of the items of taxation which have been cut out by the other House. It may, of course, be said that, in view of the position which has been created, there are ready to hand certain other powers, certain other means of removing those difficulties. That is not a financial matter, and hardly falls within my province; but it is obvious to every one that the use of those methods would carry with it certain implications which, I believe, it is the anxiety, not only of Government but of all moderate sections of opinion in the country, to avoid if at all possible. But if those reductions had been carried any further, then I think it would have been a matter for consideration whether the price of avoiding those implications might not be too great. I cannot, therefore, Mr. President, pretend that in its present form the Bill is a satisfactory one. It does not give us, indeed it scarcely pretends to give us, what we shall, retrenchment or no retrenchment, undoubtedly need; and, speaking for myself, it is a little difficult to see how it can be regarded, unless our revenues happily show some unexpected improvement, or unless some other changes for the better occur in our financial outlook and position, as anything more than a temporary arrangement. I beg to move that the Bill be taken into consideration.

THE HONOURABLE SIR MANECKJI DADABHOY: Sir, in discussing the consideration of the Indian Finance Bill, 1922, I do not propose to detain the Council at any greater length than what is absolutely necessary. Just about the end of the speech of the Honourable Mr. Cook, one significant, one pregnant statement fell from his lips. He said that the Bill was not a satisfactory one. I endorse on behalf of the Council that statement. The Bill is not satisfactory. It is not a perfect Bill by any means. In the history of the Indian Legislature at no time previously has a Bill involving such heavy taxation ever been laid before this Council for its acceptance, a Bill in which the taxation falls so heavily on the poorer classes has never before been placed before this Council; and it is therefore obvious that when I speak on this Bill I speak with a feeling of trepidation and disappointment. Sir, when this Bill was presented to this Council on the 8th March last, I stated, and I stated as the considered opinion of many of my Honourable colleagues, that the Bill as then presented was not acceptable to this Council. I then forcibly brought to the notice of Government that, unless the Bill was considerably recast, unless the Bill was re-formulated on principles of justice and fair play, unless it was distinctly modified so as to respect the public opinion outside this Council, this Council will not give its support to it. I am glad, Sir, the Bill now before this Council has come with certain improvements. The Bill has been shorn of some of its most objectionable features. I would say that the Bill has been purged of many of its features which could not for a moment be tolerated, and though the Bill, as it comes before us, is still full of many defects, though the taxation proposals contained therein will fall very heavily on the poorer classes, I say that it comes up before us in a form that leaves us no alternative but to give it our unwilling support. Sir, this Government could not expect this Council, when it imposes about 24 crores of new taxation, to give a welcome reception to a Finance Bill of this character. You cannot expect this Council to treat a



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measure of this sort with any equanimity of temper or to extend to it a willing, ready acquiescence and co-operation. But all the same, we realise that in this matter Government had a difficult task to perform, and that they have honestly endeavoured to meet the people of this country half way in matters relating to many of the new taxes against which there was popular opposition.

Sir, I was extremely pleased to hear from the Honourable Mr. Cook that the Government did not intend to place any amendments before this House for the restoration of those items of taxation which have been rejected by the sister House. I was also gratified to hear from him that, though he thought it was a somewhat difficult task, a sincere and an earnest attempt would be made by Government in the matter of retrenchment and economy. I cannot endorse his view that within the next twelve months the task of effecting retrenchment to the extent of 9 crores is an impossible one. I cannot share the apprehensions stated by him. I am confident that if the Government approaches the task with all seriousness and with an earnestness of purpose, considerable retrenchment can be made. He has asked us not to remain under such a delusion. I say that twelve months ago when a budget showing 19 crores of deficit was presented by Government, it was their duty then to make immediate steps to adopt a policy of retrenchment and economy. It was then obligatory on the part of Government to have appointed a Retrenchment Committee which it now seeks to appoint. Whose fault was it that the appointment of the Committee was delayed? Not the fault of the people. Why did not Government when a deficit of 19 crores faced them, take immediate steps to retrench expenditure? I am under no delusion in this matter, and I feel certain that if a right and proper class of people are taken on this committee and if their co-operation is solicited, and if the Government approaches the whole question with all seriousness, a substantial retrenchment and economy will be effected, and I appeal to His Excellency the Commander-in-Chief, with all the emphasis at my command, to give his very very earnest and serious consideration to this matter. I bow to his well considered decisions in military matters, but with great respect to him, I must again point out that the country is neither in a mood nor in a position to tolerate such excessive military expenditure and the heavy expenditure can be substantially reduced by adopting a policy of cautious move at the Frontier and a systematic policy of retrenchment which may be helpful to the country.

Sir, I shall only briefly allude to some of the important alterations that have been made in the Bill. So far as the Salt tax is concerned, I quite agree that the incidence of the proposed enhanced taxation might not be felt heavily by the people if the Government proposals had been adopted. At the same time, my Honourable Friend, the Finance Minister, knows that no argument can prevail against the sentiments of the people. The sentiment of the people has to be respected; the sentiment of the people has to be religiously tolerated. It is only by respecting popular sentiment that government can be successfully carried on. You cannot ignore public opinion or public sentiment, and I therefore consider that the Government of India has adopted a right and proper policy in this matter in conceding to popular objections.

Sir, I do not wish to speak at any length on the much disputed question of Excise duty. I am glad the Government has seen its way to drop the proposal about the enhanced excise duty. I am also glad to find that my

Honourable Colleagues in the other House have acted wisely at this particular juncture in not pressing for an increase in the import duties on foreign piece-goods. I do not wish to speak to-day on this matter and commit myself in any way. My position as a Member of the Fiscal Commission makes it imperative on me that I should observe silence in this connection. All what I shall say is that the House has acted very discreetly and judiciously in restoring those items and in neither enhancing the Excise duty or increasing the import duty on foreign goods, and I also trust that nothing will be said or done in this House which will have the effect of modifying the policy adopted in the lower House. I have not the slightest doubt that the Fiscal Commission will approach this question from all its aspects in a sound and judicious manner and will come to a decision which will not only command respect and be of interest to this country, but which will be just to Great Britain whose partnership in the trade of the Empire we readily acknowledge.

Sir, as regards Machinery, the step taken is a sagacious one, and I congratulate the Finance Member on the readiness and cheerfulness with which he has accepted our demands in this connection. This is not the time, when India is hankering to increase her industries and develop her internal resources, that any increased duty on machinery be imposed. The Finance Member has not only done a service to India in this connection, but I go further and say that in this respect he has done a great deal of service to Great Britain. The result of this increased duty of 10 per cent. would have been the cancellation of many orders previously placed and it would have also increased unemployment in Great Britain and stopped many of the factories there which are now struggling for existence.

Sir, I know that many of the other taxes which have now been augmented are more or less of an oppressive character and which will fall on the poor with much severity. But in view of the attitude of compromise adopted by the Government of India and the manner in which they have met us half way in this important matter, I do not think it necessary to make any proposals for further amendment of those taxes. There is one matter, however, in connection with which I should like to say a few words. My Honourable friend, the Finance Member, has increased the Super-tax to a limit of 6 annas in the rupee. Sir, I do not protest against it under the present adverse circumstances. The wealthy people, the affluent merchants, are quite prepared and ready to bear their share of the State burden, but let me remind my Honourable friend, let me warn my Honourable friend, that the policy which the Government of India is now adopting will ultimately prove disastrous to the interests of the country. Sir, during the war when our finances were in such an unsatisfactory condition, during the war when we were practically bankrupt, the Finance Member of the time would not dare, or I would rather say did not dare, to enhance the taxation to this limit. What has now happened? You may impose a Super-tax of six annas in the rupee, but it is no more than an excess profits tax. Remember what is now going on in England. They have found it in England—the best of Statesmen have now come to the conclusion—that the policy adopted by them in imposing an increased super-tax and excess profits tax has proved disastrous to the interests of Great Britain. They are rueing the day when they imposed this enhanced taxation. The aristocracy have been ruined. They have sold their properties. They have sold their hereditary lands and houses. They have been reduced to bankruptcy. All new industries have been stopped and the old industries are in a state of financial crisis. I say:

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that in India you will always have to depend for future resources on the wealth of the capitalists. Do not, therefore, whenever you require money, carry your programme of taxation to an unlimited and preposterous extent. Do not repeat in India or do not at least give the chance of repeating in India the phenomenon which has proved so terrible in Great Britain and in other countries. Sir, I should not be misunderstood. I for one moment do not say that the rich and the affluent should not bear their fair share of the burden. I say they should bear their legitimate share of the taxes. My Honourable friend has raised the Super-tax not to meet a war emergency, but in times of peace to meet the enhanced demands of Government for administrative purposes, a proposition which would not be justified or tolerated in any other country in the world.

Sir, I shall not detain the Council any further. I shall say that to this Bill, as it stands, we will give our unwilling, and our compulsory support. We are not frightened of our civic duties. We cannot be intimidated into acquiescence by what is said elsewhere. I know and I am glad to find that my Colleagues in the other House and my Colleagues here will stand by Government and do their duty. We have been told, Sir, that we Indian legislators have been a little bit contumacious in connection with this Bill. We have been told that we have adopted the expedient of wholesale refusal to vote supplies for immediate purposes of Government. We have been told, Sir, that we have brought the administration to a standstill. We have been told that we do not realise that we have probably made it necessary for Great Britain to reconsider the whole working of the Constitutional Reforms in India. We have been told further that Indians seem to be casting new Reforms into the melting pot, and we must not be surprised if our present attitude leads very soon to an examination of the whole problem from a new angle. Such, Sir, is the theme of a leading article in the 'London Times', as reported to-day in a Reuter's telegram, of the action of my Honourable Colleagues in the Legislative Assembly. Sir, I shall not allow the matter to rest at this stage. I think as a citizen of this country I am bound before I sit down to register my emphatic protest against this gratuitous intimidation. Nothing that is said in this matter elsewhere will ever stop us from vindicating our just rights and pleading our just cause in the Council of State and in the Legislative Assembly. Nothing will thwart us from our determination to serve our country and lead the Government in the right path of duty. Sir, the meaning of this criticism is clear. It is nothing more than, and my Honourable Friend, the Finance Member, will see that it is nothing more than, an indirect and sinister attempt to bring pressure on the Government of India to exercise its right of veto in respect of taxation which the Legislative Assembly has thrown out. I appeal to my Honourable Friend, the Finance Member, that he will rise to the occasion to-day and from his place in this Council repudiate the charge, which has been brought against our Colleagues, of having brought the administration of the Government to a standstill, and having adopted the expedient of wholesale refusal to vote supplies. I have heard the speeches of my Honourable Friend, the Finance Member, in the other House. They were earnest and sympathetic. He appreciated our difficulties and our awkward position, and I do hope that from his place to-day he will do justice to his Indian Colleagues who have helped him and the Government in coming to a right and proper solution of this difficult Budget. I say, Sir, we have helped the Government to come to a settlement as far as we could honestly go. We have honestly discharged our duties and brought forward

reasons and arguments to contend against Government proposals and we made it clear and voted for certain taxes that were necessary for administrative purposes. I say that an attitude of perfect friendship and co-operation and of determination to help the Government legitimately, could hardly have been shown in any other Legislature in the world. Sir, I have nothing further to add, but I only wish to say that we shall give our co-operation to all the valid proposals of Government. We only hope that next year when the Finance Member approaches this Council with his new budget he will come under more auspicious circumstances. I hope that the trade of the country will improve by that time. I hope that the general business conditions will undergo change and improve for the better, and I hope and pray that this will be the last Budget of deficit which my Honourable Friend, the Finance Member, has the misfortune to present to this House.

The HONOURABLE SIR EDGAR HOLBERTON: Will it be in order, Sir, if I now move my amendment?

The HONOURABLE THE PRESIDENT: No amendment can be moved at this stage when the motion that the Bill be taken into consideration has not yet been passed. The Honourable Member may, however, speak to that motion.

The HONOURABLE MR. SETHNA: Sir, during the last three weeks India has been greatly perturbed and deeply absorbed in the consideration of three very important topics affecting not only the present but the future history of this great country. They are Mr. Montagu's resignation, Mr. Gandhi's arrest and conviction, and last but by no means the least Sir Malcolm Hailey's Financial Budget for the year 1922-23. My Honourable Friend, Sir Maneckji Dadabhoy, has referred in very eulogistic terms to the attitude of the Assembly in endeavouring to meet the requests of the Honourable the Finance Member for increased taxation. I join with him in saying that we have every reason to congratulate the other House for doing everything in their power not to embarrass the hands of Government, but, at the same time, to act in the best interests not only of their constituents but of the country at large. Next year's deficit is certainly abnormal and of an extent never before known in our history. In consequence thereof increased taxation is proposed to be imposed also to an extent never before known. The Honourable the Finance Member has displayed much skill and ability in trying to collect more money in a manner which will give the least trouble to the tax-payer so far as circumstances can permit and also to raise the increased taxation only under those heads which on account of the increased taxation will, let us hope, not decrease their output or their turnover.

The Bill, as it has emerged from the Assembly, must meet with our approval in almost all important essentials. In speaking on the Budget in this House on the 8th of this month, I expressed a fervent hope that whatever may be the increases under other heads, at any rate four particular heads might be left severely alone, namely, increases in Salt tax, Cotton excise, and Machinery, and the quarter anna Post-card. I am glad to find that the first three have been left alone by the other House, and I regret that they could not see it advisable to press the retention of the quarter anna post-card.

Sir, in regard to the Cotton excise duty the Honourable the Finance Member knows that there is considerable objection to it throughout the

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country, and yet he thought it right to oppose as best he could the amendment in the other place for retaining it at  $3\frac{1}{2}$  per cent. In this House he took exception to an expression which I used, that the proposed increase in Cotton excise duty was an insult to the intelligence of the Indian public. I have not altered my views even after hearing him, and I do fervently hope that as soon as time and circumstances permit Government will adhere to their promise made years ago of repealing the Cotton excise duty altogether instead of levying even the present rate of  $3\frac{1}{2}$  per cent. that is charged. The Honourable the Finance Member told us emphatically and other Government Members have borne out the statement that there has been no desire whatever to support Manchester in this matter. I accept the statement and admit that their proposal was simply with a desire to get more revenue. I am afraid, however, that the attitude displayed by Government even unwittingly, lends colour to the belief that they have helped Manchester, for whilst in one breath the Honourable the Finance Member insisted upon getting as much revenue as possible, yet in another he thought it right in the other place to accept an amendment whereby the proposed increase in import duty on piece-goods has been abandoned. The reason which the Honourable the Finance Member gave was that it was not out of regard for Manchester, but out of regard for the Indian consumer. (*The Honourable Sir Malcolm Hailey*: 'No'). I hear 'No'. I should like to have the correct reason. . . .

THE HONOURABLE SIR MALCOLM HAILEY: The exact reason I gave was—I am repeating to the best of my recollection what I said at another place—that what we had proposed was a combined operation bringing us a sum of 5 crores of rupees. As that part of the increase which was represented by the Cotton excise duty had been vetoed by the other House, then it became a question whether we should or should not persist in demanding the remainder. The result of raising the general duty from 11 to 15 per cent. would undoubtedly have been a general increase of prices throughout the country in regard to those articles. The question we had to ask ourselves—I am only repeating as nearly as I can what I said—was, whether the general disturbance that this would cause would be worth the sum of money that would be brought in to us by raising the general duty from 11 to 15 per cent., and that was the exact ground I took there.

THE HONOURABLE MR. SETHNA: I thank the Honourable the Finance Member for his explanation. It was to avoid the general disturbance as he explains that he agreed to the amendment of keeping the duty on imported goods at 11 per cent. instead of raising it to 15 per cent. as was originally proposed. May I ask the Honourable the Finance Member, has he not had one whole year in which to know whether there was a similar disturbance when we increased the rate of taxation a year ago keeping the Excise duty at  $3\frac{1}{2}$  per cent. and raising the import duty from  $7\frac{1}{2}$  per cent. to 11 per cent? Consequently, I contend that the attitude of Government is most inconsistent in this matter. If they were prepared to accept the amendment for reducing the import duty from 15 to 11 per cent. they should straightaway have also accepted the amendment in regard to Cotton excise duties instead of opposing it tooth and nail as they did. In response to a general public desire, they accepted the amendment for not increasing the rate of Machinery from  $2\frac{1}{2}$  per cent. to 10 per cent. I repeat they could just as well have accepted the retention of Cotton excise at  $3\frac{1}{2}$  instead of being defeated on the motion as they were.

Sir, retrenchment must be the order of the day, and to this my Honourable Friend, Mr. Cook, has referred in very clear terms. He particularly referred to the Committee which is likely to be appointed and he said it should consist of a very strong personnel, men of outstanding ability and weight. The entire country is with him in that respect. The Committee should consist not only of the ablest men available in this country, but India will deem it a great advantage if men of the type of Sir Eric Geddes and others, who can lay their finger on the weak spots, are especially invited from Home to point out where reductions can be made, and made with great advantage, to meet the deficiency of 9 crores and 16 lakhs for next year. The Honourable the Finance Member told us on the last occasion that, as compared with pre-war days, the cost of the Army in England is to-day nearly five times as much, and yet in telegrams received from London during the last three or four days we are told that the total cost of the Army is to be reduced by £33 millions to £62 millions as compared with last year.

The HONOURABLE SIR MALCOLM HAILEY: The figure I referred to was the cost of general administration, not merely of the Army.

The HONOURABLE MR. SETHNA: I think the figures were in regard to the Army expenditure.

The HONOURABLE SIR MALCOLM HAILEY: No. About a thousand million against £200 million; that was the figure I think.

The HONOURABLE MR. SETHNA: I think I saw a telegram which said that the cost of the general administration was reduced by more than £100 million and the cost of the Army alone by £33 million. I will, however, accept the statement of the Honourable the Finance Member as he must know better than myself.

My point is, if reductions have been effected in England, they can be given effect to here. I know that His Excellency the Commander-in-Chief holds different views, but the country at large have nothing before it to enable them to endorse the statement of the Commander-in-Chief as the final word in the matter. If, therefore, the Retrenchment Committee is appointed, and military expenditure is also looked into, the country will feel greatly relieved.

Sir, I know military expenditure is a non-votable item, and there have been considerable discussions on the subject both here and in the other place, but there is one point which was referred to by me on the previous occasion which I will refer to again in passing, namely, that, even if you keep the strength of the Army at its present number but substitute for 10,000 Europeans 10,000 Indians, that would straightaway effect a saving of a crore and a half. But several crores more might be saved in military expenditure in another way, because we know that this largest spending Department of Government is run mainly by men who, with due deference to them, I may say, have probably not even a nodding acquaintance with commercial methods. Commercial knowledge is of very great necessity to this department, and if commercial knowledge was availed of in the administration of the Army, I have no doubt that not a few lakhs but perhaps a few crores might be saved, and that the Honourable Mr. Cook's apprehension of Government not being able to reduce expenditure by 916 lakhs will be dissipated.

Sir Maneckji Dadabhoy referred to the present heavy taxation in England, and the desire there also to bring it down as best as possible. In regard

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to the high rate of income-tax in England it is said that if the authorities continue to levy at the present high rate they will break the capitalists and if the capitalists will not pay this tax they will break the country. The position here will soon be the same because of the heavy taxation now about to be imposed. The best course to my mind is to endeavour to return to normal conditions as soon as possible, and normal conditions can only be reached by retrenchment and retrenchment of a drastic character.

In England, according to recent advices we find that they propose a reduction in the rate of Post-cards to  $\frac{1}{4}$ d. and Letters from 2d. to  $1\frac{1}{4}$ d. Why are they proposing to do this? Simply because they find that the higher rate has resulted in a smaller revenue than what was anticipated. The Government of India are not unaware of this. In regard to Tobacco and Wines and Spirits from their experience of this year they know that because of the higher rates of taxation on these articles imposed since last March, the consumption of wines and spirits and tobacco has greatly decreased. It was, therefore, not worth while to increase the rates of taxation still further on these articles as that would most certainly reduce the consumption yet more. The same applies, I am afraid, to Postage and Railway passenger fares. But I realise that in the present circumstances the best that can be done is to allow these taxes to remain as they have been passed in the lower House.

I think it is a very generally admitted axiom that to levy taxation from the poor at rates that will deprive them of the necessities of life is a moral wrong. There is another axiom that to levy excessive taxation from the rich is perhaps an economic wrong. I say 'perhaps' because this latter axiom may not be subscribed to by all. The rich man does not spend all that he makes. He must lay by something, and what he lays up is lent for commercial and industrial purposes which helps the material advancement of the country. A higher Income-tax and a higher Super-tax is a tax on savings and the money taken by the State is withdrawn from productive use and spent on consumption. In a healthy condition of a State no more should be raised in taxation than will leave an amount available for capital development sufficient to meet all the needs of business. I hope, Sir, that the wish expressed by my Honourable Friend, Sir Maneckji Dadabhoy, that this is the last deficit year will be realized, and that from now onwards our revenues will so improve that by degrees we shall be able to effect reductions in the heavy taxation now imposed in the country.

The previous speaker has referred to the telegram that he has seen in this morning's papers in regard to an article published in the 'London Times.' Previous to the introduction of the Reforms the predecessor of this House, viz., the Viceregal Council, had the privilege of discussing the Budget at yards' length if Members so chose to do so, but the suggestions and the recommendations which Members made were no more than pious hopes. They appealed to deaf ears, for Government did as they pleased. The Reforms have brought about a certain amount of change, namely, that several items of the Budget are now votable and others non-votable. It is these votable items in regard to which the Assembly has discharged its duties in a manner which, I hope, was to the satisfaction of the Government of India and certainly to the satisfaction of the country at large. From the quotations however which my Honourable friend read out, no less a paper than the 'London Times' has taken strong exception and found serious fault with the Assembly. I need not repeat those quotations from the 'London

Times,' but I may be permitted to quote from one other paper which, fortunately for us, takes a very sensible view of the situation. This paper is the 'Manchester Guardian' and in an article which appeared in it on the same day as the article in the 'Times', it says:—

'The Assembly appears to have acted in accordance with what it held to be the best interests of India and in order to force the Government to reduce the enormous military expenditure, which the mass of the people of India feel they cannot afford. It has probably done no more than Britons would have done in like case. The Government can get out of the difficulty temporarily by borrowing more than it intended. This appears to be the only solution possible now, but there should be retrenchment also.'

Sir, if a responsible organ like the 'Times' has ventured to pass criticisms in a most objectionable style as the quotations read out have shown, how much more might we not expect from organs like the 'Morning Post' and the 'Daily Telegraph'? Sir, we have been told that in spite of Mr. Montagu's resignation we need not be afraid of any reactionary steps being taken by the Government in England. We have been assured of this in these Council halls and outside by no less a personage than His Excellency the Viceroy. We have been so assured by various newspapers in England. Even the 'Times' itself only as recently as March 16th said:

'In view of Indian distrust of British good-faith we must endeavour to convince Indians that our intentions are unchanged, and that we sincerely intend to keep our pledges. The habit of vacillation which has so long paralysed our Indian policy must be dropped, and the Government of India must be freely and constantly consulted. Its views must receive the consideration they deserve, but in the politics of India the old essential and constitutional principle of co-ordination must be revived immediately, and consistently upheld.'

I leave it to the Council to reconcile the opinion expressed by the 'Times' a week ago with what we have seen in the papers this morning. I believe I am right in saying that, whatever may be the views of individuals or of journals in England which do not understand India, we have at the present time officials in the Government of India who will not endorse the criticisms made by the 'Times'. This mischievous criticism is nothing short of a threat that the Reforms have been a failure and that they should therefore be scrapped. The Government know that the Reforms have not satisfied the country as a whole. There are many who think . . .

The HONOURABLE THE PRESIDENT: Order, order. The Honourable Member is rather getting away from the Bill.

The HONOURABLE MR. SETHNA: I am speaking on the Budget, Sir. The country is not satisfied with the powers which have been given in regard to the votable items in the Budget and even what little power is given is proposed to be scrapped. If this is a threat, that threat, Sir, in the present temper of the country will not avail. He was a broad-minded and a far-seeing Englishman who wrote that the British hold on India was not one of force but has been a moral hold. Forty million people cannot hold three hundred million by force four thousand miles away from Home. If the British hold has endured in this country—and long may it endure—it is because in the main it has made for justice and security. In form it is imperialism armed with force, in reality, it is government by consent. If they now desire to lose that consent which the moderates have given them let them do so and take the consequences. Criticisms like that in the 'Times' will compel even the moderates to lose faith in the Reforms.

The HONOURABLE COLONEL SIR UMAR HAYAT KHAN: Sir, our course seems to be cut and dried. On the one hand we are told that we cannot raise any more taxation; on the other hand, we are told that the Budget has



[Colonel Sir Umar Hayat Khan.]

already been cut down to such an extent that it will be difficult for the Government to carry on its functions and that it will have to resort to drastic measures. There are one or two things, Sir, to which I want to refer. Of course, we are all speaking and looking for economy. But going into the matter carefully, I cannot understand how this economy can be effected. The men in the Services are already complaining that their pay is not sufficient; and some of them who cannot make two ends meet naturally resort to bribery and corruption and similar malpractices. That, of course, is likely to be one of the results of too much economy. But with such an economy where are they to find the money? The answer is, from the general public; and it is the burden borne by the common people that we want to reduce. In regard to the present state of the country, I do blame Government for having allowed such a state of affairs to come about; but, at the same time, our own countrymen who are creating so much trouble in the country are also responsible, and the question is, who is going to stop that? It must of course be the Police, and not the ordinary Police but additional Police, and if the latter have to be enrolled money must be found. In regard to the Army I have said before, Sir, that the martial classes who furnish recruits to it are already feeling the pinch of the policy of reduction, and the more reduction effected in the Army, the more they will feel it. I come, Sir, from a district nearer Waziristan than that of any other Member of this Council and so can understand the position on the Frontier better than they can. The ruffians from across the border come down and take away a man or his wife, and kill or torture the victims. But these are British subjects and deserve the protection of the Government. If you reduce the Army to such an extent that that protection cannot be given, the position is exactly the same as it would be if a man was killed in a British district, and his relatives on going to the Police or to a Magistrate were told:

'Oh no, we cannot do anything, the expense of prosecuting the murderer is too great.'

It is said in support of this demand for reduction of the Army that we now have agreements and treaties with various people on the border, and so there is no necessity to spend so much on the upkeep of the Army. Well, Sir, if international treaties can be treated as scraps of paper in Europe, they can easily be so treated in Asia. I was present throughout the troubles in the Punjab, and I was also in Peshawar. I saw clear evidence of connection between the Bolsheviks and the local agents. With all these troubles in the country and the disturbances in other countries, I do not think it is wise to reduce further forces which are meant for internal and external security. It would be false economy to do so. While, however, in my opinion the combatant strength of the Army should not be reduced, there are other directions in which economy might be effected. Leakage undoubtedly goes on. I can give one instance. There was a contractor near Quetta who brought back with him seven crores of rupees. (*Exclamations of '7 crores!'* 'You must have wrong figures'.) It may be two crores as suggested by the Honourable Rai Bahadur Ram Saran Das. Anyhow, if a contractor can achieve a profit of crores of rupees, the man who gave him that contract must also have benefited. And there are many similar contracts like that. In this way, I submit, a good deal of leakage is taking place. Much the same thing happens in the Public Works Department. If these things are put right, I think it will be a much better

way of economising than by cutting down the Departments wholesale. No doubt, Sir, the other Honourable House has done a great service to the country in the reductions they have effected. But, I submit, is it so very great a service to do the country to reduce the working expenses of the Departments to such an extent as to make their smooth working impossible? If that sort of thing goes on, the Government will come to a standstill. That fact must be acknowledged when it is a truth.

With these few remarks, Sir, I resume my seat.

The HONOURABLE LALA RAM SARAN DAS: Sir, I fully endorse the views which have been so rightly and strongly expressed by the Honourable Sir Maneckji Dadabhoy. We can only give our unwilling assent to the Finance Bill which is before us and which has been approved by the Legislative Assembly. High taxation is always resented by the public, and unfortunately this year we have the highest taxation which we could ever have dreamt of. The new rates of Income-tax and Super-tax will undermine the rich and the commercial people of this country. We are, however, glad to find the reduction in the duty on Salt, the enhanced import duty on Machinery and the Cotton excise duty, and which has been agreed to by the Government. I can only suggest that the deficit of about 9½ crores which the Honourable the Finance Secretary is in difficulty to meet ought to be met by fresh borrowing, which can be paid when we get a prosperous year. The attack on the Public Works Department which has been made by my Honourable Friend, Sir Umar Hayat Khan, is quite wrong and unjustified. That is a Department which is run on purely business and sound lines. As regards the contractor who is said to have brought about 2 crores from Baluchistan, is said to have made it mostly in a transport contract. As far as I hear the profits earned by that firm were very large, but I must say that the contract involved a very great risks of life and of property. As regards the increase in the Postal rates, I would strongly suggest that, for the sake of the poor, the price of the Post-card ought to remain at a quarter anna. With these few remarks, Sir, I give my support to this Bill.

The HONOURABLE SIR ZULFIQAR ALI KHAN: Sir, I rise to associate myself with the remarks which have fallen from the Honourable Sir Maneckji Dadabhoy and the Honourable Mr. Sethna. They have voiced generally the feelings of Honourable Members of this Council and they have also ventilated, in a moderate manner, the views of the country at large. Sir, I have attended many Budget debates. I was a Member of the first reformed Council in 1910 when the late lamented Mr. Gokhale with all his profound knowledge of economies and finance attacked the Government and showed how crushing was the burden of the military expenditure and expenditure in certain other departments on the resources of India. Sir, even in those days when the military expenditure had not reached this surprising scale, people even then thought that the military expenditure had reached its highest level. But at this juncture and especially under the present conditions when trade is depressed and taxation is high the military expenditure which is as much as one-half of the revenues must be reduced in the light of the fact that it might be the last straw on the back of the camel. Sir, this Budget has produced feelings of dismay all over the country. People feel that there is a limit to their capacity for paying taxes, and they think that the limit was reached last year when fresh taxation was made. But this year, unfortunately the Government have thought it fit to resort to additional taxation to the tune

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of very nearly 32 crores. Sir, with all due deference to the needs of the Military Department, I must say that when the treaty with Afghanistan has been made and the frontier menace has just been removed and when we remember that the Indian population is totally disarmed, how can one be convinced that such a huge expenditure on military armaments is justified? We see that in Mesopotamia, the Military authorities have considered it quite sufficient to maintain only an Air Force at Basrah to rule the whole country. We see that the same policy is likely to be pursued in Egypt and the Soudan. How then can the Indian population, which is disarmed and which cannot resist any force, be considered to be in a state to menace the tranquillity of India? Sir, next year I do hope that the Government of India will present a Budget which will be more acceptable first to the other House, the Assembly and then to this House. The Assembly has passed the Finance Bill. They have made inroads into the proposals put forward by the Honourable the Finance Member. He has been stripped of some of his fine clothes, but he is not naked, and yet he can be said to be dressed in decent apparel.

Sir, one remark more, and that is about the onslaught made by the 'London Times' recently and which has been dealt with by the Honourable Sir Maneckji Dadabhoy and the Honourable Mr. Sethna. I must say that in the present circumstances when the feelings all over the country are excited and bitterness prevails, and when people, at any rate those who co-operate with the Government, are trying their best to help the Government in tiding over the present difficulties, it is very indiscreet and very tactless to hold a menace to the liberties of India and say that all that has been given may be recalled so that India would be thrown back in the road of progress. Sir, I hope that the statesmen in England, guided by their old traditions of liberty and freedom, not only in their own countries, but in the countries under their control, will see that it is only by ruling over the hearts of the people that the Empire can be maintained. It is not by holding out threats of deprivation of liberty and reforms that they can do anything.

The HONOURABLE SIR EDGAR HOLBERTON: Sir, I rise to a point of order. The Honourable Member speaking just now made the statement that no amendment containing increased expenditure was to be permitted. I understand that the Honourable Member was entirely unjustified in his remark.

The HONOURABLE THE PRESIDENT: No point of order on an amendment can arise, until the motion that the Bill be taken into consideration and passed is disposed of.

The HONOURABLE SIR MALCOLM HAILEY: Sir, I should not have taken part in the debate at this stage of the Bill, had it not been that a direct challenge was put to me this morning by some of my Honourable friends, much disturbed, by reading a telegram embodying the views of the 'London Times' on the political situation created by the passing of the Finance Bill in the Legislative Assembly. I should have preferred myself that the discussion to-day had ranged entirely within the scope of the Finance Bill itself; but since it has taken a wider aspect, it is not right perhaps that I should remain silent on the subject.

Now, it will readily be supposed that on coming here fresh from the debates elsewhere, I do not desire to criticise in this House, or even to comment in this House on the attitude taken by the Legislative Assembly in

regard to our Finance Bill. I will pass over in silence the motive which prompted the Assembly in so materially reducing our proposals for taxation. The openly avowed motive was to bring pressure on us to effect substantial economy in the cost of our administration. (*A voice*: 'A very laudable one.') My Honourable friend thinks the motive laudable. However, laudable a motive may be, the course which is taken in pursuit of that motive is not necessarily on that account either practical or politic.

As I say, I desire to say nothing now in criticism of that attitude; but my Honourable friends here, having referred to the position of the Assembly, lamented the view which has been taken in the 'London Times' of the political results which may be likely to follow the action taken. I would only ask them to remember, Sir, that a paper, however important, does not necessarily embody the views either of the people in England at large or the considered view of its Government. I would ask them to remember that if those views have been expressed in the 'London Times', somewhat different views have, as Mr. Sethna showed us, been expressed in another paper of great importance. For my own part, I think that it would be better for us to let those two opposite views contend with each other in the sphere of English journalism, and to await the result, as shown in the actions of the Government of England and in the actions of the Government of India. As to that result, I myself have no doubt whatever. Further, Sir, and merely as my own contribution to this discussion, let me say that I must join with my friends here in saying that I cannot admit any wholesale condemnation of the conduct of the Legislature in India during the last year and a half; for I must remind those who tell us that the action of the Legislature has been fatal to the cause of reforms, that the Legislature has after all, during the course of its existence, acceded to larger proposals of taxation than ever were put before the old Legislative Council with its Governmental majority. So much I must say in credit to the Legislature, and it would be unfair to say less.

Now, Sir, I must pass to the aspect of the question which does not relate to political considerations, but concerns those financial questions which are really cognate to the discussion of our Finance Bill. It was my duty as Finance Member to bring before the Legislature proposals for covering the deficit disclosed by our estimates for the coming year. That such proposals were incumbent on us is clear. I have even been held up to criticism because I failed to some extent in my duty, in so far that my proposals did not pretend to cover the whole of the deficit. Even so, however, we have failed to gain the assent of the Legislature to a very considerable part of those proposals, and we shall have to face the year with an uncovered deficit of no less than 916 lakhs of rupees. That one can accept such a result with equanimity is not to be expected: that the situation contains grave dangers, as the Honourable Mr. Cook rightly pointed out, is equally obvious. I dismiss at once the cheerful suggestion of my Honourable friend opposite that we can view the situation with a light heart; that we can depend on our powers of borrowing for bridging the deficit; that we should be content to rely on the Indian loan market to supply our current needs. It is obvious, and I can again only repeat what Mr. Cook said here, that situations may easily arise when the mere attempt to finance such deficits by floating debt may react in the most unfavourable way upon the money market itself. It is further obvious that deficits of this nature, unless they are of a purely temporary nature, are dangerous to our finances for many years to come. Nor can I accept the proposition, to which

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Mr. Cook also objected, that we can set ourselves right by immediate retrenchment. Two of my Honourable friends have assured me that there would be no difficulty whatever in such a process. But look at the remedies which they have put forward. The Honourable Mr. Sethna suggested that we could immediately substitute a number of Indian troops for British troops. Even he only expected to gain a crore and a half or perhaps two crores of rupees by that process. Even he knows as well as I do that that process could not be an immediate one. Then, again, he suggested that if we handed over the management of the business functions of our army administration to business-men, a speedy economy might be effected. I have heard the proposition before; and, since it is one that is often put before us, I think it is well that I should, purely by way of information, give the House some details as to the actual extent of our annual purchases on behalf of the Army. We buy about three and a half crores worth of provisions, and get this entirely through business firms on commission. We provide two and a half crores worth of forage; but for that purpose we run our own grass farms, and the price of our forage is, on the whole, less than that which obtains in the open market. Other sums are in proportion much smaller. Ordnance stores cost us a crore and a half of rupees and Ordnance stores must, I think, be bought through an expert agency. Our total buyings are Rs. 9,13,00,000. Let me suggest that at the outside the change which Mr. Sethna has proposed, if feasible, and if successful up to the full extent of his anticipations might effect an economy of 10 per cent.—perhaps 15 per cent. I only make this assumption; but at the best how far would this help in securing the total retrenchment on which he has calculated? Then, again, we have been told by Sir Umar Hayat Khan that there is wastage in the Public Works Department. What is the total sum that we have placed in our budget on account of the Public Works Department in the present year? One hundred and sixty lakhs of rupees. Effect the maximum of economy by any new system you can suggest, you will not gain and could not hope to gain more than ten per cent.; and what substantial effect is that going to have on securing nine crores by which our revenues have been left short of expenditure? We are told that a Contractor has made as much as 7 crores of rupees on a single contract; that sum in itself was somewhat hastily reduced by the speaker to 2 crores of rupees. I myself happened to know the nature of this contract; it concerned the provision of transport on the East Persian frontier. One of my Income-tax Collectors deplored the fact that he was unable to make a recovery of income-tax on account of the gains of this contract; but he placed the total gains of the contract only at 30 or 40 lakhs of rupees. Now, when suggestions for retrenchment which are put forward by my Honourable friends are so vague as this, I feel that they have not attempted to envisage, as we ourselves shall have to envisage, the serious problem that awaits us in attempting either to finance a deficit of  $9\frac{1}{2}$  crores or, in the alternative, to effect a reduction of  $9\frac{1}{2}$  crores of our expenditure. Whatever retrenchment you could effect, it could not have an immediate and very substantial effect. Your best retrenchment is that which is effected with discrimination and which consequently has a continuing influence on your annual accounts; that is the kind of retrenchment that we want to effect. One rupee of retrenchment effected in that way, since it will be of a permanent nature, is better than five rupees that you can raise by taxation. If that is the class of saving that we must seek to achieve, it cannot have such an astounding effect on the deficit of the present year as my Honourable friends seem to expect. Well, Sir, I have placed our case before the Council.

We cannot accept the decision that has been come to elsewhere with a light heart. We cannot dismiss from our minds the gravest apprehensions as to the results which may arise from it. Speaking as Finance Member I must warn the Council, and through them the country, that the situation is unsatisfactory in the extreme. At the same time, Council knows that we have not come before them here with a recommended Bill and the Council knows that, as a result, we are ourselves prepared to accept, not purely on financial grounds, but on general grounds, the decision which has been arrived at elsewhere. We accept that, because we feel that we must on general grounds accept it, but any further reduction, it would be impossible for us to accept.

The HONOURABLE LALA RAM SARAN DAS: May I offer, Sir, one word of personal explanation? It is on the remarks of the Honourable the Finance Member, as regards the income of a certain person. What I said in my speech was that the person referred to brought about two crores of rupees and not that he made that much profit. Besides it was a company and not an individual.

The HONOURABLE SIR MALCOLM HAILEY: I quite accept that.

The HONOURABLE THE PRESIDENT: The question is:—

‘That the Bill to fix the duty on Salt manufactured in, or imported by land into, certain parts of British India, further to amend the Indian Tariff Act, 1894, and the Indian Post Office Act, 1898, to amend the Indian Paper Currency (Amendment) Act, 1920, to impose an Excise duty on kerosene, to fix rates of Income-tax and to abolish the freight tax.’

as passed by the Legislative Assembly be taken into consideration.

The motion was adopted.

The HONOURABLE THE PRESIDENT: The question is:

‘That sub-clauses (1) and (2) of clause 1 of the Finance Bill stand part of the Bill.’

The motion was adopted.

The HONOURABLE THE PRESIDENT: Sub-clause (3) of clause 1 is consequential to what happens to the rest of the Bill and must therefore be postponed.

The HONOURABLE SIR EDGAR HOLBERTON: Sir, I rise to propose the amendment—

‘That in clause 2 of the Bill for the words ‘at the rate of one rupee and four annas per maund’ substitute ‘at the rate of two rupees eight annas per maund’.

I wish, in the first place, to explain very clearly to this Council the reasons which have induced me to bring this amendment. In the first place, it has been strongly recommended to me by the Chamber which I have the honour to represent as a most desirable form of taxation. Secondly, it came within the purview of the Assembly at a very early stage in the discussion of the Finance Bill, and I think it is just conceivably possible that it was turned down without the amount of consideration that it might have received had it come up later. I shall be clear on one point, Sir, that in my opinion this Council of State is a revising Chamber and it has power under the Act to revise legislation, financial or otherwise, passed by the Assembly. But, at the same time, if I am fortunate enough to pass this amendment of mine through this House, and, if after that,

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even considering what we have had to say about it here, the Assembly desire to affirm their original determination to reduce this tax, I, for one, should be prepared immediately to advise this Council to fall in with the suggestion. I do not desire in any way to raise a contest between the two Houses on this particular point. But there are several very peculiar facts to be considered at the present juncture. We have seen a most interesting political development in the Assembly during the discussion on this Finance Bill, and much of the changes in grants and reductions that have been made there have been made, not as I think has been formerly the case, entirely on the merits of each tax, but with a definite determination to bring pressure on Government by reductions in certain directions to put their house in order in other directions in which the power did not to the same extent lie with the Assembly. That is to say indirectly the idea of some of the reductions was to get at items which were non-votable. Now, Sir, I, for one, am not going to impugn in the slightest degree the correctness of the course adopted by the other House. It has, I think, been carried through with commendable moderation and it has undoubtedly had a most notable effect; but I put it to this House that it is conceivable, possibly, that our friends have gone somewhat too far. They have made their protest, they have proved their point and their power, but they have also faced the Honourable the Finance Member with the practical certainty of coming to you next year with a deficit which cannot be less than 3 crores. The Honourable Mr. Cook in a very interesting and impressive speech has this morning pointed out to us the very serious dangers and difficulties of this position. There is even a possibility, he tells us, that his Department may be forced into what he goes so far as to call undesirable expedients to keep themselves going for the year. Now I imagine that by 'undesirable expedients' he must mean the printing of notes. None of us wants that to be done to an amount which will seriously hamper the trade of the country.

On the subject of retrenchment too we have had some exceedingly sound advice this morning from various sources, more especially from the Honourable Mr. Cook and the Honourable Sir Malcolm Hailey. As a business-man, Sir, I must throw in my voice with the side which maintains, and maintains strongly, that retrenchment cannot produce a very immediate effect. To talk of any great results of retrenchment in the year in which the Committee is going to sit is surely the most optimistic of suggestions. When the Committee has gone thoroughly into the whole position, when it has examined each Department, when it has made its recommendations, even then the process will be slow. For instance, supposing it recommended the reduction of various items in the military budget, items in the direction of establishments, it will not be possible by a stroke of the pen to get rid of those establishments. They are servants of the Crown in the same way as many other Civil Servants, and, if they are to be got rid of, the immediate effect will be more likely an increase of expenditure, because they will have to receive bonuses, they will have to be paid off. This Council would not, I am sure, desire for a moment that faithful servants of this sort should be sent away without a penny in their hands. (*The Honourable Mr. Lalubhai Samaldas*: 'Of course not.') Therefore, Sir, the idea that the magic word 'retrenchment' and the appointment of a Committee to look into retrenchment is going to produce anything like an immediate effect is, I think, extremely fallacious.

This brings us back to the position that there is perhaps very little hope of the deficit with which the Honourable the Finance Member is going to be faced about this time next year being less than 9 crores. Now, how are we to help him if we do desire to help him? We may perhaps have accomplished our political object, as we were perfectly justified in doing, of establishing the point that we are going to control, but we cannot desire to put the Finance Member and the country as a whole into a position of unusual and unnecessary difficulty. Therefore, Sir, I have put down this amendment on the paper. If we look into the merits of the case, we will find that this is not by any means a new exaction. The original rate of the Salt duty was, I believe, for years at Rs. 2-8 per maund. It was taken off in the year 1905, I think, or possibly in 1903. (*A voice*: 'In 1903.') Thank you, Sir, in 1903, not because it was being found a burden on the people, not because there was any clamour for its removal, not because Government were informed that it was pressing too hardly on the poor, but simply because the Government were overburdened with richness: their Budget at that time was more than balancing. Instead of using their balances as some of us might have suspected they would have done, to improve the conditions in some of the neglected provinces, such as mine, they decided to make a free gift to the country of this Re. 1-4 levy on Salt. Now, Sir, it is not an unusual occurrence to find that the giving of gifts eventually reacts on the donor, and this is an example. If the Government had at that time retained their levy on salt at Rs. 2-8, I maintain, from the information at my disposal, that the country would have raised no clamour. They have for years and years given the country the benefit of this reduction, but now, Sir, they are not in a position to continue their dole. The time has arrived when they have to call up their reserves and this, I put it to you, is the very first reserve which they have to call up.

As regards this question also of the actual pressure of the tax, as proposed, on the households of India, it has been generally stated in the course of debate that the incidence amounts to 12 annas on a family of four. Now, Sir, I maintain, and maintain strongly, that, if we say that is too great a burden, we are allowing our heart to run away with our head.

Now that the rate of wages is much higher than it used to be, as regards the industrial classes, I do not think there can be the slightest doubt that they will not feel this twelve annas; and even if they did feel it they could easily put in an extra day's work and put it in their pockets.

As regards the classes that live on the land, there is undoubtedly some more ground for the contention of extreme poverty. But, Sir, I put it to you that even these figures are a trifle fallacious; we are told extraordinary figures of the smallness of income that comes into some of these families. But these incomes do not, I think, include the very material sums that come into the family purse from the sons that have gone out into the world. It is in many parts of India, I grant you, impossible to hold that the money which a family of four may get from its land alone is sufficient; but that family in most cases takes the remedy into its own hands and sends forth some of its sons into the world. Therefore, even in these cases, with the assistance of the money which is received from those well-to-do labourers who have gone out to earn a living, even here there can be no great cause of complaint; nor will it be found an undue burden. When we remember that in the course of the budget deliberations in the other House, the extra tax on cotton has been cut off, when we



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remember that even the strongest advocates of the industrialisation of India feel no hesitation in maintaining that the consumer or the poor man is capable of bearing the burden of higher prices which this industrial policy will temporarily bring upon him, when we think also that this average of three annas per head, which is said to be the incidence of this tax, is computed as between the rich and poor alike and therefore is likely to fall with much less severity on the poorest, when we consider these three factors, Sir, I put it to the House that we shall not be laying ourselves open to attacks of injustice to the poor if we suggest and pass that this levy be brought back into the Bill. Furthermore, Sir, I must just make myself clear again on the point that I do this in no controversial spirit. I have explained fully why, and I hope that there will be no desire on the part of either Government or non-Government Members in this House just to turn my amendment down because they fear that controversy, and possibly difficulty in getting the Bill through in time may arise.

The HONOURABLE MR. V. G. KALE: Sir, I stand to oppose the amendment. The Honourable Sir Edgar Holberton has referred to a number of fallacies underlying the arguments which have been advanced against the imposition of an additional duty on Salt. But I hope he will pardon me if I say that his whole speech was honey-combed with fallacies. When he spoke of the average income per head of the population in this country, and about the incidence of taxation, and especially the pressure of the burden of the Salt duty upon the poor, I must say that he failed to realise what the present economic condition of the masses really is. He was inclined to think that this duty on salt might not have been opposed in the Legislative Assembly under certain conceivable circumstances, and that therefore his proposal to put it on again stood a very good chance of being accepted if it was passed on by this House to the other Chamber. Sir, I do not take this view, because from the very outset we took very strong objection in this House—and similar strong objection was taken in the other House—to any imposition of additional duties upon salt. It has been stated that the duty on salt is a very old duty and that there have been no complaints on the score of dear salt during the past several years when the burden was heavy. If this is an old tax, Sir, the argument also used in connection with it by Sir Edgar Holberton is an old argument. Perhaps my Honourable friend forgets that if there has been an agitation persistently carried on against any tax in this country, it has been against the tax upon salt. It has been the subject of protest on political platforms and elsewhere for over one generation; and my Honourable friend again forgets that it was the late Mr. Gokhale who persistently, in the Imperial Legislative Council, pressed upon the attention of Government the necessity of the reduction of this taxation. He wants to give to the Government credit for having spontaneously come forward with a proposal to reduce the salt tax years ago. I do not want to take away from Government whatever credit may be due in that direction. But I do not want also that credit should be taken away from quarters to which it truly belongs, namely, the political leaders of the country and pre-eminently Mr. Gokhale. It was at his suggestion, as far as I know, a suggestion repeated from time to time, and from year to year in the Imperial Council, that the duty on salt was steadily reduced from Rs. 2-8 till ultimately it came down to Re. 1. The Honourable Finance Member the other day took exception to the estimate of the average income of the population I had given; but I must repeat that whatever attention I have been able to give

to the subject has led me to conclude that, so far as the lower classes among the masses of the population are concerned, there is absolutely no doubt that their average income per head is not more than Rs. 3 a month. I will refer my Honourable friend to a report drawn up by a committee of which he was himself the Chairman with regard to the salaries of secretariat officers and subordinate establishments. From that report itself it can be found that to-day Rs. 15 a month for a family of five or four is absolutely necessary, and it is a fact that Rs. 15 a month for a family is not available among large classes of the population scattered throughout the length and breadth of the country. However, without going into this controversy I must point out that even twelve annas a year on salt for a family of four must be regarded as a burden inasmuch as during the last few years the income of the people has not increased to such an extent that they can bear additional burdens of taxation. During the time of the War there was an apparent wave of prosperity, but to-day on account of the depressed condition of trade and industries, certainly the additional burden that is sought to be imposed upon the people is one which cannot be tolerated. Under these circumstances, Sir, apart from the question of sentiment, I think it will be unwise on the part of this House to restore the duty on salt which has been so wisely taken away by the other House. For these reasons, Sir, I strongly oppose this amendment.

The HONOURABLE LALA SUKHBIR SINHA: Sir, I rise to oppose this amendment very strongly. The discussion that took place in this Council on the 8th March and also before that in the Assembly quite clearly showed that the feeling of all the non-official Members of both the Houses is very strong against increasing the duty on salt. Public opinion is also quite against any such increase in the duty on salt. During the last three weeks from the 1st of March, wherever I went, I found a great feeling against this increase of duty on salt. There was a Durbar of His Excellency the Governor at Meerut on the 10th March, and there I had an occasion to meet all the leading gentlemen of the Meerut Division, and all of them were of opinion that the budget deficit was very unsatisfactory, and especially the increase in the Salt tax was most unacceptable to them. Sir, salt is not only one of the important necessities of life, but it is an indispensable necessity. Every person from the richest to the poorest has to take salt with every meal. Not only the people but even the cattle have to take salt. In every village people have to give some salt to the cattle. Therefore salt is a necessity of life for cattle as well. Sir, there is a past history behind this whole question. Politicians after politicians tried to have this salt duty reduced. But now an attempt was made again after many years to raise that duty from Rs. 1-4-0 to Rs. 2-8-0. We are thankful to the Assembly for reducing this duty on salt and also for striking out all such objectionable items from the Finance Bill that were not acceptable to the people at large. Sir, we are here as the representatives of the people, and we have to give expression to their views in the best possible way. At the same time, we are supposed to help the Government as far as possible, but we are not supposed to help the Government, rightly or wrongly, in whatever proposition they put forward before us for our acceptance. Sir, the salt duty presses very heavily on the poor. I fail to understand why my Honourable Friend, Sir Edgar Holberton, has taken up this question to raise salt duty from Rs. 1-4-0 to Rs. 2-8-0. I find he is not in his place now, otherwise I would have liked him to suggest that the import duty on piece-goods should be raised from 11 per cent. to 15 per cent. . . .

The HONOURABLE THE PRESIDENT: That does not arise at the present moment.

The HONOURABLE LALA SUKHBIR SINHA: He raised such a question which affects very considerably the poor people of the country, and I therefore very strongly oppose this amendment, and I hope that this House will not undo what has been done in the Assembly.

The HONOURABLE COLONEL SIR UMAR HAYAT KHAN: Sir, I rise to support this amendment. It may be said that I am always against things which are called 'popular,' but when money is wanted it must come from some source or the other, and I think it is much better that it may come from salt duty than from land-revenue. (*A voice*: 'Well, done'). If you want to make the people prosperous, you should not take away their hard-earned assets from land. The first thing required by them is the ordinary foodstuff like wheat and wheat flour. When we want to minimise anything, it is a common saying that 'It only proportions as salt in the flour.' So the first thing is wheat flour, and salt comes only next. I therefore support the amendment.

The HONOURABLE MR. G. S. KHAPARDE: Sir, I wish to oppose the amendment that has been proposed, for this reason, that salt is one of the primary necessities of life, it is one of those things without which man or animal cannot live, and therefore the best policy, or one of the greatest maxims, is to try and not to tax the necessities of life. Government at one time did tax it, I quite admit it, but there was a great deal of opposition throughout the country. I remember the time when the reduction in the Salt tax was hailed as a very great benefit to India. I think my Honourable Friend forgot this fact when he said that this reduction was a grant, and that grant has been taken away because of the dismal budget, and that the Government became immensely popular when that grant was made.

The other argument was that the wages have increased. But my Honourable Friend forgets that the purchasing power of the rupee has decreased. That fact has not been taken into consideration by those gentlemen who look at the thing purely from a money point of view. They say that formerly if a man used to get Rs. 5 only and now he gets to-day Rs. 7, therefore he is better off. I rather think that what he could buy for Rs. 5 then he cannot purchase to-day for Rs. 20. Therefore, the man who used to get Rs. 5 then, even if he gets Rs. 10 to-day is much worse off than when he used to get Rs. 5. Another point is this, it is the other House which has cut down this grant, and if anybody complained about it, I thought the Government would be the first person to complain about it. But they do not complain. Why should my Honourable Friend therefore try to increase the duty on salt and restore that item. That seems to me rather a peculiar attitude to take up. The Government have accepted the proposition to reduce the duty on salt, they are willing to carry on as best as they can within the sum at their disposal. There was no complaint of any sort before this House. (*A voice*: 'Honourable Mr. Cook did complain.') No, that was merely an observation. There was only an observation, and not a complaint. If there was a complaint, then my Honourable Friend, Mr. Cook, would have referred to it or would have asked us to restore this grant. It was only an observation; I think I can also make an observation that it is very unfortunate that Government have got to waste such a large amount this year, and I am very sorry for it. I quite sympathise with all Members of the Government that they have to carry on with a smaller amount. But that

is all right so far as sympathy goes. But if they want to raise this tax on salt, then I would strongly oppose it, for the reason that it has been admitted, and very rightly too, that the other House has behaved very well indeed by reducing what they could vote upon and inducing Government to accept items where their hands could not possibly reach. They have put the Government to the necessity of effecting retrenchment and economy in several directions, and particularly in a matter into which they could not possibly put their hands. That was a very reasonable way of doing things. Even the paper that has been quoted to-day and made much of and which speaks against us, even that paper admits that the measure that was voted upon was good. Only it thinks that it should not have been done now, it should have been done half an hour later or two hours earlier. That is a different thing altogether. On all these grounds, therefore, this tax of all things, which touches the poor in this year's budget, is an unfortunate one. The poor man will remember it when he is dining because there is less of salt. The poor man will remember this Budget when he is going out because the railway fares have gone up. If he wants to complain to Government, he will say:

'Oh, I used to send my letters for half anna, now I have to pay one anna to send a letter.'

Every act of the poor man's life has been by some strange fatality taxed in this year's budget. I did not like to say much about it, for the simple reason that money had to be found from some source or other. But it has been said that this money has to be found and if the Government is willing to utilise it, we must restore it to what it asked for originally. That, I think, is going beyond the position. If the Government is willing to lie on the bed as it has been spread, I say, 'All right, let the Government do so.' If they do so, it will be just for everybody concerned. For these reasons, Sir, I oppose the proposal to raise the tax to Rs. 2-8-0 per maund.

The HONOURABLE SIR MANECKJI DADABHOY: Sir, I should like to add one or two words to this debate, in view of certain remarks that fell from my Honourable Friend, Sir Edgar Holberton, which, I find, have not yet been answered. I was rather surprised, I must say, when he rose to move this amendment. I was carefully watching him when he was on his legs to see if he was at all serious about this amendment. If he was serious, I can only say that he was flogging a dead horse.

As regards the gallant Colonel, the Honourable Sir Umar Hayat Khan, who rose to support the amendment, I am not a bit surprised. We all know that the gallant soldier is always ready to support Government in season and out of season unless his pocket is touched. . . .

The HONOURABLE SAIYID RAZA ALI: He is not the only person who supports the Government.

The HONOURABLE SIR MANECKJI DADABHOY: And he made it clear to-day that the land-revenue should not come in for a share of the additional burden. So one can really understand his enthusiasm in this matter.

As regards the remarks which fell from the Honourable Sir Edgar Holberton, I must say I am profoundly surprised that he should come to the rescue of Government after the most explicit and lucid statement made by the Finance Member this morning. The Finance Member has accepted the decision of the Legislative Assembly as it is now an accomplished fact. He has, of course, protested and he has certainly given his reasons at length against the action of the Legislative Assembly, but in view

[Sir Maneckji Dadabhoy.]

of the well-considered and unanimous decision of the Assembly, he has actually accepted the decision as concluding the question. My Honourable Friend, Sir Edgar Holberton, has asked us, as a revising Chamber, to revise the decision of our friends in the Assembly. It is for this very reason that I am opposing my friend's motion. I think it is prudent on the part of the Members of this House as a revising Chamber to respect the well-considered opinion of the other House. When the Assembly, after due deliberation and after a careful consideration of the *pros* and *cons* of the situation, have arrived at a decision, it is incumbent upon this House to respect that decision when we find that that decision is in consonance with public opinion outside the two Councils. My Friend has also said that we are going a little bit too far and that the proposals about additional salt taxation ought to have been adopted in the present great financial emergency of Government. My Friend forgets the past history of this tax. In fact, Finance Member after Finance Member has said in previous years that the salt tax is an ultimate reserve in the hands of Government to meet emergent periods. Now that Government is going in for a wholesale policy of taxation, and has tapped every available source of taxation to the extent of Rs. 30 crores, is it not politic, I ask, is it not expedient, that the Government should keep up their sleeve some form of taxation which may relieve, or at least go to their aid in relieving, a future financial crisis? I say the position taken up by my Honourable Friend is wholly untenable, and I therefore strongly oppose this amendment.

THE HONOURABLE MR. C. A. INNES: Sir, I hope the Council will excuse me if I deal very briefly with Sir Edgar Holberton's amendment. I do not propose to follow either Sir Edgar Holberton or the other speakers who have spoken on the merits of the case. On that aspect of the question all I have to say is this. I still consider, and I have always considered, that having regard, on the one hand, to our financial necessities, and having regard, on the other, to the economic effects of this enhancement of the salt tax, we are absolutely justified in placing that proposal before the Indian Legislature. But I would ask the Council to consider our position. Definitely, and of set purpose we did not proceed in the way in which we might have proceeded. We did not enhance the salt tax from Rs. 1-4-0 to Rs. 2-8-0 a maund merely by notification under the Indian Salt Act. We knew that this tax was a tax which was opposed to public sentiment, and we deliberately decided that we would submit the proposed enhancement of the tax to the verdict of the Indian Legislature. We placed the case as fully as we could before the other House. We warned the other House of the dangers of leaving our deficit, or a great part of our deficit, uncovered, and for reasons which are known to this House, the verdict of the other House was against us. Sir Edgar Holberton has suggested that that verdict was possibly a hasty and ill-considered verdict . . .

THE HONOURABLE SIR EDGAR HOLBERTON: Not ill-considered.

THE HONOURABLE MR. C. A. INNES: He has suggested that possibly, if we gave the other House an opportunity of reconsidering the matter, their decision would be in the way in which he wants it to be. But, Sir, I think it is evident from the tenor of the speeches which have been made this morning in the Council of State that there is no foundation for that hope. The position of Government is, we deliberately sought the verdict of the Indian Legislature on this proposal, and we have received that verdict. However much we may deplore it, however much we may fear the consequences of that verdict, yet Government have decided to accept it.

The HONOURABLE SIR ARTHUR FROOM: Sir, before I discuss the merits or demerits of the Salt tax, I should like to ask the Honourable Member for Government who has just spoken whether we in the Council of State are to understand that Government has accepted the verdict in another place and therefore, to put it briefly, will not listen to the opinions expressed in this House. I do not like that way of looking at, or that method of dealing with, our amendments. Sir, before I came into this Council to-day, I was told on many sides:

'There is no use your supporting such-and-such an amendment which is against the verdict of the other place, because you won't get any support from Government benches.'

I did not think that that could be so. I understood that Government would listen to a well-thought out debate and vote after considering that debate and not form their conclusions beforehand from what has taken place in another House. Well, Sir, to revert to this salt tax, I must admit that I had no personal knowledge of how its incidence was felt by the poorer people of this country. The salt tax or the revenue that the Finance Member hoped to obtain from it attracted my attention. He hoped to obtain during the ensuing year Rs. 430 lakhs, and I believe in the following year Rs. 5 crores. That figure seemed to me to be so substantial, that I asked some of my Indian friends how this tax would be felt by the people of India as a whole, and, Sir, the general reply received was, that it would not be burdensome, but that it was against the sentiment of the country. Now, Sir, I put it to you and to this House, is the taxation in the country to be ruled by sentiment? I went to considerable pains and I asked not one of my Indian friends,—I asked several of them—and that was the tenor of the reply, that it would be a mistake for this Council to put back the salt tax to Rs. 2-8-0 per maund, because it would be against the sentiment of this country and probably it would be made use of as a lever for further political agitation. Having elicited that opinion from my Indian friends, an opinion which, as I have said, was that this additional salt tax would not be a burden on the poor man, I support the amendment moved by my Honourable Friend, Sir Edgar Holberton.

The HONOURABLE MR. C. BOROOAH: Sir, I would entirely agree with the Mover of this amendment if the salt duty had been the only duty which the poor man has got to pay, but unfortunately there are many other duties. There is the duty on Piece-goods, there is the duty on Sugar, there is the duty on Kerosene, and the duty on Matches,—in fact, there is a duty on almost every necessity of everyday life, of the rich and the poor alike. Again, these are the taxes imposed by the Central Government; over and above these there are taxes imposed by the Local Governments. Then, if a man owns a bit of land, he has got to pay also land-revenue and local rates. If he happens to live within a municipality he has got to pay municipal taxes also. Of course, it is said that the salt tax would not be felt appreciably by the people, because the increase would be only three annas per head per annum. I beg to submit that an increase of three annas per head in addition to these numerous other taxes would be most certainly very appreciably felt by the people whose average income is not more than three rupees a month. I therefore oppose the amendment.

The HONOURABLE MR. E. M. COOK: I beg to move that the Question be now put.

The HONOURABLE LALA RAM SARAN DAS: I rise to strongly oppose the amendment. The ordinary people, I mean the masses, do not understand what deficit in a budget means, and whenever there is any increase

[Lala Ram Saran Das.]

in taxation they always resent it. At the present moment, when on purely economic grounds there is great distress in the country, I would strongly request the Honourable Mover of this amendment to withdraw it, for to put the poor people to more pinch is quite unjustifiable. I cannot follow the argument that because they pay the increased tax on clothing, on sugar, and on kerosene, why should they not pay the increased duty on salt? Wherever we can spare the people in taxes, we ought to. My Honourable Friend, Sir Umar Hayat Khan, if I remember rightly, opposed the increase in salt tax in the speech which he made on the 8th of this month, and I cannot understand why in a few weeks' time he is contradicting that statement. (*The Honourable Sir Maneckji Dadabhoy*: He has become wiser.) With these few words I oppose the amendment.

The HONOURABLE THE PRESIDENT: The question is:

'That in clause 2 of the Bill for the words 'at the rate of one rupee and four annas per maund' substitute 'at the rate of two rupees eight annas per maund'.'

The Amendment was rejected.

The Council adjourned for Lunch till a quarter to Three of the Clock.

The Council re-assembled, with the Honourable the President in the Chair.

The HONOURABLE THE PRESIDENT: The question is:

'That clause 2 stand part of the Bill.'

The motion was adopted.

Clause 2 was added to the Bill.

The HONOURABLE LALA SUKHBIR SINHA: Sir, I want to move that the following sub-clause be added to clause 3 of the Bill, namely:

'With effect from the first day of April, 1922, for the words and figure 15 per cent. in Schedule III of the Indian Tariff Act, 1894 . . . . .'

The HONOURABLE THE PRESIDENT: Has the Honourable Member given me a copy of that amendment?

The HONOURABLE LALA SUKHBIR SINHA: Yes, Sir.

The HONOURABLE THE PRESIDENT: Will he read it?

The HONOURABLE LALA SUKHBIR SINHA:

'With effect from the first day of April, 1922, for the words and figure 15 per cent. in Schedule III of the Indian Tariff Act, 1894, the words and figure 22½ per cent. shall be substituted.'

The object of my amendment is that the present duty on the export of hides and skins is 15 per cent. I want to increase it by 50 per cent. that is to say, that this rate 15 be increased to 22½ per cent., that is by 50 per cent.

The HONOURABLE SIR ARTHUR FROMM: May I ask whether this appears on the List?

The HONOURABLE THE PRESIDENT: I have not got the amendment yet, but I understand that it deals with an amendment to the Third Schedule of the Indian Tariff Act, 1894, and the question arises whether the Third Schedule is open to amendment. I think it is open to amendment. The preamble to the Bill runs—

'further to amend the Indian Tariff Act.'

If those who drafted the Bill intended to restrict the amendment of the Bill to Schedule II, they would have said so in the preamble. It is open to the Honourable Member to move his amendment.

The HONOURABLE LALA SUKHBIR SINHA: Sir, I beg to move:

'That with effect from the first day of April 1922, for the words and figure 15 per cent. in Schedule III of the Indian Tariff Act, 1894, the words and figure 22½ per cent. shall be substituted.'

Sir, at present the duty on the export of hides and skins is 15 per cent. I propose that it may be raised to 22½; that is, by 50 per cent. Sir, at present many new leather factories have been started at Agra, Gwalior, Cawnpore, Bareilly and other places,—Meerut also—and, therefore, more hides and skins are wanted for their own manufacture. At present the quantity of export of hides and skins out of India is no less than 42,000 tons every year, and the value of these hides is as much as about 5 crores. If my amendment be accepted, this export of hides and skins will go down, and the result will be that more hides will be available in the country for being manufactured in these local mills. The price of manufactured leather goods that come now from outside is high, while the leather goods made in the country are much cheaper, and if the hides and skins will not be exported so much as it is now, I think the price of leather goods will still go down, and the consumers will be much benefited. It may be said that the present dealers in this trade in hides and skins will suffer. But I may point out that these dealers and merchants who deal in the export of hides and skins will begin to manufacture those hides and skins here in the country, and it will be a new occupation for them, and more profitable. Sir, if the quantity of hides and skins exported will go down, I think it will have a salutary effect on the number of cattle also. At present we find that excepting cattle dying a natural death, many are killed for this purpose and poisoned also in the country. It cannot be denied that this will be stopped; and, therefore, on economical grounds I put this amendment before this Council for acceptance. The Honourable the Finance Member stands in need of money, and in this amendment I suggest to him a new source of income. It may be said that since this duty on the export of hides was placed in 1919 the export trade has suffered much; it has gone down by half. But I think if we raise this duty by 50 per cent., the income will remain the same, or may be more, and therefore, looking to the deficit in the Budget, I think it is desirable to raise this duty from 15 to 22½ per cent.

The HONOURABLE THE PRESIDENT: To the clause under consideration amendment moved:

'The following sub-clause be added, namely, with effect from the 1st day of April 1922, for the words and figure 15 per cent. in Schedule III of the Indian Tariff Act, 1894, the words and figure 22½ per cent. be substituted.'

Honourable Members will not find the Schedule III in the Bill at all, but as the clause is so drawn as to open the whole of the Tariff Schedules, I cannot hold the amendment out of order.

The HONOURABLE SAIYID RAZA ALI: Sir, I was really wondering as to what was the object of my Honourable friend in moving this amendment. He has made a fine speech; he has tried to impress us with the necessity of increasing our revenues; there is no doubt that is a perfectly legitimate object, having regard to the character of the Budget with which we are faced this year. But, Sir, my Honourable friend in a rather unguarded moment gave himself away towards the end of his speech when he said that his motion, if adopted, would probably result in a



[Saiyid Raza Ali.]

reduction in the number of animals that are slaughtered. That, I take it, Sir, is the real object that he had in view. Let me say at once that I have very considerable sympathy with the object which is so dear to the heart of my Honourable friend; and, in fact, the indiscriminate slaughter of animals in this country is a gross abuse and the sooner the abuse is removed and matters improved, the better it will be for the country. I do not agree, Sir, with the first euphemistic ground with which he tried to support his proposition, namely, that a large number of tanneries had recently been opened and, therefore, in the interest of those tanneries it was necessary to put an additional export tax on raw hides. Figures are always very uninteresting, but if the figures for the past three years with reference to this trade are gone into, it will be seen that the trade has been in a very bad way since the year immediately succeeding the termination of the war. In the year 1919-20, the trade did all right, but since then it has gone from bad to worse, and if the export tax is raised, I am afraid the trade will receive a more severe blow than that from which it is already suffering under the existing stringent conditions. Now, if I may be allowed to go into dry figures, it would appear that this trade in the year 1919-20 amounted to a little over 20 crores of rupees. In the year 1920-21 the amount fell to 4,74 lakhs, and in the current year the figures are about the same as those for last year, namely, 4,77 lakhs. I may point out that these are figures for the ten months in each year, 1919-20, 1920-21, 1921-22, the year beginning from the 1st of April and ending the 31st of January next. We have not got the figures for the entire 12 months, but I think we can safely rely on these figures for 10 months in each of the past three years. They will show how severe a blow has been dealt at this trade, and the natural result of the amendment which my Honourable friend has brought forward this afternoon would be that additional taxation would automatically result in a decrease in exports; which again means that we will not even get what we have been getting up till now in the shape of revenue. My Honourable friend wants to help Sir Malcolm Hailey, but I doubt whether Sir Malcolm will have any cause to thank him, inasmuch as an additional tax will result in decreased export. Quite apart from the sentiments and feelings of my Honourable friend, with which I am in very great sympathy, as a business proposition the amendment brought forward by him is, I am afraid, very unsound. Therefore, on financial considerations alone, that amendment should not find acceptance at the hands of this Council.

THE HONOURABLE MR. C. A. INNES: Sir, I desire to associate myself with the remarks which have fallen from my friend, the Honourable Saiyid Raza Ali. I think, Sir, that if the Mover of this amendment had studied the matter with the same care as Saiyid Raza Ali, he would not have made this proposal. I oppose the proposal on two grounds. In the first place, this Bill is a Finance Bill, and, on principle, I object to proposals in a Finance Bill which have not as their object the gaining of revenue but have other motives. If the Honourable Mover desires to limit the killing of cattle in India, he can move a Resolution to that effect; or he can introduce a Bill. But, Sir, he should not . . .

THE HONOURABLE LALA SUKHBIR SINHA: That is not my object at all.

THE HONOURABLE MR. C. A. INNES: Then I will leave that point. I will merely follow Saiyid Raza Ali in dealing with the course of the raw hide trade. We imposed an export duty of 15 per cent. in 1919. Unfortunately we imposed that export duty just on the eve of a very great slump

in the trade. I do not think that anyone will say that the imposition of our export duty was the cause of the slump. The slump was due to world factors, general stagnation of trade, very largely arising from the fall in foreign exchanges, which precluded our best customer for raw hides, namely, Germany, from buying our hides. But, whatever the cause, the slump, the stagnation is there. I have the figures here which confirm what Saiyid Raza Ali has already told us. In 1913, we exported 56,000 tons of raw hides from India; in 1919, 49,000 tons; in 1920, our exports dropped to 25,000 tons and, in 1921, they dropped to 23,000 tons. The Council will see that this important trade is in a state of very great depression. The effect of increasing the export duty by 50 per cent. would be to decrease our exports and to increase the depression of the trade. It might kill the trade altogether. It certainly would not bring in revenue, but would probably reduce the revenue we hope to get from this export duty this year.

I oppose the proposal on another ground. The hide trade for the last year has been objecting to this export duty. It has been pressing the Government of India to take off the duty, and the reply we gave them was that they should lay their case before the Fiscal Commission. Now, Sir, there is great contention as to whether export duties are salutary duties or not. I do not desire to express an opinion one way or the other; but I do desire to point out to the Council that, as I happen to know, the Fiscal Commission has this whole question of export duties in general, and the export duty on hides and skins in particular, under consideration at the present moment. We expect their report in a few weeks' time. I have shown that we shall get no revenue under the proposed increase of the export duty, and I put it to the Council that, in these circumstances, the wise thing for this Council to do is to await the submission of the Fiscal Commission's report and not to commit itself to this proposal. I beg to oppose the amendment.

The HONOURABLE THE PRESIDENT: The question is:

'That the following sub-clause be added to clause 3 of the Bill, namely:—

'With effect from the first day of April, 1922, for the words and figure 15 per cent. in Schedule III of the Indian Tariff Act, 1894, the words and figure 22½ per cent. be substituted.'

The Amendment was rejected.

The HONOURABLE THE PRESIDENT: We will proceed to the Schedule later, but in the meantime I will put clause 3, subject, of course, to such amendments as may be made in the Schedule.

The question is:

'That clause 3 stand part of the Bill.'

The motion was adopted.

Clause 3 was added to the Bill.

The HONOURABLE THE PRESIDENT: We will now deal with the Schedule which Honourable Members will find at page 3 of the Bill. I will read item by item and if any Honourable Member wishes to speak on any item, he will doubtless rise and stop me.

(The Honourable the President then read the headings and items under Part I of the Schedule, from 1 to 26.)

The HONOURABLE THE PRESIDENT: The question is:

'That Part I of the Schedule stand part of the Bill.'

The motion was adopted.

[The Honourable the President.]

Part I of the Schedule was added to the Bill.

(The Honourable the President then read the headings and items in Part II of the Schedule, from 27 to 44).

The HONOURABLE THE PRESIDENT: The question is:

'That Items 27 to 44 of Part II of the Schedule stand part of the Bill.'

The motion was adopted.

The HONOURABLE MR. LALUBHAI SAMALDAS: Sir, I beg to move the following amendment:—

'That the words '11½ per cent.' be substituted for the words '11 per cent.' in the column with the heading 'Rate or duty' on page 7 of the Bill, against 'Cotton piece-goods'.'

Sir, I had better begin by saying that although I sympathise with the Honourable the Finance Member as every Member of the House, official as well as non-official, in his present difficulty, my amendment is not put forward with the idea of helping him out of the difficulty, as I would like him to do it himself. My idea is also not to raise any conflict with the other House, because although this proposal was made in the other House and thrown out, I can say more accurately and more correctly than was said by the Honourable Sir Edgar Holberton in connection with his Resolution that it was done in a hurry. Had it been very carefully considered there I believe it would have been accepted. As it was, there were two proposals, one for keeping the duty at 15 per cent. and the other for reducing it to 11½ per cent. Unfortunately both got mixed up and the amendment for 11½ per cent. was thrown out. So, it is not with the idea of raising any conflict with the other House that I am moving this amendment. I know we are a revising Chamber, but I do not want to exercise the right of revision merely for the sake of showing our strength. I hope I have made it clear that it is not with the idea of finding money for the Finance Member, nor with the idea of raising any constitutional question with the other House that I am moving my amendment. I am moving it to establish the principle that the Government of India has the power to raise any duty without in any way increasing the countervailing excise duty. I want that principle to be established once for all, and in doing so, I will have to go back to what has been called the melancholy history of the Excise duty for a short time only, Sir. I would not go back to 1896 and refer to what was done then, nor shall I refer to the strong agitation carried on against the cotton excise duty up to the time that the import duty was raised to 7½ per cent. while the cotton excise duty was kept at 3½ per cent. That was the first move made by the Government of India to show to Manchester and to the Secretary of State that it was free to raise the import duty without in any way increasing the countervailing excise duty. I do not know, Sir, whether my information is correct—I stand open to correction—but I believe that this action was taken by Government at the time when India made a gift of a hundred million pounds to Great Britain during the war. If I am correctly informed, it was more in the form of a treaty that this action was allowed by the Secretary of State. Then we come to the second stage. That was last year, Sir. That was free action on the part of the Government of India, and the Secretary of State was not able to oppose it then. It was for the first time that the Government of India was free to impose any import duty for revenue purposes only (I want to make that point quite clear) and that it was not bound either

by the orders of Manchester through the Cabinet or by the direct orders of the Secretary of State to impose an equivalent countervailing duty. We now come to the third stage. This year we are passing through a very severe crisis. As it is, after the taxes that have been reduced by the Assembly, my friend, the Honourable Mr. Cook, said that we were in a very serious difficulty. I believe the Honourable the Finance Member emphasised that point by saying that our financial position was really a serious one. I want to ask, Sir, a direct question. The Finance Member put down after very careful consideration, the proposal to increase the import duty on piece-goods from 11 to 15 per cent. and that the excise duty should be increased to 7½ per cent. at the same time. I hope the Finance Member will not mind my quoting him. He said:

‘I do not think that even the most malignant of our critics can accuse us of raising the cotton excise duty for the purpose of counterbalancing the import duty on foreign manufactures.’

We ought to take his word as such, and take it that he made these proposals merely for the reasons assigned by him. In the preceding paragraph he says that the idea was—

‘to preserve to the greatest possible extent the general character of the present tariff and the general relation *inter se* of the various duties; in other words, we have endeavoured to limit our proposals in such a way as not to involve any important change of principle in the existing fiscal arrangements.’

That meant, Sir, that although not directly influenced either by the Secretary of State or by any other influences, somehow or other his sub-conscious self—I hope the Honourable the Finance Member believes in sub-conscious self and also that the Honourable the Finance Secretary does so—thought that it would be much better to preserve the general difference between these two taxes. They may have thought that if the proposal was sent to the Secretary of State in any other form—and all these fiscal proposals have to go there—that the Secretary of State might veto it. It would have been the work of his sub-conscious self. I do not for a moment want to suggest that it was otherwise. I accept what has been stated both by the Honourable the Finance Member and the Honourable the Finance Secretary that there was never any idea of placating Manchester or that they received any direct or indirect instructions from the Secretary of State. But there was a sub-consciousness, a fear, at the back of their minds, which the conscious self did not know, that it will be much better to have the same difference between the two duties which exists at present until the Report of the Fiscal Commission was out.

In the other House the first duty that was removed was the Cotton excise duty; then came this question, the consideration of the import duty. All of a sudden some of my friends, who were ardent Protectionists, began to have a very soft corner in their hearts for the consumers and desired to support the proposal of the representatives of the European trading firms; and one was surprised to find Government, which was sorely in need of money, accept that proposal and give up one crore and forty lakhs of rupees which would have reduced their deficits to seven crores and seventy-six lakhs. When one sees the Government Members, the mill-owners, the representatives of the Democratic Party, the other Party, and the Independent members, both European and Indian, going all of a sudden to the same Lobby, one thinks Government must have some reason for all at once coming to this conclusion of giving up one crore and forty lakhs.

[Mr. Lalubhai Samaldas.]

which really meant a large amount of money and would have helped the Finance Member to carry on for some time. That I am not in any way exaggerating the difficulties of the Finance Member, or exaggerating his own point of view will be apparent to those who have carefully studied his budget speech. He said:

‘The country cannot, if it has any regard for its credit or any thought for its future solvency, take refuge in the simple course of leaving the whole or even the greater part of this deficit uncovered, and, further, that, quite apart from such considerations, it would not be a practicable proposition to do so, even if we tried.’

And yet when he had definitely made proposals for getting more money out of the general tax-payer he goes out of his way and all of a sudden says:

‘Well, I am prepared to give it up.’

In reply to the Honourable Mr. Sethna, he said—if I understood him rightly—

‘that he was prepared to face the difficulties, face the disturbances, if he could get five crores and forty-five lakhs, that is, the amount the total import duty would have brought him. But for one crore and forty lakhs I was not prepared to face or take the risk of internal disturbances.’

May I remind the Honourable the Finance Member that the words he used in the other place was not ‘internal disturbances’ but, if I remember aright, ‘undesirable political consequences’ . . . . .

The HONOURABLE SIR MALCOLM HAILEY: No, Sir, I am afraid I did not use the words ‘internal disturbances’ here this morning or in the other House; nor speaking to the best of my recollection did I use the words ‘unpleasant political consequences’. What I said was that it would not be worth the general disturbance that it would cause; ‘internal disturbances’ would refer to an entirely different matter and I am sure that I did not use those words on either occasion.

The HONOURABLE MR. LALUBHAI SAMALDAS: I will accept what the Honourable Finance Member says; but I have a distinct recollection that the reference was to political consequences. It is a question of one man’s memory against another’s. . . . .

The HONOURABLE SIR MALCOLM HAILEY: It may have been by somebody else. I referred to ‘general disturbance’.

The HONOURABLE MR. LALUBHAI SAMALDAS: The Finance Member was prepared to accept general disturbances when he laid a heavy salt duty. He did not mind if the poor man’s salt was taxed. He did not mind if the mill-owners were taxed for some economists will agree with him that the removal of excise duty will benefit the mill-owners and mill shareholders. It never occurred to him then to have pity on both the classes, so long as he was getting within his net the poor man with his salt duty, or the rich man with his cotton excise duty. It never occurred to him that there was any danger of general disturbances till then; he never thinks of it; but all of a sudden the idea of general disturbances comes to his mind when the import duty . . . . .

The HONOURABLE SIR MALCOLM HAILEY: I am very loth indeed, and I am sure the Honourable Member will not accuse me of discourtesy if I

correct him again. I have tried to impress on the House that the words I used were 'general disturbance', in the singular, and made no reference to rioting.

The HONOURABLE MR. LALUBHAI SAMALDAS: 'General disturbance.' I now take it that it was not political or internal disturbance but economic disturbance in trade that my friend meant. If that is so all I can say is that I am not prepared to accept that inference. If there was likely to be disturbance, owing to high prices, it would have occurred if both duties had been levied for the poor man would have to pay as much, both for the mill-made cloth and foreign imported cloth. I agree to a very great extent with what the Finance Member and Finance Secretary have said, that the price of mill-made cloth will automatically go up, very near, though I do say entirely, equal to imported cloth. If cotton excise duty goes, and this duty remains, I don't think there would be any economic disturbance of such a character as would justify the Finance Member giving up one crore and forty lakhs of rupees. I say that there is a feeling—it may be unjustified—that this has a political aspect. I want the Finance Member to assure us that it is absolutely nothing of the kind, and give us his reasons why, in a fit of generosity, he gave away one crore and forty lakhs without having anything in return either from the mill-owners or from the poor. That is the thing I would like to be made clear at this stage. . . .

The HONOURABLE THE PRESIDENT: Has the Honourable Member actually moved his amendment? It seems rather a long time since he commenced to do so.

The HONOURABLE MR. LALUBHAI SAMALDAS: Yes, Sir, I have formally moved the amendment. If you think I have taken very long, I will come to an end. I wanted to raise this issue and have the whole position made clear, not because I want to find money for the Finance Member, or to raise any controversy in the other House, but because I want the right of the Government of India to be established once more that I move the amendment. With these words I commend my amendment for acceptance.

The HONOURABLE MR. SETHNA: Sir, I desire to support this amendment. I do not do so with the idea that this amendment if passed will bring in a substantial amount of revenue to meet to an appreciable extent the very heavy deficit of 9 crores and 16 lakhs of rupees because the proposed increase of 4 per cent. on the duty on imported piece-goods would have brought in one crore and forty lakhs and the increase as suggested in the amendment at  $\frac{1}{2}$  per cent. will only bring in  $17\frac{1}{2}$  lakhs. Therefore, Sir, it is not on the score of adding largely to the revenue that this amendment has been moved, and this has been clearly explained by the Honourable Mover. The Honourable Mover has taken exception to the Government giving up, without even a sigh of regret, so large a sum as one crore and forty lakhs which could have been obtained by levying duty at the higher rate. The Honourable the Finance Member, in the course of the discussion, very forcibly explained that this was done to prevent a 'general disturbance' in trade, and I use the word advisedly in the singular. This morning I pointed out to the Honourable the Finance Member that a similar 'general disturbance' might reasonably have been expected during the current year when there was no increase in cotton excise but there was an increase in the duty on imported piece-goods from  $7\frac{1}{2}$  to 11 per cent. On the contrary, I think the Honourable the Finance

[Mr. Sethna.]

Member, who is a keen student of all industrial questions knows full well that the Indian mills during the year 1921 have not made as much profits as in 1920. Therefore, this advantage, which he thinks Indian mill-owners had, did not create the 'general disturbance' in trade to which he has referred and a similar or further 'general disturbance' would not be created if the cotton excise duty were left at  $3\frac{1}{2}$  per cent. and the duty on imported piece-goods raised to 15 per cent.

Sir, in the much quoted telegram regarding the article in the 'London Times', to which reference was made this morning, it is stated that the Assembly voted against increasing the duty upon imported piece-goods because it desired to appease Lancashire. There is surely no such desire either on the part of the other House or on the part of this Council. The main idea is to assert our right that we are masters in our own house, and this amendment which proposes an increase of only half a per cent. is for the purpose of establishing this principle and no more. For this reason, Sir, I think it right to support the amendment.

The HONOURABLE SIR MANECKJI DADABHOY: Sir, I rise to oppose this amendment on grounds of expediency and good policy. I think the Legislative Assembly acted with great prudence in summarily rejecting a similar amendment when it was proposed in that House. . . .

The HONOURABLE MR. LALUBHAI SAMALDAS: Not summarily. . . .

The HONOURABLE SIR MANECKJI DADABHOY: Yes, summarily. I was present in that House when this amendment was discussed.

Sir, the Honourable Mover and the Honourable Mr. Sethna, who has given his support to this amendment, have urged that it is not from the point of revenue that they are pressing for this amendment. I understood them to say that their great desire was to show to the country that they were masters in their own house. . . .

The HONOURABLE MR. LALUBHAI SAMALDAS: To show our strength to Lancashire.

The HONOURABLE SIR MANECKJI DADABHOY: Yes, to show our strength to Lancashire. Also, as the Honourable Mr. Lalubhai put it, on the ground of principle to show that we are in a position to destroy the contravening character of the duty. Now, I submit, that if that be the ground, the position which my Honourable friends have taken up has already been vindicated when last year we raised the duty from  $7\frac{1}{2}$  per cent. to 11 per cent. We do not want the vindication of that principle every year. That principle was thoroughly vindicated last year and stands good to-day. So on the ground of principle, my Honourable friend has no substantial case. My submission, Sir, is this that the Fiscal Commission is now sitting and the Government have very wisely adopted the Resolutions of the Legislative Assembly and have not pressed in this Council reconsideration of the case by any further amendment. The  $3\frac{1}{2}$  per cent. original excise duty has been allowed to be retained and the 11 per cent. duty on imports has been kept. The Fiscal Commission is now making a full investigation into the whole subject. A considerable mass of evidence has been recorded before that Commission, and it is giving very serious consideration to this one of the most complicated and important of problems. My Honourable friend does not know what will be the result of his amendment. He wants now that this tariff be raised by  $\frac{1}{2}$  per cent. The Fiscal Commission may perhaps come to some other

decision, which I am not prepared to prognosticate at present, and they may come up with a declaration of some new policy. Are you realising the general disturbance to trade by these constant adjustments of tariffs? There is nothing more disastrous, there is nothing more ruinous to trade than these constant adjustments of tariff policy. They should be avoided as far as possible. We want a steady tariff. People cannot do any business; people cannot make their purchases and sales, when they know that the tariff is being constantly altered and meddled with by Government. They do not know where they stand; they do not know whether they are going to make profits or losses over their transactions. After all, when this principle which the Mover of the amendment has suggested has been previously vindicated, what great hurry is there at this juncture to insist upon this small increase? Could not my Honourable friend wait a little longer . . . .

The HONOURABLE MR. LALUBHAI SAMALDAS: The change in the Secretary of State.

The HONOURABLE SIR MANECKJI DADABHOY: How is this going to prejudice you? I am not expressing my opinion on the subject one way or the other. My Honourable friend, Mr. Lalubhai Samaldas, has referred to the change in the Secretary of State. The new Secretary of State has not uttered a word at all on this subject; it is not possible for the new Secretary of State, on the eve of his appointment, to throw to the winds a most solemn and emphatic declaration on the subject made to the Lancashire deputation by Mr. Montagu. Is it possible, is it conceivable, that any statesman who has got his reputation to maintain is going within a few days of his appointment to make a declaration contrary to one made by his predecessor in office.

I submit that no good purpose will be served by insisting on this amendment. I think the matter might be left alone at present. I quite agree with the Finance Member that there will be economic disturbance if this amendment is accepted and, as I have pointed out to the House, these economic disturbances are very unwise and ought not to be encouraged. In the interests of trade I hope this Council will have the good sense to reject this amendment.

The HONOURABLE SIR MALCOLM HAILEY: I do not know, Sir, whether I ought not really to have accepted the invitation of the Honourable Sir Maneckji Dadabhoy and left this matter to the Council without further argument. For, Sir, what is the avowed reason for putting this proposition before the Council? Not for money. No motive so sordid occurs to the mind of my Honourable friend, nor is it for the purpose of raising a controversy with the Legislative Assembly. My Honourable friend is not in a heroic mood this afternoon. No, it is simply in order to emphasise the right of the Indian Legislature to impose an additional import duty on piece-goods whenever they care to do so, without raising the Cotton Excise Duties. This, then, is the important principle to assert which we are to put a half per cent. (only a half per cent., mark you) on to the general import tariff. Well, some years ago, as Sir Maneckji Dadabhoy has pointed out, we raised the duty to  $7\frac{1}{2}$  per cent. without raising the Cotton Excise Duty. A large deputation visited Mr. Chamberlain on that occasion. Mr. Chamberlain, though this deputation was representative not only of spinners and of manufacturers, but also of labour, gave it the reply that he had to consider the interests of Indian revenues and that, in the interests of India and of Indian revenues, the rate must be raised to  $7\frac{1}{2}$  per cent. without any increase of what is called



[Sir Malcolm Hailey.]

the countervailing duty. Then, a less heroic Finance Member than Sir William Meyer, namely, my humble self, last year proposed an increase of general import duties to 11 per cent. Again deputations visited the Secretary of State, this time Mr. Montagu, equally insistent and equally numerous. What was the reply they got? Emphatically the same, that India's interests must be paramount and that he would not consent to put pressure on India to raise the Cotton Excise Duty. The matter did not end there; and I need only recall the declarations made in Parliament by both the Secretary of State and by Lord Curzon regarding the convention which, in certain defined circumstances, was to regulate India's fiscal autonomy. I do not believe that any further assertion of principle is now necessary; or that the case would be strengthened by the imposition of a half per cent. rate as proposed by the Honourable Member. You have got the  $7\frac{1}{2}$  per cent. behind you; you have got the 11 per cent. behind you, and what the Honourable Member now asks for, is an empty assertion of right which is entirely uncalled for and would serve no possible purpose. I might perhaps have left the matter there, but that the Honourable Member went somewhat further and suggested the whole matter was one which needed clearing up. He attributed a certain action taken by me to the influence of what I may or may not possess in private life, a sub-conscious self. In public business, I do not admit the influence of a sub-conscious self. We are accustomed to act either on the deliberations of Government where Government have discussed the question, or on our own judgment where we consider that we are justified in committing Government. As for my sub-conscious self, if it exists at all, the Honourable Member may be sure that it is locked up somewhere in its metaphysical cupboard; it does not accompany me to the office. Again, he suggests that if Government on a particular occasion finds itself in the lobby with various elements with which it is not accustomed to associate in a division, there must be something sinister about it; his detective mind seeks for some obscure and probably discreditable reason. Well, I for my part have already attempted both elsewhere and here to give a clear explanation of my reasons for the action I took. I have put them in as clear language as possible, and if that is not sufficient to dispel the doubts and suspicions of the Honourable Member's mind, then I am afraid that I cannot help him any further.

• It seems to me that when a responsible Member of Government has taken action largely on his own judgment on an occasion such as that referred to, in which his judgment must be swayed to a certain extent by what he sees going on around him in a deliberative assembly, and when subsequently he gives his explanation of the reasons which influenced him, he has a right to ask that that explanation should be accepted without suggestions that there is still some underlying motive behind it. I should never come here and suggest that an extra half per cent. (as now proposed) or an extra 4 per cent. (as originally proposed) on the general import duty would benefit the Honourable Member and his friends who hold shares in Bombay mills—or degrade myself by suggesting that the Honourable Member, sinking his sense of what is due to the country, advocated an increase in the import duty for purely sordid motives; and if I do not make that charge against the Honourable Member, I think he should in turn give me the courtesy of acquitting me of any purpose except that which I put forward to him. It may be that the purpose was insufficient; it may be that the reason was right, it may be that it was wrong; but that was the reason and there was nothing behind it. I am not responsible if the

'Times' in a leader considers that Members of the Legislative Assembly thought that they would be enlisting the sympathies of Manchester by the vote they gave. I gave my vote and my friends voted with me on that occasion on other grounds. We thought that we were justified in so voting, as I have said before, purely on the merits of the case. But let me leave this point, and return to the motion. I do not advise this Council to stultify itself by supporting the Honourable Member in an attempt to raise the import duty by half per cent. in order to assert a principle of which no further assertion can possibly be required. I remember that in the old days certain American politicians were fond of indulging in season and out of season in a pastime which was described as twisting the tail of the lion. My friend in an excess of heroism to-day desires to follow the same example. It was never a profitable pursuit, it is not always a healthy one. I think it just as reasonable for the Honourable Member to ask the Council to vote a proposition of this kind as it was for the countryman in the story to spend a hot afternoon jumping on a toad in order that he might teach it to be a toad; I consider his attitude just as logical as that of the lady who bonnetted a policeman in order to prove her political capacity for recording a vote.

The HONOURABLE SAIYID RAZA ALI: I have an amendment on the same subject, Sir.

The HONOURABLE THE PRESIDENT: If the Honourable Member has got an amendment on the same subject, he cannot move it, because it has already been moved.

The HONOURABLE SAIYID RAZA ALI: But not the same amendment. My amendment is a different one. It is on the same subject, namely, on the raising of cotton import duty, but it is not the same as the one moved by my Honourable Friend, Mr. Lalubhai Samaldas. I simply want to know whether this is the time for me to move my amendment.

The HONOURABLE THE PRESIDENT: The question before the House is that the amendment moved by the Honourable Mr. Lalubhai Samaldas be made.

The Amendment was rejected.

The HONOURABLE SAIYID RAZA ALI: The next amendment on the same subject is mine on the printed paper. The amendment appears as No. 4. It reads as follows:—

'After Part V add the following:—

'Part V (a).—Articles which are liable to duty at 11½ per cent. *ad valorem*. 123(a)—Cotton goods.'

The HONOURABLE THE PRESIDENT: I beg the Honourable Member's pardon. I read the amendment on the paper in his name as also 11½ per cent. which is the same as the one moved by the Honourable Mr. Lalubhai Samaldas and already disposed of. The only difference between his amendment and that of the Honourable Mr. Lalubhai is this 11½ per cent. Is that so?

The HONOURABLE SAIYID RAZA ALI: Yes, it is so.

The HONOURABLE THE PRESIDENT: Then that amendment cannot be moved as after the previous discussion it would be a frivolous amendment and I rule it out.

\* 'That the words '11½ per cent.' be substituted for the words '11 per cent.' in the column with the heading 'Rate of duty' on page 7 of the Bill against 'Cotton piece-goods'.'

[The Honourable the President.]

Item 45 was adopted.

Item 46 was adopted.

Part II of the Schedule was added to the Bill.

Part III. Articles which are liable to duty at 2½ per cent. *ad valorem*.

Items 47 to 57 were adopted.

The HONOURABLE THE PRESIDENT: The question is:

'That Part III of the Schedule stand part of the Bill'.

The motion was adopted.

Part III of the Schedule was added to the Bill.

The HONOURABLE THE PRESIDENT: Part IV. Articles which are liable to duty at 10 per cent. *ad valorem*. Items 58 to 64. The question is:

'That Part IV of the Schedule stand part of the Bill'.

The motion was adopted.

Part IV of the Schedule was added to the Bill.

The HONOURABLE THE PRESIDENT: Part V. Articles which are liable to duty at 15 per cent. *ad valorem*. Items 65 to 86. The question is:

'That Items 65 to 86 of Part V of the Schedule stand part of the Bill.'

The motion was adopted.

The HONOURABLE SAIYID RAZA ALI: Sir, the amendment of which I have given notice and which has been printed stands in the following terms:—

'In No. 87, Part V, before the word 'carriages' add 'bicycles'.

Now, as a matter purely of drafting, it has been recast, Sir, and I believe the typed amendment is before you. It reads now:—

'In No. 87, Part V, omit the word 'bicycles' and re-insert it before the words 'Carriages and Carts' in both places where they occur'.

I will at once explain that 'bicycles' have been mentioned in item No. 127, to which I will come presently and are therefore liable to pay a duty, as proposed in the Schedule, of 30 per cent. *ad valorem*. What I propose to do is to take out bicycles from a duty of 30 per cent. *ad valorem*, and place them in Part V of the Schedule so that they may not be liable to duty exceeding 15 per cent. *ad valorem*. Sir, I will ask Honourable Members to consider this from a purely financial point of view. The amendment does not involve the consideration of any political questions or political principles. It is solely a matter of finance. The position, Sir, as we find, is that the Finance Bill has been considerably modified by the Chamber where it was introduced. As I took occasion to remark on the 8th March when the Budget discussion took place, the Budget of this year was, in fact, more favourable to the rich than to the poor. I cited instances to that effect that day, and in spite of the attempts that have been made by the other House to improve the character of the Bill, I am afraid it remains yet open to the charge that it favours the rich at the expense of the poor.

What is it that we find in the Budget? We find that machinery was included in those articles which were liable to pay the enhanced duty. Now, under pressure from very influential quarters, the Government have had to give in on that point. Heavy machinery is no longer liable to the additional duty and it has been transferred to a much more advantageous position in the Schedule. But, so far as bicycles are concerned, nobody has taken care to see as to what class of people use these handy machines

and as to whether the additional tax would not press heavily on that class. I may at once explain that bicycles are at present chargeable with an import duty of 20 per cent. That we find in the Finance Bill that was passed last year. Now, this year it is proposed that an addition of 50 per cent. should take place and instead of 20 per cent. duty *ad valorem* they should pay a duty of 30 per cent. *ad valorem*. Now, I do not think it is necessary for me to state before the Honourable Members of this House that people who use these machines are, as a rule, not rich men; mostly, bicycles are used by men employed in various offices, artisans and clerks. These are men who with difficulty at times can afford to purchase a bicycle without paying the price by the instalment system. Now, my submission is that if you raise the duty by 50 per cent. that falls very heavily on this deserving class of people. If the objection against any additional taxation being imposed on machinery was that it would injuriously affect the industries in this country because people may in certain cases have to borrow the amount not having taken the additional tax into consideration, I submit, Sir, with much greater force, can the same argument be used in favour of those who use these cheap and handy machines. What I just want to satisfy Honourable Members about is that those on whom the tax would fall—and it is a right proposition that the tax falls on the consumer—can ill afford to bear this additional amount of taxation. Now let us see, Sir, whether from a business point of view, the raising of the duty on bicycles is justified and just. If the past figures be taken into consideration, it would appear, Sir, that the raising of duty on bicycles has been very prejudicial to this class of our import trade, and instead of the Finance Department getting more money by raising the taxation, in fact they have been getting much less than they used to get before the additional taxation came into force. I need not emphasise the importance of the law of diminishing returns as applied to additional taxation. If you raise your duty beyond the capacity of those who mostly consume or use a certain article,—if you raise the duty beyond that, then naturally, instead of your getting more money, you will be getting much less than you did before. This proposition becomes quite clear from the return of the past three years. We find, Sir, that in the year 1919-20, the value of bicycles imported was Rs. 22,79,872. Now the next year was a booming year no doubt, it was an exceptional year, and therefore the amount went up to a large figure, in 1919-20, the value of these articles went up to Rs. 86,34,047. But let us see what has been the fate of this class of articles ever since the duty was raised last year. We find, Sir, that in the 10 months—all the figures I have given to the Council are for ten months—commencing from the 1st April and ending on the 31st of January of the succeeding year, when the additional taxation remained in force, the value of imported bicycles fell to Rs. 12,70,305. No doubt, Sir, I am prepared to make every allowance in respect of the year 1920-21 which was an exceptional year. But there is no reason why the value of this imported article should have fallen short very considerably of the value of articles that were imported in 1919-20. Again, if Honourable Members will look at the number of these articles imported, we find that whereas during the ten months of the year 1919-20 we imported 13,503, and during the corresponding ten months of the year 1920-21 we imported 45,255 machines, in the current year during the corresponding 10 months, we imported only 4,173 machines which again shows, Sir, that, as compared with the number of articles imported in 1919-20 we imported only one-third of the total number. This conclusively shows, Sir, that, instead of getting more revenue by raising taxation, we have been getting less than we were getting before we did so. My

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submission is that if this part of the Bill is accepted and items Nos. 87 and 127 left as they are, with bicycles paying a duty of 30 per cent. *ad valorem*, then we will get much less than what we have received even in the bad current year. I do not know, Sir, if this proposition was put forward before the other House. The information at my disposal shows that it was not. I am sure that if these figures had been explained and the fall in the number of imported articles because of the increase in duty had been clearly shown, this Bill would not have come before us in the form in which it has, as the other House would not have allowed a duty of 30 per cent. *ad valorem* to be levied on these articles. Considering these facts, Sir, I submit that these two words be added to item No. 87 in Part V. This will necessitate a corresponding alteration in item No. 127. That alteration . . . . .

The HONOURABLE THE PRESIDENT: If the Honourable Member succeeds in his amendment he can move his consequential alteration in the other item. If he does not succeed, the question will not arise.

The HONOURABLE SAIYID RAZA ALI: Very good, Sir.

The HONOURABLE THE PRESIDENT: The amendment moved is to omit the word 'bicycles' in item No. 87 in Part V of Schedule II, and to reinsert it before the words 'Carriages and Carts.'

The amendment is a little obscure, but the intention is to remove 'bicycles' from the 30 per cent. *ad valorem* duty list to the 15 per cent..

The HONOURABLE MR. C. A. INNES: Sir, I am prepared to admit the Honourable Member's facts, but I am not prepared to accept the inferences which the Honourable Member has drawn from those facts. It is a fact that in the year 1921 there was a very large reduction in our imports of bicycles; but that very large reduction was not, in my opinion, merely due to the fact that we had raised the duty on bicycles to 20 per cent. This point can be best illustrated by giving figures of the number of bicycles imported in a series of years. In the five years ending 1919 the average number of bicycles which were imported in any one year was about 12,000. In 1920 that number rose to 54,000. Everybody knows that the year 1920 was a boom year, owing to the high exchange value of the rupee, and very large orders were placed with Home manufacturers for bicycles and other things; and as a consequence we began the year 1921 with very large stocks. The net reduction in our imports which has taken place in the year 1921 was in my opinion due much more to the very large stocks we had at the beginning of the year than to the increase in the duty. I think there is not the slightest doubt about that. At the same time, I am prepared to admit that the 30 per cent. duty on bicycles is perhaps on the high side. We were rather doubtful about it ourselves, and after consultation we are prepared to meet the Honourable Member to a certain extent. But I am afraid that the Government cannot accept the amendment proposed by Saiyid Raza Ali. In the first place his amendment would leave items 87 and 127 of the tariff in a very curious form; and in the second place, having had great experience myself in the drafting of these two items, I know how extremely difficult it is and how extremely dangerous it is to make alterations in the wording of those items at a moment's notice. But what I am prepared to do is this. If the Honourable Member will withdraw his amendment, I on my part am prepared to give an undertaking.

that in the exercise of our powers under section 23 of the Sea Customs Act, we will remit so much of the duty as will bring it down to 15 per cent. I hope this will meet with the wishes of the Honourable Member. It may not involve an alteration in this Bill, but it does meet the Honourable Member's point.

The HONOURABLE MR. SETHNA: I hope, Sir, that the assurance given by the Honourable the Commerce Member will satisfy my Honourable friend. There is, however, one point, which I wish to bring to the notice of this House. The Honourable Mover has brought his amendment in regard to bicycles. I do not see why tricycles should not also be brought in, and I hope, that I am in order in requesting the Honourable the Commerce Member to include tricycles also in whatever action he decides to take.

The HONOURABLE MR. C. A. INNES: Certainly.

The Honourable Saiyid Raza Ali rose to speak.

The HONOURABLE THE PRESIDENT: The Honourable Member may ask for leave to withdraw his amendment.

The HONOURABLE SAIYID RAZA ALI: That is what I propose to do, Sir. But the only thing . . .

The HONOURABLE THE PRESIDENT: In doing so he may not make a speech.

The HONOURABLE SAIYID RAZA ALI: I don't propose to make a speech. Only I want tricycles also to be included. That is all. I beg to withdraw my amendment.

The Amendment was, by leave of the Council, withdrawn.

The HONOURABLE THE PRESIDENT: The question is:

'That Item 87 stand part of the Schedule'.

The motion was adopted.

The HONOURABLE THE PRESIDENT: The question is:

'That Items 88 to 96 stand part of the Schedule'.

The HONOURABLE SAIYID RAZA ALI: I have got an amendment on Item No. 96, Sir.

The HONOURABLE THE PRESIDENT: The amendment apparently is that item 96 be omitted.

The HONOURABLE SAIYID RAZA ALI: No, Sir. That was the amendment I sent in, but subsequently I gave notice of another amendment. As it appears in the printed list, it would mean that this sort of machinery would not be liable to any duty which was of course not what I intended. As it at present stands, the amendment is this: Remove item No. 96 together with the heading and the two lines opposite the figure, from Part V and insert it at the end of Part II with 20 per cent. as the amount of duty, re-numbering it as 47.

The HONOURABLE THE PRESIDENT: I want a moment to consider the amendment. The Honourable Member seems to be in some difficulty with his amendment.

The HONOURABLE SAIYID RAZA ALI: This 20 per cent. is wrong. It ought to be  $2\frac{1}{2}$ . That is my mistake.

The HONOURABLE THE PRESIDENT: Part III has already been passed, you cannot go back to Part III.

The HONOURABLE SAIYID RAZA ALI: We can certainly add to it.

The HONOURABLE THE PRESIDENT: The Honourable Member should have moved this amendment when Part III was under consideration. Had I been aware of the Honourable Member's real amendment, I would have advised him to move it at that stage. We have now passed the Schedule which deals with those articles which were liable to  $2\frac{1}{2}$  per cent.

The HONOURABLE SAIYID RAZA ALI: Since it is a purely legal point, I should explain that no doubt we have passed Part III, but even now it is open to us to add something to that.

The HONOURABLE THE PRESIDENT: The Honourable Member is not only entirely out of order but he is wasting the time of the House. If this amendment had been given to me earlier, or had been expressed in the terms intended, I would have drawn his attention to it in the place where he should have moved it; but he has allowed the opportunity to pass by. He can now speak on Item No. 96 if he wishes to do so, but he cannot now move his amendment.

The HONOURABLE SAIYID RAZA ALI: Sir, the present duty on the machinery mentioned in item 96 is 11 per cent. *ad valorem*. It is proposed now to raise it from 11 to 15 per cent. Now, the kind of machinery that is described in the item is generally used by manual or animal labour, and looking to the conditions that obtain in this country, I submit that it is very desirable that this kind of machinery should be encouraged. Now machinery of this character can be very useful in stimulating our cottage industries, and therefore I submit that the raising by a very substantial amount the duty on this class of articles is not at all desirable. (A voice: 'The duty has not been raised; it has been in existence for years'). If my Honourable friend will refer to Article 95 of Act VI of 1921 he will find that the duty on this article is 11 per cent. which it is proposed to raise to 15 per cent. There is a clear and definite increase to be made under this head, and if my facts are not wrong, then I say that looking to the quarter on which it will fall, it is clearly desirable that this addition should not be sanctioned. 15 per cent. is a very large amount, and looking to what has taken place in regard to other and more important kind of machinery, I submit that surely it is but just and right in the interests of poor people and small trades that this duty should not be raised. I propose, Sir, that the duty of 15 per cent. should not be sanctioned and in any case it should be cut down to  $2\frac{1}{2}$  per cent. I cannot propose now, unless you give me special permission, as to where that item should be placed. But that is purely a matter of drafting. It can be placed anywhere. The real point is this, that this duty should not stand at 15 per cent. *ad valorem*, but should be cut down to  $2\frac{1}{2}$  per cent.

The HONOURABLE MR. C. A. INNES: Sir, I have had very considerable difficulty in trying to arrive at the exact purport of the Honourable Member's amendment. As it stands in the paper before me, it merely suggests that item No. 96 should be deleted. The effect of that deletion merely would be that these particular articles to which the Honourable

Member refers would come under item No. 123—all other articles not otherwise specified, 15 per cent. Sir, that was my first difficulty in dealing with the Honourable Member's amendment.

The HONOURABLE SAIYID RAZA ALI: As to that I have handed in a subsequent amendment for 2½ per cent.

The HONOURABLE MR. C. A. INNES: Sir, ever since our tariff system has been brought into force, we have always distinguished between power machinery and small hand machines. Ever since 1895 we have had specially favoured rates for power machinery for factories in order to encourage large scale industries in India. The other machinery—small hand machines—have always come within our general *ad valorem* rates. It is quite true, as the Honourable Member says, that we have raised that rate from 11 per cent. to 15 per cent. this year, that is to say, we have added 4 per cent. on to the duty on these machines. But, Sir, I will point out that these machines, knitting machines, sewing machines, are the most important of that class. In this case the consumers will have to pay. I think the Council will be well-advised in leaving this machinery at the place where it has stood ever since we have had our tariff, namely, the general *ad valorem* rate.

The HONOURABLE THE PRESIDENT: The question is:

'That Item 96 (Machinery) in Schedule I stand part of the Bill.'

The motion was adopted.

The HONOURABLE THE PRESIDENT: The question is:

'That Items 97 to 123 in Part V of Schedule I stand part of the Bill.'

The motion was adopted.

Part V of the Schedule was added to the Bill.

The HONOURABLE SAIYID RAZA ALI: What has happened to Item 96?

The HONOURABLE THE PRESIDENT: The amendment was ruled out of order and the clause adopted as it stands.

The HONOURABLE THE PRESIDENT: The question is:

'That Items 124 to 141 in Part VI of Schedule I stand part of the Bill.'

The motion was adopted.

Part VI of the Schedule was added to the Bill.

SCHEDULE I was added to the Bill.

The HONOURABLE THE PRESIDENT: Since the Honourable Saiyid Raza Ali has withdrawn his amendment, the consequential amendment (Item 127) does not arise.

The HONOURABLE THE PRESIDENT: The question is:

'That clause 4 stand part of the Bill.'

The HONOURABLE SAIYID RAZA ALI: That is, subject to my amendment.

The HONOURABLE LALA SUKHBIR SINHA: I have also an amendment to this.

The HONOURABLE THE PRESIDENT: The Schedules will be taken later. Clause 4 was added to the Bill.

We now turn to Schedule II of the Bill, the Schedule to be inserted in the Indian Post Office Act, 1898.



The HONOURABLE SAIYID RAZA ALI: Sir, I beg to move—

'In the Schedule to be inserted in the Indian Post Office Act, 1898, immediately below the heading 'Letters' add—

'For a weight not exceeding half a tola in an embossed envelope . . . . Three quarters of an anna.'

Now, Sir, we know that the three quarters of an anna stamp has been done away with under the Bill which is before the Council for consideration. We also know the important fact that the Telegraph Office is being run at a loss and that the Honourable the Finance Member has to face a deficit under that heading. (A Voice: 'The Post Office.')

The HONOURABLE MR. B. N. SARMA: Both together.

The HONOURABLE SAIYID RAZA ALI: In the speech delivered by the Honourable the Finance Member on the 1st of March both the departments have been dealt with together. I am not in a position to say as to what is the amount of loss under Post Office and what is that under Telegraphs . . . .

The HONOURABLE SIR MALCOLM HAILEY: A loss of 171 lakhs under the Post Office and a gain of about 80 or 90 lakhs under Telegraphs.

The HONOURABLE SAIYID RAZA ALI: I thank the Honourable the Finance Member for giving me this information. Therefore, Sir, in order to make these departments self-supporting, it is proposed to raise the postal rates. The proposal is to do away with the 3 pies postcard . . .

The HONOURABLE THE PRESIDENT: Which amendment is the Honourable Member moving?

The HONOURABLE SAIYID RAZA ALI: The first one.

The HONOURABLE THE PRESIDENT: The first amendment seems to be later than the second amendment. If the Honourable Member will refer to the Schedule he will see that, under the heading 'Letters' apparently his second amendment refers to the first entry and not to the second entry, and he proposes to add his first amendment after the second amendment.

The HONOURABLE SAIYID RAZA ALI: The second amendment will come after the first.

The HONOURABLE THE PRESIDENT: I do not understand the amendment.

The HONOURABLE SAIYID RAZA ALI: My amendment is this: I just want to add that  $\frac{3}{4}$  of an anna should carry all weights not exceeding half a tola; that is one. So far as weights above that are concerned, weights exceeding half a tola but not exceeding  $2\frac{1}{4}$  tolas should be carried by a stamp of one anna. That is the second amendment. Nine pies, I propose, should be the postage payable on a letter not weighing more than half a tola. If this is carried it would necessarily involve a change in the rest of the clause in the Schedule as it stands. Therefore, in order to move the first amendment, I have to refer to the second one. I hope I have made my point clear.

The HONOURABLE THE PRESIDENT: I think I understand the Honourable Member's point now; but there was no necessity to put the word 'Letters' in his second amendment.

The HONOURABLE SAIYID RAZA ALI: I am sorry, Sir, I did that. My submission is that the policy of the post office in keeping their accounts in the manner they do is to a very large extent responsible for the supposed deficit. It appears that the system of accounting has undergone a certain change, and therefore the deficit with which we are faced appears much larger than it would if the accounts were kept on the older system. Now, I find in this big blue book at page 311 that under Interest on Debt it is stated:

'Owing to the transfer of capital outlay on the Indian Postal and Telegraph Department outside the revenue account it has been decided to make a charge to the revenue account of the department on account of interest on past outlay as in the case of capital outlay on railways and irrigation works. The debits on this account in the revised estimate for the current year and the budget for next year are estimated at Rs. 60 and Rs. 66 lakhs, respectively.'

This, I understand, means that before the current year no interest was chargeable on the outlay on the Post and Telegraph offices. I take it, Sir, that that is what it means. If that is so, it is a distinct departure in the policy on which the accounts are kept, and therefore in these two years the amounts of Rs. 60 lakhs and Rs. 66 lakhs have been shown, which ought not to have been shown if we had stuck to our old system of accounts. Now, the Honourable Sir Malcolm Hailey was good enough to give me the deficit figure relating to the Postal Department at Rs. 171 lakhs. Actually a very considerable reduction, if I am right, will have to be made in this figure. I am very anxious to know the details on that point, and I believe the Honourable the Finance Member will make it clear in his reply, although I will not have any right of reply . . .

The HONOURABLE SIR MALCOLM HAILEY: Perhaps it will suit the Honourable Member if I point out to him what exactly happened. The interest that he refers to is charged only on telegraph capital expenditure and does not affect the post office side of the account. If we had followed the old method of our annual accounts, we should have put down all expenditure on account of telegraphs to the revenue account instead of placing 140 lakhs to capital expenditure, and charging telegraphs only with the interest. The deduction which the Honourable Member draws is not therefore fully correct.

The HONOURABLE SAIYID RAZA ALI: I should like to know what was the system two years before.

The HONOURABLE SIR MALCOLM HAILEY: Two years ago, in dealing with telegraphs we put all expenditure down in our annual accounts to revenue, though, of course, we kept a *pro forma* account, showing separately capital and revenue expenditure.

The HONOURABLE SAIYID RAZA ALI: Now, Sir, so far as the explanation goes, I am told that it applies to the Telegraph department and not to the Post Office department. Since I am now dealing with the post office side, I shall not go into that question any further.

Sir, the question is as to what should be the policy of the State as regards the departments which serve the public and which are maintained for the service and convenience of the public. On this matter I may very briefly explain the departments concerned as also the Finance Department which seem to have come under the spell of the idea that these two departments, i.e., the telegraph and the postal, are not maintained so much for the convenience of the public as to enable the State to get as large profits out of

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them as possible. The old theory on the other hand, as Honourable Members know, was that these are not the departments to which the State is entitled to look forward for revenue purposes but they were intended to promote the general convenience of the public. This was the theory that was put forward by the Post Office Commission in the year 1850 in their bulky report which has been referred to in his book by the present Director General of Posts and Telegraphs. This is how the policy is enunciated. I shall read out only two or three lines, and my Honourable Friends will see as to what has been the policy consistently followed till two years ago, and what is to-day the policy of Government. This is what he says:

‘The report of the Commissioners is contained in a bulky volume of some six hundred pages, of which the preamble is most interesting and throws a great deal of light on the domestic history of India in the first half of the nineteenth century. The reforms are based throughout on the principle that the Post Office is to be maintained for the benefit of the people of India and not for the purposes of swelling the revenues, and it is greatly to the credit of the Government of India that in all times of stress and strain, as well as in times of prosperity they have loyally observed this principle, although there have been many temptations to act contrary to it.’

Commenting on this, I can only say that unfortunately the Government of India have fallen a victim now to this temptation, namely, to look to this department for purposes of revenue. Therefore, Sir, I say that it is the duty of the State as much as lies in its power not to exploit these departments for revenue purposes. It has been stated in his speech by the Honourable Sir Malcolm Hailey that it has been found necessary to raise additional taxation with a view to meet the deficit.

I agree with the Honourable the Finance Member that an attempt should be made to raise taxation, but that should not go beyond reasonable bounds. The burden should only be so much as can be borne by the people on whose shoulders it is placed. It should not crush them. The present proposal is to raise the postal rates and to raise the minimum postage to one anna. My submission is that it is too high in view of the conditions prevailing in this country when it is taken along with the fact that simultaneously the Bill aims at raising the value of the postcard to six pies. It is true, Sir, that it is our duty to help the Government in meeting the deficit. All the same I maintain that the Honourable the Finance Member is defeating his own object in raising the duty so high. I believe he knows what has been the effect of the raising of the postal rates in England. There that policy has resulted in a very huge drop in the number of letters, postcards and printed circulars carried by post. Under letters alone the fall in number comes to over 12 crores. Under postcards the fall is much heavier, and under circulars and price lists the fall in number is represented by nine crores and fifty lakhs. As I said in another connection, of course there is such a thing as the law of diminishing returns as applied to this subject. If you raise the tax too high, naturally the result is that people do not make use of those articles or those channels which you are taxing. That in fact would be clear to the Honourable the Finance Member if he would refer to his own Budget. Last year certain proposals were put forward. In fact, certain additional taxes were put. What has been the result? The result is, Sir, that the actual income has very considerably fallen short of the amount that was expected to be raised. That is but natural. In the same manner if we accept the proposals that have been laid before us, I feel sure that the proposals for additional taxation would not bring to us the extra money but much less than the amount of money that

we expect under these proposals. Therefore, Sir, I suggest that to help the Government we are quite prepared to keep the price of the postcard at six pies, but there is no reason why the minimum postage should not be reduced from one anna to nine pies, provided it should carry half a tola and not more.

If this argument finds favour with Honourable Members I will at once explain what would be the expected amount of loss. The figures that I have gathered during the course of the debate in the other House show that the Department expects to get an excess revenue of Rs. 70 lakhs on postcards and Rs. 90 lakhs on letters. It is calculated that 80 per cent. of the letters sent are below half a tola. That being so, the proportionate amount represented by three pies, by which amount I propose to reduce the minimum postage stamp would be something like Rs. 35 or 36 lakhs. Now, the question is, whether this proposal is one which should find favour with Honourable Members. I submit, Sir, that the budget proposals that we have sanctioned hit the poor very hard indeed, as was pointed out by an Honourable Member during the course of the debate this morning. There is already much discontent in the land. I do not want to take much advantage of that factor, but it is undeniable that there is discontent in the land. Now you want to raise the duty on an article that is used by the man in the street, and he really will not be able to give a warm welcome to a proposal of this character. Therefore, I say that looking to the merits of the case on the one hand, looking to the somewhat objectionable manner in which it was confidently stated last year that revenue would increase under this head, which expectations have not been realised, and looking to the amount of discontent to which this additional taxation is sure to give rise,—I submit that the best course would be to keep the minimum price of the postage stamp at nine pies. That, of course, does not touch those letters which weigh more than half a tola, and so far as the revenue from that source is concerned, that will not be affected. As regards the second part of my amendment, I have made it clear as to what would be the postage payable on a weight exceeding half a tola. With that end in view I have put forward the second amendment, namely, that if the weight exceeds half a tola, then that should be chargeable with a postage of one anna, and I have inserted a few amending words in the Schedule. For these reasons, I think it is very necessary that this Council should be pleased to take the matter into consideration and reduce the price of the minimum postage stamp from one anna to nine pies.

The HONOURABLE MR. C. BOROOAH: Do I understand, Sir, that the Honourable Member has stated that if this amendment is carried into effect the loss in the postal revenues will be 25 lakhs. (A voice: '36 lakhs').

The HONOURABLE THE PRESIDENT: Amendment moved:—

'In the Schedule to be inserted in the Indian Post Office Act, 1898, immediately below the heading 'Letters' add—

'5. For a weight not exceeding half a tola in an embossed envelope. . . . Three quarters of an anna.

'6. Under the heading 'Letters' between the words 'For a weight' and 'not exceeding' insert 'exceeding half a tola but.'

The HONOURABLE MR. B. N. SARMA: The Government appreciates fully the desire of many Honourable Members to keep within very low limits the duty on postage so that it may not work as a hardship upon the people and the Government also are equally desirous of not unduly raising the duty if it were possible to do so in the interests of the Department in general and of public finance in particular. I shall not deal with the question of general finance now, but I would confine myself, in the first place,

[Mr. B. N. Sarma.]

to the proposal in so far as it would affect the Post Office administration itself. The Honourable Member seems to consider that there is a desire on the part of the Government to depart from the wise policy of not looking to the postal administration as a source of revenue, and that under a sore temptation they are devising proposals during this year which would give them an additional revenue in relief of the general deficit with which they are faced.

(At this stage the Honourable the President vacated the Chair and it was occupied by the Honourable Sir Zulfiqar Ali Khan.)

We shall omit for a moment from our consideration the Telegraph Department, and let us see as to whether this criticism is pertinent and correct in so far as the Postal Department is concerned. The Honourable Member has already stated that the Government expects a deficit of 90 lakhs during the coming year both in respect of the Postal and Telegraph Departments, combined together and taken as a whole. Now it is difficult to allocate profit and loss on each of these Departments during the coming year; it is only a guess; but I may inform the House that, judging from the figures for the actuals which are available we find that in 1920-21 we made a profit of 81 lakhs on Telegraphs and there is no reason as to why we should not make at least that amount during the coming year. Now if our total loss on the two Departments together is to be 90 lakhs, it follows that we estimate the loss on Posts alone to be about 171 lakhs, so that if this additional revenue of 160 lakhs is to be given to us, it is just possible that we shall be still running the Post Office at a loss of about 11 lakhs; which, perhaps, we will be able to recoup from the telegraph revenue: so that the net total may possibly be beneficial to the State as a whole, but there is no warrant whatsoever for the statement that we are utilizing the Post Office as an instrument for making revenue for the relief of the general exchequer. Well, so much for the first point. Now the question is as to whether, in the interests of the Department itself, it is desirable that we should run the administration at a loss, or whether we should try to make both ends meet and, if possible, gain a little so that there may be money for the very many improvements which have to be effected if we are to carry relief to the doors of the poor. Much has been said both here and elsewhere, and rightly too, that we should attempt to benefit the poor as far as we can and assist them by the establishment of postal communications, and, if possible, telegraph communications, in the vicinity of many more towns and villages in order that they may derive benefit, not merely in the speedier carriage of the mails, but also by the establishment of banking facilities, money order facilities, and so on. Now I put it to the House as to whether, if a Department be run at a loss, it would be possible for the Member in charge of that Department to induce the rest of the Government of India to embark on a policy of expenditure which may be absolutely necessary for the purpose of bringing relief to the poor man's door. Ordinarily, unless a Department is worked at some profit, human nature being what it is, that Department would not be treated favourably, and I therefore ask the House to treat this Department generously, so that it may discharge its functions efficiently and satisfactorily.

Now there is another point. There seems to be a misconception that the carriage of these mails is a source of profit. If we analyse the figures—at this late hour I do not propose to do it—Honourable Members will find that the Post Office is making a profit on Money Orders, on Savings Banks and

other services the whole of which is now going towards meeting the cost of carriage of postcards and letters. Therefore, treating this branch separately, it is a distinct loss, and we shall be perfectly justified in asking the general public to make the carriage of mails, if not a profitable transaction, at least a commercially possible transaction. We incurred last year an additional expenditure of, approximately, 130 lakhs of rupees in revising the scales of pay of the subordinate establishments of the Post Office. It is a progressive scale of pay we have instituted and for some time to come we must look forward to additional expenditure on this account alone. If you ask us to be content with very low rates of postage the net result will be, not only difficulty in carrying on the administration successfully and efficiently even as far as it now goes, but a denial of opportunity for affording any additional facilities by the establishment of new post offices which are so necessary. We have received applications from various Provincial Governments asking for the establishment of new post offices in various parts. Now it has been made clear in the other House, that under the old scale of establishment charges, for a new post office to be started a yield of revenue monthly of about Rs. 20 was required. With the present cost of establishment you cannot start a post office unless you can be assured of Rs. 40. Unless, therefore, you double your income there is no possibility of starting a new post office. And it must be remembered that there is a great need for additional post offices; we have far too few at present for the needs of the population, considering the large number of villages, etc., which are without postal facilities in the country. I would request the House to bear this aspect of the question in mind and not to be governed merely by the consideration that we should not raise the postal rate. I shall not deal further with this Departmental aspect of the question. The Telegraph Department cannot always be looked to as a source of revenue in order to recoup losses in the Post Office. Honourable Members will realize that we would like, if possible, to reduce the telegraph rates. But we have to make improvements, construct new buildings, etc. There are several applications for telegraph offices. Consequently, the little profit which we may make must be utilized, if possible, for the benefit of the Telegraph Department. And if these two Departments are run together at a profit, I am sure that Honourable Members will not grudge that profit, because every pie of it can be usefully spent by the Department in introducing various improvements. So much for the Departmental point of view.

Then, Sir, is this a year in which we can afford to cut down our revenue by 36 lakhs of rupees? Much has been said already on this subject, and I do not like to weary the House with a repetition of the arguments. But I would like to say that it would be dangerous indeed to attempt any further curtailment of the sources of revenue, especially when the Government has so readily, though with great reluctance, accepted the wishes of both Houses and has met them as far as they possibly can. From the administrative point of view we shall be very gravely inconvenienced. Last year Honourable Members reduced the proposed rate of postage to 9 pies in some cases which has resulted in a loss in the budgeted figure. A suggestion has also been made for the introduction of an embossed envelope. But it will take us some months to introduce it, possibly six months. The process of manufacture will be costly, and it will always be administratively inconvenient to weigh letters to see that they are not over weight . . .

The HONOURABLE SAIYID RAZA ALI: My idea was that the people who really need embossed envelopes should be in a position to use them, and

[Saiyid Raza Ali.]

that it should not be open to commercial firms to send their letters with a half-anna stamp.

The HONOURABLE MR. B. N. SARMA: Experience has shown that the commercial public would—and there is no way of preventing them—try to utilise this cheap postage as far as they can by using thin paper and other expedients and saving money; and secondly, the Honourable Member's object cannot be given effect to in practice without giving equal benefit to all the members of the public, whose interests he might not have in mind just at the present moment. I therefore suggest that the House should not accept this amendment on the grounds I have put forward.

The HONOURABLE MR. E. M. COOK: Sir, I move that the Question be now put.

The HONOURABLE COLONEL SIR UMAR HAYAT KHAN: Sir, coming from a village, I can assure you that we have got many difficulties in connection with the Post office. When the post office is not in the village people get the letters sometimes a week or 10 days after the letter has come to the post office, and it is for this reason that I think that some tax should be levied, as the Honourable Member in charge has explained, so that these villages may get their post in time. There are men who write letters as a luxury and invite their friends to do the same. There are others who know how to read and write and simply do nothing else except to write long letters for nothing. That is the reason why last year I objected to the reduction of the postal rates and said that Government should levy more tax so as to make both ends of the department meet. Then, the only others who write letters are commercial people and there is no harm if they spend money, because they get the benefit out of the letters. So, I very strongly support the Honourable Member that the same rate should remain as in the Bill.

The HONOURABLE MIAN SIR MUHAMMAD SHAFI: Sir, I beg to move that the Question be now put.

The HONOURABLE SAIYID RAZA ALI: The first amendment will come first. If it is negatived then the second automatically falls.

The HONOURABLE SIR ZULFIQAR ALI KHAN:—

The question is:

'That the following amendment be made,'

'In the Schedule to be inserted in the Indian Post Office Act, 1898, immediately below the heading 'letters' add—

5. 'For a weight not exceeding half a tola in an embossed envelope . . . . Three quarters of an anna.

6. 'Under the heading 'Letters' between the words 'for a weight' and 'not exceeding' insert 'exceeding half a tola but'.'

The Amendment was rejected.

The HONOURABLE SAIYID RAZA ALI: I want a division, Sir.

(At this stage the Honourable Sir Zulfiqar Ali Khan vacated the Chair and the Honourable the President resumed his seat).

The HONOURABLE THE PRESIDENT: Did the Honourable Member ask for a division?

The HONOURABLE SAIYID RAZA ALI: Yes.

The HONOURABLE THE PRESIDENT: The House will divide by show of hands.

(Three Honourable Members were in favour of the Amendment and the rest against it).

The Amendment was therefore rejected.

The HONOURABLE THE PRESIDENT: Does that refer to both the amendments?

The HONOURABLE SAIYID RAZA ALI: Yes.

The HONOURABLE LALA SUKHBIR SINHA: Sir, I hope Honourable Members will find something for consideration in my proposal, which I am going to make. The proposal\* is that instead of having a single postcard of half an anna, there may be a letter postcard of half an anna. There will be no reduction in postage. The fact is that the Postal Department is running at a loss and the Finance Member is justified in increasing the postage. To raise the single postcard from  $\frac{1}{4}$  to  $\frac{1}{2}$  anna will no doubt cause the poor people to suffer, but as the question has been discussed in the Assembly I have no hope of getting back the single postcard. Instead, therefore, of having a single postcard of half anna, it might be desirable to have a letter postcard of half anna, as we have in England. The advantage will be that those who might want to write something confidential or private will not have to use the one anna envelope but could use the letter postcard, gumming it and using it as an envelope. At present there will be no alternative than to use the half anna postcard or one anna envelope. Business-men also shall feel it very much, but if this proposal is adopted, they will either use half anna letter postcard or one anna envelope. It may be said from the Government side that the cost of making this letter paper will be much, and the revenue in view will be reduced. I submit that there may be extra charge for making the letter paper, but it will be very useful to people. If the cost is much, it can be met by reducing the size of the postcard by one-quarter, or reducing the thickness of the postcard paper. If the Postal Department will try, they can do it. I will have no objection if they keep the postcard for half anna and introduce this letter postcard for  $\frac{3}{4}$  anna.

Looking to the convenience of business-men and others, I think if this amendment is carried, it will be much more acceptable to the people because they will either use the letter postcard as an envelope, or use one anna envelope as they like.

The HONOURABLE MR. E. M. COOK: I oppose this amendment for three reasons. In the first place we cannot possibly afford to lose any money. Secondly, I feel that this 'letter postcard' which I presume is the same thing as a letter card, will lend itself to very serious abuses. Thirdly, my Honourable friend's amendment, as drafted, would have the effect of abolishing postcards altogether, and I am not in favour of that.

The HONOURABLE THE PRESIDENT: The question is:

'That in the first Schedule under section 4, page 15, in place of 'postcards, single,  $\frac{1}{2}$  anna, reply 1 anna' the following should be substituted, 'letter postcards  $\frac{1}{2}$  anna'.'

The Amendment was rejected.

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\* That in the first Schedule under section 4, page 15, in place of 'postcards, single,  $\frac{1}{2}$  anna, reply 1 anna' the following should be substituted: 'letter postcards  $\frac{1}{2}$  anna.'



The HONOURABLE THE PRESIDENT: The question is:

'That the Schedule contained in the Second Schedule under consideration stand part of the Bill.'

The motion was adopted.

SCHEDULE II was added to the Bill.

The HONOURABLE THE PRESIDENT: The question is:

'That Clause 5 stand part of the Bill.'

The motion was adopted.

Clause 5 was added to the Bill.

The HONOURABLE THE PRESIDENT: The question is:

'That Clause 6 stand part of the Bill.'

The motion was adopted.

Clause 6 was added to the Bill.

The HONOURABLE THE PRESIDENT: The question is:

'That Clause 7 stand part of the Bill.'

The motion was adopted.

Clause 7 was added to the Bill.

The HONOURABLE THE PRESIDENT: The question is:

'That Clause 8 stand part of the Bill.'

The motion was adopted.

Clause 8 was added to the Bill.

The HONOURABLE THE PRESIDENT: The question is:

'That sub-clause (3) to Clause 1 stand part of the Bill.'

The motion was adopted.

Clause 1 was added to the Bill.

The HONOURABLE THE PRESIDENT: I forgot to put Schedule III to the House. The question is:

'That Schedule III stand part of the Bill.'

The motion was adopted.

SCHEDULE III was added to the Bill.

The HONOURABLE THE PRESIDENT: The question is:

'That the Preamble stand part of the Bill.'

The motion was adopted.

The Preamble was added to the Bill.

The HONOURABLE MR. E. M. COOK: Sir, I beg to move that the Bill, as passed by the Legislative Assembly, be passed.

The HONOURABLE MR. V. G. KALE: Sir, when the Budget came up for discussion before this House, I felt it my duty to characterise it as dismal and most uninspiring. I am indeed pleased to find that certain important changes have been introduced into the Budget since then and much of the proposed taxation has been cut down. I have, however, no grounds for making any important change in the view to which I gave expression at the time. The expenditure still stands on a very high level and the burden of taxation is also very great. All the same, I have no hesitation in giving expression to my sense of appreciation of the great trouble and care which the Honourable the Finance Member, his co-adjutors and assistants have taken in framing their Budget and piloting it through the two Houses in the face of strong opposition and strong criticisms. In spite of the fact that I feel that the financial position is unsatisfactory, I cannot but pay my tribute of appreciation to the Finance Department for the great services that they have rendered in enabling the two Houses to carry their taxation measures through. The Finance Department in India, as in England, is expected always to exercise a rigid control over the spending departments. The Finance Member is always regarded as the watch dog of Government, keeping his eye upon the different departments which are making demands upon it for expenditure. I am sure the Honourable Sir Malcolm Hailey has done his very best to cut down the expenditure of the various departments, resisting the demands made upon him from various quarters. It is not, however, the Finance Member or the Finance Department that can alone be held responsible for the financial position of a country. It is the policy that is at the back of the national expenditure that is of the greatest importance. It is not to be supposed that the Finance Member can do and undo things as he likes. To a certain extent he has got power, to a certain extent he can exercise control, and a very salutary control it is. We do want in India what is called in England treasury control to be exercised everywhere, but, unless the Government as a whole helps the Finance Member in carrying out what he regards as financial reforms, it is not possible for the Finance Department to do anything that the people want it to do. I wish, therefore, that the Government of India will take into their serious consideration the question of adjusting their whole policy to the changed conditions of the country in its financial aspect. Expenditure, as it has been well observed, is only a by-product of the activities of Government, and the activities depend upon Government policy. And we do want a policy of retrenchment and economy, a policy that will lead to the economic development of the country, a policy that will conduce to the creation of a greater amount of wealth in the country, which could be tapped for further development of that economic condition. The laying down of such a policy is absolutely necessary. At the present moment I realise what the Finance Member has said, namely, 'in spite of your desire to cut down expenditure, you cannot do it all at once.' I realise that, but the next best thing that the Government can do is immediately to lay down a policy of reducing expenditure in the course of a few years. That is what is required, and it is some satisfaction that the Government has decided to appoint a Retrenchment Committee. The Retrenchment Committee will have its difficulties, however, and, unless the Committee and the Government co-operate and work harmoniously together, that Committee, however strong, will not be able to do much tangible work. That is the experience of other countries, and the Government of India will have to give all the help in its power to the Retrenchment Committee and to the Members of the two Houses. We are asking for retrenchment

[Mr. V. G. Kale.]

and economy. If the Government does this and sets itself sincerely to the task of cutting down expenditure in every possible way and of encouraging the productive capacity and the productive activities of the country, I am quite sure that the financial position next year and in the course of the next few years will be very satisfactory. Let us hope that the very gloomy financial situation, as we see it to-day, will have undergone important alteration in the course of the coming twelve months. There is a deficit which the Government have undoubtedly to face, but if our trade looks up and the present economic depression passes away to a considerable extent, let us hope that by this time next year we shall have no fear of a deficit and that our financial position will have been vastly improved.

With these words, I support the motion before the House.

THE HONOURABLE SIR MANECKJI DADABHOY: Sir, I wish to associate myself with what has fallen from the Honourable Mr. Kale in regard to our acknowledgments of gratitude to the Honourable the Finance Member and his able lieutenants. It is a matter of congratulation that there has been a happy and a harmonious settlement of this unpleasant Bill. Both sides have made concessions; both sides have adopted the policy of give and take. In the course of the Budget discussion we had very severely to criticise the policy of Government. We had severely to criticise certain measures, but we had the satisfaction to find that the Government has very readily and cheerfully respected popular opinion; that the Government have made on the whole concessions which will be appreciated and I trust now that as the last word has been said on this Bill that it will receive the assent of the Governor General. Sir, we hope that when we meet again here next year it will be under very happy and different circumstances. We hope the financial position by that time will have considerably improved, and that we shall have an opportunity of congratulating the Honourable the Finance Member then on retrenchment and stringent economy effected in the expenditure of the Government of India. We also trust he will have some of the good luck of his predecessors and that next year will bring to the revenues of the Government of India windfalls and fresh accretions and income and that this is the last time that we shall hear of a deficit budget.

THE HONOURABLE COLONEL SIR UMAR HAYAT KHAN: Sir, I endorse every word of what the two previous speakers have said in praise of the Finance Member and the Finance Department. But there is one thing, Sir. Some of us to-day have felt how it was that it happened that all proposals, good, bad or indifferent that were brought forward in this House were thrown out. All that we ask in this House is that if we are nonentities, either end us or mend us.

THE HONOURABLE SIR EDGAR HOLBERTON: Speaking more or less seriously on behalf of myself and some other Members, I do want to say a word in addition to what has been said by Sir Umar Hayat Khan. I do not desire to protest—I do not know how to put it—but I think it would be better in future years if we were not told that our amendments would be turned down because things had been passed in the other House. I shall ask, Sir, that in future our amendments might possibly be turned down not quite on those lines.

THE HONOURABLE SAIYID RAZA ALI: With reference, Sir, to the remarks that have just fallen from the previous speakers, I think it is my

duty to make one or two observations. I must congratulate this House on the very good sense that it has displayed in the discussion of the Finance Bill. The controversy into which this matter can be dragged, if we act incautiously, can assume serious proportions. I do not think we are justified in making a grievance of it that we are not in a position to cut down the Bill to the extent of one half or very considerably modify, alter or add to it. The position is very clear. In fact, the grievance of my Honourable friends, the previous speakers, ought to be against their own colleagues in this Council who did not give a willing ear to the proposals that they put forward. I do not think they are justified in complaining of the other House. We must admit that the other House is the popular House and naturally, if I may be excused for saying so, its voice carries greater weight with the country. All the same that does not mean that our voice does not carry weight; but at the same time it is our duty, if I may be excused for mentioning an oft quoted word, elder statesmen—it is our duty as elder statesmen to show that calmness and that dignity which, if this House is to be the senior House, it must show in the course of all discussions and not be jealous of the other Chamber. I will be extremely sorry if that sense of jealousy develops, and I am sure, if it does it will lead to very serious consequences.

The HONOURABLE SIR MALCOLM HAILEY: Every one knows the proverb regarding the manner in which certain unwise persons step in where angels fear to tread; and if I step in now, it may only be because I am an unwise person; but in truth my real reason is that the ground which has just been developed is of a somewhat delicate nature. I should be very sorry indeed if a charge could with justice be brought against any of us on our side that we have demanded that all amendments must be 'turned down' because the matter had been decided in the other Assembly. I cannot trace the exact authorship of the words which were given to us just now as a quotation; but I am quite sure that there is not one of us here on our side who if we had by any inadvertence in the course of the debate used such expressions would not regret them, and desire to withdraw them. (Hear, hear). The attitude that I and some of my friends have taken to-day, on certain questions is simply this, that we desired to give way to the strong opinion expressed elsewhere which we understood was generally representative of the opinion here and in the country. We desired to put no pressure on the House to accept our own views. We showed ourselves, I hope, fully willing to discuss the matter in all its aspects, and we simply declared from the first what our own position would be. The matter had been discussed very widely here during the course of the general discussion; it had been discussed throughout the country and the press, and lately debated in another Chamber. We felt it necessary for our part to give way, not entirely out of goodwill, but largely because we could not help ourselves (Hear, hear and applause), and yielded to a general weight of opinion which we felt too strong for us. (Hear, hear and applause).

I desire to thank my Honourable friends here who have spoken so generously of my department in regard to the manner in which it has presented the Budget and enabled the Legislature to deal with it. My department has no easy task in times like the present, when the course of world affairs seems so much against us, when so many of our anticipations are falsified by circumstances, when so many of our fondest hopes are continually frustrated. The country owes a debt of gratitude to many branches of

[Sir Malcolm Hailey.]

the Finance Department. Even if we have not always, as some of our critics claim, been strong enough to restrict the growth of expenditure, even if our control over the Government of India has not been sufficiently pronounced (and I again quote our critics here) to effect all the economy that is desired, nevertheless, there are other branches the value of whose working financiers, bankers and commercial men know well. In abnormal times like the present when we have to live largely on floating debt, when our treasury bills are an important part in the financial transactions of the country, when the successful conduct of our regular loans is of such vital importance, a false step on our part might be dangerous or might even promote a crisis. I hope the House will agree with me that under the guidance of the men who have directed those branches of our work no such false step has been taken. (Hear, hear).

As to our exercising true treasury control as the Honourable Mr. Kale expressed it, I can say with confidence one thing. We have honestly endeavoured for the last two years to keep down fresh expenditure. There are, I think, sitting here on the Benches beside me many witnesses, not I believe what are called in the courts willing witnesses, perhaps even what are called hostile witnesses, of the persistence with which we have sought for economy. That we have not been able to readjust the general standards of expenditure to the changing conditions of the country's finances is perhaps true. That as a consequence not entirely of our inability to exercise control, but of altering circumstances our expenditure is now at a scale which it is difficult to justify in view of the financial condition of the country, may perhaps also be said not without truth. We are seeking the assistance of an expert and authoritative committee which we hope will partly enable us to readjust matters in that direction. But the process cannot be an immediate one; it must be discriminating and gradual. How far it can extend it is impossible for us to decide or determine to-day. But that an effort will be made, I say in all sincerity (Hear, hear), and that Government will be behind that effort, I also say in all earnestness (Hear, hear).

Well, Sir, here our Budget stands with a deficit of Rs. 916 lakhs. I and my friends here to-day have already said sufficient, I think, of the apprehensions with which we regard the operations of the coming year. The Honourable Sir Maneckji Dadabhoy complimented us on the cheerfulness with which we have met that situation. Sir, if there was cheerfulness, it was with my Honourable friend; it is not with us and it cannot be with us. I cannot disguise from the House that although we may do our best to meet the complicated situation which has now presented itself, although we shall do our best to meet the many difficulties that will occur in financing this deficit during the coming year, and although we shall do our best to effect such further economies as may be possible in order to ease our burden in meeting these difficulties, yet the situation remains one which justifies grave apprehension. With that, Sir, I may be allowed to conclude—not a happy note, I fear. If there is any addition that I can make, it is only this, that I hope that the House, whether it may agree with the steps that we have to take in what we consider to be in the best interests of India's finances or not, whether it views the questions which arise from day to day from the same angle of vision as we do or not, nevertheless will always show itself as broadminded in its criticisms as it has been to-day.

The HONOURABLE THE PRESIDENT: The question is that:

'The Bill to fix the duty on salt manufactured in, or imported by land into, certain parts of British India, further to amend the Indian Tariff Act, 1894, and the Indian Post Office Act, 1898, to amend the Indian Paper Currency (Amendment) Act, 1920, to impose an excise duty on kerosene, to fix rates of income-tax and to abolish the freight tax, as passed by the Legislative Assembly, be passed.'

The motion was adopted.

### PRESS LAW REPEAL AND AMENDMENT BILL.

The HONOURABLE MR. S. P. O'DONNELL: Sir, I must apologise for interrupting at this moment. I recognise the irregularity of the procedure. My excuse is that I shall have no other opportunity of referring for fair consideration a matter of some importance. The Bill to repeal the Press Act will come to-morrow before the other Chamber, and I wish to inquire whether, if that Bill is passed by the other Chamber, you would consent not only to the Bill being laid on the table on the 27th, but also to a motion that the Bill be taken into consideration being moved without the notice that is usual, and also if that motion is carried, to a motion being made that the Bill be passed. My reason for making this suggestion is that if this procedure is not possible there will apparently be no other opportunity of bringing the Bill before this Council this Session, and that would mean that the Bill will be held up till the next Session. We propose that copies of the Bill should be circulated, if it is passed by the Assembly, to-morrow evening to all Members so that they will have an opportunity of studying the papers before it comes on, if you sanction that procedure.

The HONOURABLE THE PRESIDENT: I think it is but proper that the Honourable Member should give this House an opportunity of knowing what is in his mind. So far as I am personally concerned, when the Bill is passed and is laid before this Council, I will consider the matter.

The Council will now stand adjourned till 11 O'clock on Monday, the 27th March, 1922.

The Council adjourned till Monday, the 27th March, at Eleven of the Clock.