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CONTENTS

	Page
THURSDAY, 2ND FEBRUARY, 1921	1-3
Opening Speech.	
Oaths.	
Closing Speech.	
SATURDAY, 5TH FEBRUARY, 1921	4
Oaths.	
Government Business for 14th February, 1921.	
WEDNESDAY, 9TH FEBRUARY, 1921	5-16
Oaths.	
H. E. the Viceroy's Speech.	
H. R. H. the Duke of Connaught's Speech.	
Speeches by the Presidents of the Council of State and Legislative Assembly.	
H. E. the Viceroy's Closing Speech.	
MONDAY, 14TH FEBRUARY, 1921	17-78
Questions and Answers.	
Code of Civil Procedure (Amendment) Bill.	
Maintenance Orders Enforcement Bill.	
Resolution <i>re</i> Circulation of speeches of H. R. H. the Duke of Connaught and H. E. the Viceroy in the Vernaculars.	
Procedure to be adopted <i>re</i> Amendments.	
Resolution <i>re</i> Repeal of Repressive Laws.	
WEDNESDAY, 16TH FEBRUARY, 1921	79-150
Questions and Answers.	
Adjournment of Business of Council.	
Resolution <i>re</i> Ayurvedic College.	
Resolution <i>re</i> Export of Rice.	
MONDAY, 21ST FEBRUARY, 1921	151-206
Questions and Answers.	
Motion for Adjournment.	
Code of Criminal Procedure (Amendment) Bill.	
Indian Tea Cess (Amendment) Bill.	
Resolution <i>re</i> Washington Conference.	
Khilafat Movement.	
WEDNESDAY, 23RD FEBRUARY, 1921	207-274
Oath.	
Questions and Answers.	
Procedure <i>re</i> Questions.	
Bills as passed in Legislative Assembly.	
Resolution <i>re</i> Government Stocks.	
Resolution <i>re</i> Export of Rice.	
Resolution <i>re</i> University Legislation.	
Resolution <i>re</i> Fiscal Autonomy.	

COUNCIL OF STATE.

Wednesday, the 23rd February, 1921.

The Council met in the Assembly Chamber at Eleven of the Clock on Wednesday, the 23rd February 1921. The Honourable the President was in the Chair.

MEMBER SWORN :

The Honourable Khan Bahadur Nawab Muhammad Muzammil-ullah Khan, O.B.E.

QUESTIONS AND ANSWERS.

IRRIGATION SYSTEMS.

147. The HONOURABLE SARDAR JOGENDRA SINGH : Do the various Irrigation systems notify to the villages the amount of water to which every 500 acres are entitled ? If not, do the Government propose to order that this should be done ?

The HONOURABLE MR. B. N. SARMA : As regards the first portion of the question the Government of India have no information. As regards the second portion, the distribution of water is a matter which rests entirely with the Local Government concerned, and the Government of India do not propose to issue any orders on the subject.

The HONOURABLE SARDAR JOGENDRA SINGH : May I put a supplementary question, Sir ?

The HONOURABLE THE PRESIDENT : Certainly, but it must arise out of the answer given.

The HONOURABLE SARDAR JOGENDRA SINGH : Does the Government know what area each cusec irrigates ?

The HONOURABLE MR. B. N. SARMA : It varies in each province and from tract to tract, and no general answer can possibly be given to that question.

INCOME PER HEAD IN INDIA.

148. The HONOURABLE SARDAR JOGENDRA SINGH : What is the income per head in India ? Has there been any increase since the days of Lord Curzon ? If so, what part of the increase is due to depreciated value of the rupee ?

The HONOURABLE MR. E. M. COOK : Government cannot commit themselves to any estimate of the present average income per head in India. The Honourable Member is no doubt referring to the calculations mentioned by Lord Curzon in his speech in the Legislative Council in March 1901. Those calculations, however, only took into consideration a portion of the relevant factors, and in fact were not in any true sense estimates of average

income, but merely convenient ways of stating the results of calculations as to the total quantity and value of agricultural produce. Even so, the calculations included many elements of uncertainty and possible inaccuracy. I may mention, however, that a further attempt made on similar lines in 1911 arrived at the result that, if Rs. 27 and Rs. 30 were correct estimates in 1880 and 1901, then in 1911 the correct figure would have been Rs. 50. A somewhat more elaborate method gave for 1911 the figure of Rs. 80. I give these figures merely for what they are worth, and more for purposes of comparison than because Government consider them reliable in themselves. It is highly probable that there has been a substantial increase in average income since the days of Lord Curzon. It is not possible, however, to state with any confidence the extent to which such increase has been counterbalanced by a decrease in the purchasing power of money, or, as the Honourable Member puts it, by the depreciation of the rupee. I may add, that if it becomes clear that there is a public demand that steps should be taken to make a calculation of the income of India on a true statistical basis, we shall endeavour to arrange for this being done by a small body of experts.

INDUSTRIAL COMMISSION REPORT.

149. The HONOURABLE SARDAR JOGENDRA SINGH : (a) What steps have been taken to give effect to the Industrial Commission Report ?

(b) Has any practical programme of work been arranged for the next five years ?

The HONOURABLE MR. A. C. CHATTERJEE : The Honourable Member is referred to the* answers given by me on the 14th and 16th February 1921, respectively, to questions on the same subject put by the Honourable Mr. G. M. Bhurgri and the Honourable Mr. A. K. G. Ahmedthamby Maricaia.

LAND REVENUE ASSESSMENT.

150. The HONOURABLE SARDAR JOGENDRA SINGH : (a) What portion of agricultural income does the payment of land revenue absorb ?

(b) How is agricultural income determined for the purposes of the assessment of land revenue ?

(c) Is the incidence of land revenue demands uniform all over India ?

(d) What relation do taxes ordinarily bear to incomes in India ?

(e) What is agricultural income per head per province ?

(f) Have the Government of India any information as to the agricultural wage per head per province ?

The HONOURABLE MR. B. N. SARMA : (a) and (b) It is quite impossible to give to parts (a) and (b) of the Honourable Member's question a comprehensive reply that would be applicable to the whole of India, and the Settlement Codes and Manuals of the different Provinces may be consulted with advantage. Where land revenue is assessed, more particularly with reference to ascertained agricultural assets, as in the temporarily settled zamindari areas, it may be said very broadly that the rents received, with the addition of the

* *Vide* pages 46 and 82, respectively, of Volume I, Nos. 3 and 4, of the Council of State Debates.

rental valuation of land cultivated by the zamindar himself, are the assets on which the land revenue is assessed, but here it must be observed that the proprietor's cultivating profits are ordinarily much in excess of the rental valuation assumed. On the assets ascertained or assumed, as explained above, a share is assessed as land-revenue.

(c) The answer is in the negative. I need only point to the permanently settled areas, where the land revenue remains unchanged irrespective of any increase in profits or rise in the price of produce; but even in temporarily settled areas the incidence of land revenue is not uniform throughout India.

(d) The only taxes which bear any relation to income are the income-tax, the rates of which will be found in Schedule I of the Income-Tax Act and the Super-tax, the rates of which will be found in the Schedule attached to the Super-tax Act.

(e) Agricultural income depends on the value of agricultural produce, and the value of agricultural produce in India is being examined by the Government of India in consultation with the Local Governments. The Government of India are not yet in a position to give an estimate of agricultural income per head per province.

(f) The last censuses of wages were held in some provinces in the year 1916, and in others in 1917. The information then obtained is now quite out of date.

IRRIGATION PROJECTS.

151. The HONOURABLE SARDAR JOGENDRA SINGH : (a) How many Irrigation projects are now under consideration of the Government of India, and how long have they been under consideration ?

(b) Of those sanctioned how many are likely to be started in the coming three years ?

The HONOURABLE MR. B. N. SARMA : (a) Four projects, for the Sarda Canal in the United Provinces, for the Sukkur Barrage and Canals in Sind, for the Damodar Canal in Bengal, and for the Sutlej Valley Canals in the Punjab are under consideration; the three first by the Secretary of State, and the fourth by the Government of India. They were received from the Local Governments concerned between August and November 1920.

(b) Once a project is sanctioned, the commencement of its construction is a matter which rests entirely with the Local Government concerned.

MILITARY DAIRY FARMS.

152. The HONOURABLE LALA SUKHBIR SINHA : (a) Will His Excellency the Commander-in-Chief be pleased to state whether it is a fact that in military dairy farms most of the calves of the cattle are killed as soon as they are born, in order to get more milk from the milch animals; and if so, to state the number of calves that are so killed every year ?

(b) Does His Excellency propose to consider the question of putting a stop to this practice ?

HIS EXCELLENCY GENERAL LORD RAWLINSON : The answer to the first part of the question is in the negative. The rest of the question does not therefore arise.

The HONOURABLE SIR GEORGE BARNES : (a) In the year 1910 it was found necessary to curtail the sorting work in travelling sections of the Railway Mail Service by opening sorting offices at the larger centres. The sorting of letters posted in the post offices at some of these places was then transferred to the Railway Mail Service.

(b) The answer to the first part of the question is in the affirmative. The decrease in the post office establishment was approximately equal to the increase in Railway Mail Service establishment. The transfer of work was effected gradually, and exact figures at any particular date cannot be given.

(c) and (d) The answer is No.

(e) The staff of the Post Office and Railway Mail Service is continually revised according to necessity. During the military operations in the North-West Frontier, the staff of the Railway Mail Service had to be largely increased owing to increase of work in that area.

(f) The answer is No.

NEW SYSTEM OF SORTING.

155. The HONOURABLE RAI BAHADUR LALA RAM SARAN DAS : Is the Honourable Member for Commerce and Industry aware that the new system of having sorting work done in the Railway Mail Service Offices is causing great inconvenience to the public, inasmuch as, as a matter of frequent occurrence, letters are not delivered at their proper destination in time in the Punjab? If so, will he kindly inform this Council what steps are being taken or proposed to be taken by Government to remove the existing inconvenience to the public?

The HONOURABLE SIR GEORGE BARNES : There is no new system of sorting. It was found necessary in 1910, as I have already said, to curtail the work of travelling sections of the Railway Mail Service by opening sorting offices at or near Railway Stations. The sorting of letters posted in the post offices near such sorting offices is generally done at the Railway Mail Service Offices. The system has been in force for many years; and as I am not aware that it is causing inconvenience to the public, no change is proposed.

POSTAL SYSTEM IN THE PUNJAB.

156. The HONOURABLE RAI BAHADUR LALA RAM SARAN DAS : In view of the postal strikes that have taken place in different parts of the country, will the Honourable Member for Commerce and Industry kindly inform this Council :—

- (a) What is the sanctioned strength of the postal staff in the Punjab in all its grades, superior, subordinate, clerical as well as menial?
- (b) Whether on account of the recent postal strike in the Punjab the present staff is short of its sanctioned strength, and if so, the extent of shortage in all the grades of the staff?
- (c) What arrangements are being made or proposed to be made to meet this shortage?
- (d) Whether the work in ordinary post offices has during recent years considerably increased?

- (e) Whether steps have been taken to revise the sanctioned strength of the postal staff, and if so, the extent to which such revision has taken place for each grade, superior, subordinate, clerical as well as menial?

The HONOURABLE SIR GEORGE BARNES: (a) The sanctioned strength of the whole-time permanent staff in the Punjab and North-West Frontier Circle is now 11,191.

(b) and (c) There is no shortage.

(d) Yes.

(e) The staff is continually being revised from year to year to meet the increase in traffic. The additional appointments created in 1919-20 were:—

Superior	.	.	.	.	.	.	.	.	.	3
Subordinate	.	.	.	.	.	.	.	.	.	9
Clerical	.	.	.	.	.	.	.	.	.	109
Menial	.	.	.	.	.	.	.	.	.	109

CLERICAL AND MENIAL POSTAL STAFF.

157. The HONOURABLE RAI BAHADUR LALA RAM SARAN DAS: Will the Honourable Member for Commerce and Industry kindly state whether in the Punjab, in the recent revision of salaries, increase has been given to the clerical and menial postal staff in proportion to the rise in prices and cost of living?

The HONOURABLE SIR GEORGE BARNES: The recent revision of salaries followed the recommendations of the Postal Committee. If the Honourable Member has read the Committee's report he will be aware that their recommendations were based primarily on the rise in prices and the cost of living.

REPORT OF POSTAL INQUIRY COMMITTEE.

158. The HONOURABLE RAI BAHADUR LALA RAM SARAN DAS: Will the Honourable Member for Commerce and Industry kindly lay on the table the Report and recommendations of the Government Committee appointed to consider the revision of salaries of the postal staff?

The HONOURABLE SIR GEORGE BARNES: A copy of the Report has been placed in the Library.

GRIEVANCES OF POSTAL STAFF.

159. The HONOURABLE RAI BAHADUR LALA RAM SARAN DAS: Will the Honourable Member for Commerce and Industry kindly explain what steps have been taken, or are proposed to be taken by Government to consider the alleged grievances of the postal staff on strike and to remove causes of discontent?

The HONOURABLE SIR GEORGE BARNES: I must refer the Honourable Member to the answer* already given in the Legislative Assembly to the Honourable Rai Bahadur Pandit Jawahar Lal Bhargava.

I am glad to inform the Honourable Member that none of the postal staff are now on strike.

LAHORE TELEGRAPH OFFICE.

160. The HONOURABLE RAI BAHADUR LALA RAM SARAN DAS: Will the Honourable Member for Commerce and Industry kindly explain the reason why, while some of the smaller Telegraph Offices close to the public at 9 P.M., the Lahore Telegraph Office has from some time past been made to close for ordinary messages to the public at 8 P.M. Does not the Government intend to revert to the old practice of keeping the Lahore Telegraph Office open for all the 24 hours?

The HONOURABLE SIR GEORGE BARNES: There is no telegraphic office in India at which ordinary messages are accepted between 8 P.M. and 8 A.M. The Lahore Office, however, is open all night for express traffic.

I may explain to the Honourable Member that this restriction on the acceptance of ordinary traffic was first introduced in the summer of 1919, when there were serious blocks in traffic, in order that the operators might be sure of a lull in which to work off the arrears which had accumulated during the day. The restriction has been continued in order to reduce night-work and allow the staff as much rest as possible.

PROCEDURE RE QUESTIONS.

The HONOURABLE THE PRESIDENT: A point has been brought to my notice as to the action to be taken where an Honourable Member, who has put down a question on the question paper, is absent when the question is called. I have given the matter my consideration, and I have also taken the opportunity of consulting the Honourable the President of the Legislative Assembly. I think that the proper course to be taken is for the answer to be sent to the Member and printed in the proceedings of the day, unless the Member of the Government desires to exercise his right under Standing Order 18.

BILLS AS PASSED IN LEGISLATIVE ASSEMBLY.

The HONOURABLE MR. MONCRIEFF SMITH: Sir, I have received certain Bills which were passed by the Legislative Assembly at its meeting yesterday and, as required by rule 25 of the Indian Legislative Rules, those Bills are now laid on the table. They are:—

- (1) A Bill to determine the salary of the Deputy President of the Legislative Assembly.
- (2) A Bill to amend the Indigo Cess Act, 1918, and
- (3) A Bill further to amend the Import and Export of Goods Act, 1916.

The HONOURABLE THE PRESIDENT: With reference to the Bills which have been laid on the table, I desire to invite the attention of the Council to rule 26, which may have escaped its attention.

*Vide page 128 of the Legislative Assembly Debates, Volume I, No. 4.

RESOLUTION *RE* GOVERNMENT STOCKS.

The HONOURABLE SIE MANECKJI DADABHOY : Mr. President, I beg to move the following Resolution that—

‘ This Council recommends to the Governor General in Council that a Committee consisting of members of this Council or of members of this Council and the Legislative Assembly be appointed with powers to take evidence to explore the possibilities of improvement in the position of the existing Government stocks, and to advise Government on the question of future loans, both for State purposes and for Railway and Irrigation purposes.’

The Resolution must appeal to Honourable Members. It is justified by the present depressed condition of the market, which, as is patent, is in regard to the securities with which this Resolution deals more the result of want of confidence among investors than of continued stringency in the money market. That scarcity of money is one of the powerful operative causes is undeniable, but loss of public faith in the old 3 per cent. and 3½ per cent. stocks as good investments is, in the opinion of many experts, even more responsible for the present alarming depreciation than mere contraction in the volume of capital seeking remunerative employment. To all in touch with the Indian market the fact is clear that, not only have the permanent stocks lost in value, but they have ceased to be freely negotiable. And this is the most serious aspect of the case. Towards the close of the last month the price declined several points, but even at the low rates quoted the sellers were far more numerous than buyers. Indeed, not to speak of 3 per cent. Government Paper, even 3½ per cent. Government Paper was unsaleable at any rate. The Notes were almost unmarketable. There has not been any marked recovery since then, either in the tone of the market or in the volume of transactions. During a good part of last year 3½ per cent. changed hands at 50/- or even a few annas less, and that too with some difficulty. The formation of the Imperial Bank imparted a slight tone to the market for a time which was marred by the vigorous propaganda of non-co-operation in view of His Royal Highness’ visit. The fall in the rates was immediate. The rates now quoted are more or less nominal, the business done at those rates being small and negligible. It is significant that even the long-term 5 per cents. of 1920 are nowhere in demand. The rate is nominal. And, moreover, according to the reports of the Controller of Currency on the Loans of 1919 and 1920, the response to these offers was poor. The public have evidently lost confidence in these Loans. There have been altogether three issues of long-term 5 per cent. Loans,—one in 1917, again in 1919 and the third in 1920, the first of these being liable to the income-tax. The quotations on February 10 for these different Loans were 76/, 79/—and nominal, respectively. The first long-term 5 per cents. were issued at 95 per cent. under a guarantee that Government would maintain a Sinking Fund, would maintain the rate at 95 per cent., and would make purchases out of the Fund whenever the market sagged. The public do not know what efforts have been made to redeem the Government promise, but they have noticed, with regret and alarm, that the Government guarantee has failed to support the market. And, if such is the position of the 5 per cents., it does not require a stretch of imagination to realise that the permanent stocks—the 3 and 3½ per cents.—are hopelessly neglected. The report in *Capital* on the 26th January last was : ‘ The market for 3½ per cent. Paper is *very weak*, with a considerable drop in prices’. The truth is, it is not easily negotiable. 3 per cents. are nowhere, and the 4 and 5 per cents. too share to a greater or smaller degree the fate of the premier stock.

I have so far referred to the price of these securities in the Indian money market. A very queer story is disclosed by the quotations of these in the world's money market, London. What are the facts of the situation there? In the last week of January, the latest date for which detailed statistics are available, India 3 per cent., which stood at the end of July 1914, *i.e.*, before the outbreak of war at 73½, were quoted at 48½, India 3½ per cent. (quoted at 86½ in July 1914) were down to 56½. Compare these quotations with Colonial Government Inscribed Securities and what do we find? None of these are quoted so low as our India 3½ per cents. Even a small island like Tasmania has its 3½ per cents. quoted at 67, New Zealand 3½ per cents. were quoted also at 67, Cape Colony (3½ per cent.) at 60½, and Natal (3½ per cent.) at 61½. The Dominion Governments, however, are, as the quotations of their securities show, more in touch with the market than is the Indian Government. The rate of interest is, it must be admitted, more attractive, and the quotations are correspondingly higher. Victoria 5½ per cents. were quoted at 93, New South Wales 5½ per cents. at 94 and Australian also 5½ per cents. at 94. I may also mention that these Australian Government Securities appear to be more steady than are the corresponding Indian Securities. One reason of this is the popularity of these loans among investors. I admit that comparisons are sometimes odious, but I do not admit that the Indian Government has taken all the steps that might have been taken in popularising Indian Government Securities in our own and in the world's money markets. As I shall presently show our Indian Public Debt compares most favourably with any other country in the Empire and indeed with any country, the United States perhaps alone excepted.

On March 22nd, 1909, the Finance Member, Sir Guy Fleetwood Wilson, in commending to the Council this scheme of conversion of the 3 per cent. Rupee Loan, observed :—

'There is not a natural market for the Stock, and whatever popularity it enjoyed has wholly disappeared. . . . We had cases in which our own officers, acting as trustees of charitable funds, were unable to realise holdings of 3 per cent. paper without delay and resultant hardship. The unmarketable condition of the stock gave rise to much discontent; and it was clearly undesirable that any class of our public securities should fall into such general discredit.'

The position of the whole permanent stock of 3 per cent. and 3½ Government Paper is far worse to-day than the position of the 3 per cents. in 1909; and the remarks of the Finance Member apply to the present situation with much greater force. If it was undesirable then that the 3 per cent. Paper should be discredited, it is positively dangerous now to allow the whole permanent stock to fall into such utter disrepute. The consequential discontent and heartburning is greater by far both in volume and intensity. A much larger section of the people are seriously, and in many cases ruinously, affected by the present fall in prices and the great difficulty in negotiating Paper. The danger to the credit and the financial interests of the State is greater in proportion to the number and the volume of the loans concerned. Sir Guy Fleetwood Wilson, in the course of the same speech, referred to the representations received from the various Chambers of Commerce and remarked: The movement was a reasonable one in the peculiar circumstances, and a rigid adherence to our legal rights would be inexpedient and ungracious.

This was undoubtedly a sound view which has lost none of its force in the light of subsequent events. On March 1, 1916, the then Finance Member

[Sir M. Dadabhoi.]

Sir William Meyer, reviewing the prospects of exclusive Rupee Borrowing, observed :—

‘ The position of 8½ per cent. paper is also a very relevant factor in this connection. I referred last year with legitimate satisfaction to the strength of that paper, but since then it has fallen greatly

That is, of course, a very serious matter for the holders of Government paper, and various suggestions have been made, in the press and otherwise, that we should assist them by the conversion of the whole of our 3½ per cent. debt, which at present stands at about £92 million, into a 4 per cent. security. This would involve a very considerable burden to the general tax-payer, which I am certainly not prepared to impose upon him. Nor can I admit that the Government can be held responsible for such unforeseen falls in securities, Government or other, as have taken place by reason of the war and the higher rates of interest which it has brought about. On the other hand, the Government cannot look with indifference on a large depreciation of the price of the premier security of India or ignore the grave difficulties which such depreciation, if unremedied, will place in the way of their own future borrowings, especially in the coming year. ’

Unfortunately Government did not handle the situation with necessary courage and forethought. Conversion terms were offered, it is true, but the merit of the offer was discounted by the conditions imposed. Government policy was dominated too much by mathematical calculations. The realities and the necessities of the position were not duly realised. The natural result followed. The opportunity was not availed of to even an appreciable fraction of the extent anticipated, and as a restorative the conversion scheme failed to effect a wholesome change in popular attitude towards the permanent stocks. The fate which overtook the 4 per cent. issue of 1915-16 shortly after helped to destroy what little still remained of public confidence in permanent loans, irrespective of the rate of interest. The position has gone from bad to worse. In 1916-17, Government had to abandon all idea of a permanent issue, and at first long-term Loans and then short-term Bonds came into vogue with most mischievous results upon the existing stocks and the public feeling. And not only that: People were disinclined to take up even Loans with a currency of 26 to 36 years. In March 1918, Sir William Meyer left the Council in no doubt about the popular attitude in the following passage of his speech: ‘ Having regard to the relative amounts obtained this year on the long-term loan and from the short-term war bonds, we are at present disinclined to issue a further long-term loan in 1918. ’

In 1919, an effort was made to revive public interest in long-term loans by tacking on to the issue of that year the important privilege of exemption of the interest from assessment to the Income-tax. The public response was liberal, indeed far more liberal than had been anticipated. Government operated for 15 crores, but actually got 19½ crores of new money, exclusive of subscriptions through Cash Certificates. But the common fate overtook this Loan too in a short time. In 1920, a repetition of the experiment proved the inherent weakness of the position. The 6 per cent. Loan repayable in 1930 was fairly a success, more than 11 crores of cash flowing into the Treasury and 17 crores of 5½ per cent. War Bonds repayable in 1920 and 1921 being liquidated by conversion. For the time being the loans placed the Government in funds, but the fact cannot be ignored that the arrangement was more in the nature of a makeshift than anything else. The net result was a heavy addition to the temporary liabilities of Government. The day of reckoning is only delayed, with clear indications of public unwillingness to tie up their money in investments, which, however safe, involved the serious, imminent and sure risk of heavy loss in capital value. This unwillingness

was reflected in the poor returns of the alternative 5 per cent. Income-tax free Loan repayable in 1945-55. It is impossible to miss the trend of public feeling.

Mr. President, one result of this loss of public faith in even long-term notes is a large accumulation of the temporary and floating debt of Government. The short-term Bonds account for a total temporary debt of a little over 125 crores which will have to be repaid within 1930. There are also the Treasury Bills. The total outstandings including by the way those held in the Paper Currency Reserve on 7th February was 100½ crores. And these Bills mature within 6, 9 or 12 months. Between these two classes of loan the total debt of Government is 225½ crores. It may be safely assumed that all this money will have to be found exclusively in India, the London Market in the existing abnormal conditions not providing facilities for loan operations on account of the Government of India, as also the existence upon rupee loans. This is a sufficiently alarming prospect before us. The heavy outgoings and commitments during the financial year about to close do not encourage the hope of even a temporary immunity from fresh loans. The important problem of raising money for capital expenditure will only grow in extent and intensity with years. The increasing difficulties and insistent claims of administrative and military efficiency might and probably would entail additional expenditure which may not all be met from revenue sources. Considerations of prudence and expediency would suggest the conservation in full strength of the only source of supply open to Government. Measures must be taken to ensure the success of permanent Rupee Loans. Last March the Finance Member impressed upon the Council the urgency of reducing 'our floating debt to more manageable proportions'. In my opinion, and I am sure the entire Council will agree with me, this only touches the fringe of the problem. Our aim should be not only to reduce the floating debt, but its extinction along with the replacement of the temporary debt by a permanent issue. And this can only be attained by restoring public confidence in the old permanent stocks. The possibilities of the process by which this can be effected should be carefully explored. This can best be done with the help of a committee of experts and investors such as is recommended in the Resolution.

Mr. President, I am fully aware that Government always take some expert advice as regards flotation of loans. I am equally cognisant of the existence of a considerable body of opinion that the old stocks have found their natural level of prices which is incapable of improvement through Government effort. But it is possible to hold a different view. A succession of adverse circumstances has produced the present depression, the first in point of time and the most important among which was the action of the Home Government in placing upon the Indian market more attractive loans than any Rupee Loan then existing. This was under stress of the War. During the War the details of our Loans were determined to a large extent by the Loan policy of the Home Government. The issue of short-dated loans at higher and higher rates of interest in a country like India was by itself enough to effect detrimentally our 3 and 3½ per cents., and this being so more attention should have, even in the stress and strain of War, been given to safeguard the market for these securities. The policy does not appear to have been adopted in clear recognition of the peculiar temperament of the Indian investing public. It was also unfortunate that through heavy and continuous sales of Reverse Councils every encouragement was given for the exportation of a large amount of accumulated

[Sir M. Dadabhoi.]

capital. The sudden withdrawal of so much capital could not fail to have upon the Indian money market a most depressing effect. The consequential stringency operated simultaneously with large sales by merchants to produce a slump. Under the impetus of an abnormally high exchange even Home investors found it to their advantage to send back to India large holdings of Encased Rupee Paper. The total amount of their present holdings is slightly over six crores. The issue by the Bombay Government of a 6½ per cent. Loan of unlimited amount was to some extent equally unfortunate from the point of view of the Government of India loans. The investing public, while certain of future and repeated Loans by Government, naturally are in doubt about the terms and conditions, and they have reasons to believe that these will be more and more favourable at each successive issue. Apart from the loss of confidence, such a conviction cannot predispose them to subscribe liberally to the loans of one particular year.

Mr. President, this review of the depressing circumstances will suggest some remedies which might well be tried. The short-dated Bonds and increasing rates of interest should be discontinued, and reliance must be placed upon permanent stock carrying a reasonably high rate of interest. In India there is a class of investors who strongly favour Government Promissory Notes, and who would not think of other investments, provided they are assured against loss in capital value and of negotiability. Negotiability can be best ensured if heavy loss in capital value is prevented. For sometime past this loss in capital value has been the greatest bane from the investor's point of view. Every new loan floated has entailed within a very short time heavy loss upon the subscriber, notwithstanding Government promises of support to the market and notwithstanding more attractive rates of interest. Even the 6 per cent. short-dated Bonds were at a discount shortly after issue. A mere *non possumus* is not statesmanship in such circumstances. The view is entertained by many investors and large sections of the public that the conversion of the whole stock of 3 per cent., 3½ per cent. and 4 per cent. Government Paper into a uniform 5 per cent. or 4½ per cent. stock, with the privilege of exemption of the interest from assessment to the Income-tax, is necessary to restore completely public confidence, and to enable Government to gradually wipe out the whole temporary and floating debt. I would unhesitatingly recommend, in the first place, the consolidation of all old Government Stocks in such a manner that the new loans may bear an uniform rate by a well-considered system of conversion. Secondly, exemption from assessment under the Income-tax Act is very necessary, in view of the fact that a large proportion of the small holders are poor, illiterate people, minors and *pardanashin* ladies who are ignorant of their rights and are incompetent to enforce them. Many of these investors have to suffer the greatest hardship under existing arrangements in that Income-tax is deducted at the maximum rate at the source in disregard of the fact that most of such holders are entitled to complete exemption. A higher rate of interest has been necessitated by monetary conditions all the world over, but even more by the fact that the Indian investor has become accustomed to higher rates during the past few years. The competition of new industrial companies and of Port Trusts, large Municipal Corporations and Provincial Governments is another highly important factor in the consideration. I may point out in this connection that the Director of Statistics has in the Review of Trade shown that if 100 be taken as a basic figure, i.e.

to represent the prices of securities on 29th July 1914 the price of Government Securities had fallen to 74 at the end of March 1919 and to 62 in March 1920. At the latter date (March 1920) Bank shares were at 137, jute mill shares at 563, cotton mill shares at 386, coal companies at 149, tea companies at 136, and flour mills at 406. These are remarkable figures and all moreover official.

But, Mr. President, the suggestions made above might appear at first sight extravagant and impracticable, inasmuch as, if adopted, they will involve a large permanent addition to the annual burdens of the general tax-payer for the relief of only a section of the people. In my opinion, however, and I have reasons to believe the opinion is shared by many people quite alive to popular interests, the continuance of the existing state of the Government Loans will prove ultimately ruinous to the general tax-payer. The failure to raise money will leave to Government the only alternative of fresh heavy taxation, however attenuated the resources of the people. It will thus be no relief to the general tax-payer to leave things as regards stocks as they are. Besides, Government are adding heavily to their expenditure, both civil and military, for justice to their servants. Indian investors too may reasonably claim justice, especially when the necessities of expediency coincide with the dictates of justice. The arguments advanced by Sir Guy Fleetwood Wilson in 1909 and by Sir William Meyer in 1916 in support of conversion are even more applicable to-day than ever before.

The relief which I have suggested above will not add heavily to the annual burdens of the general tax-payer. I take a very hopeful view of Indian finances and the elasticity of our national resources. This brings me to a consideration of our present financial position. The Registered Debt of India as the Council is aware consists of rupee loans raised in India and sterling loans raised in England. The total Registered Debt is classified in the accounts of Government of India under Public Works Debt and ordinary Debt. Under the first category falls the total capital expenditure which has been incurred by the State on Public Works (Railways and Irrigation); under the second category falls the remainder of the debt (ordinary debt) which includes the floating debt. The latest statistics of our national debt show only a total debt of £335 millions, and that too after the Great War. Of this no less than 86 per cent. is productive and the remainder 14 per cent. unproductive. Few countries in the world have a record such as this. Moreover, the average rate of interest earned on irrigation works (*i.e.*, net revenue in 1917-18) was 8.33 per cent., some works such as the Lower Chenab Canal and the Eastern Jumna Canal yielding as net revenue over 25 per cent. The percentage of net earnings on capital outlay in 1917-18 was 7.75 per cent.

Mr. Findlay Shirras in 'Indian Finance and Banking' points out that 'Indian finances have not suffered from a wholesale increase in unproductive debt as has been the case with many other belligerents. Our national debt on March 31st, 1918, was £336,500,000 as against £274,000,000 on March 31st, 1914, the pre-war year, an increase of 23 per cent. It is interesting to note that while the total debt, productive and unproductive, on March 31st, 1918, amounts to £336.5 millions, the value of the State Railways and Irrigation Works alone (capitalised at 25 years' purchase) is estimated at £584,000,000.'

In view of what I have just stated, in my opinion an extra one per cent. or even more in the rate of interest should not prove a very heavy burden upon

[Sir M. Dadabhoy.]

those productive works. Both Railways and Irrigation are now yielding handsome profits. An extra interest can be easily paid out of them. Another point is that, assuming with Mr. Edgar Crammond, a well-known statistician, that the Capital Wealth of India is at least £5,000 millions, I estimate that our National Debt would be at least about six or seven per cent. of our total National Wealth. Personally I think our National Wealth is very much greater than £5,000 millions. This compares favourably with the percentage of national debts to wealth for other countries with the exception of the United States and possibly of Japan

The HONOURABLE THE PRESIDENT : I hope the Honourable Member will shortly get to the terms of his Resolution, *viz.*, to appoint a Committee. He has not yet come to it.

The HONOURABLE SIR MANECKJI DADABHOY : I am presently getting on to it, Sir.

Now, Sir, in touching lightly on these interesting figures I have one object and one object only in view. I am anxious that the whole subject of the possibilities of improvement of the old permanent stock and of the future Loan policy of Government should be fully investigated by a committee representing all interests, including those of the investor. The details had better be settled by a committee in the light of the facts mentioned and the suggestions now made. I quite concede that the question of the personnel of a committee is a difficult one. Men of affairs such as bankers, brokers and financial economists are available in the country. We might also seek the advice on the Committee of say, Lord Chalmers or Mr. Basil Blackett, Controller of Finance in His Majesty's Treasury, Whitehall. Then again we might pick the brains of the best of American financiers. I need only mention Mr. Lamont of Messrs. Morgan and Company, New York, who did good work, I believe, in China and more recently at the important financial deliberations in Paris regarding allied indebtedness. In the past the Finance Department has kept its doors too often closed to the financial expert, official and non-official. I, therefore, hope that in view of what has been said Government will set about taking advice in the manner suggested. If a workable scheme of conversion is recommended and a suitable rate of interest is decided upon by this committee, I cannot emphasise too strongly the enormous moral effect it will have, apart from its economic results, in raising the financial prestige of Government and financial credit of the country. Government will in short be in a position to float loans in future with success and with no small degree of confidence. To these proposals to rehabilitate our stocks there cannot be any reasonable objection. I therefore commend this Resolution to the Council for acceptance.

The HONOURABLE MR. E. M. COOK : Sir, I beg to move that—

'For the words 'a Committee consisting of members of this Council' down to the end of the Resolution, the following words be substituted :—

the financial policy of Government be so directed as to ensure the early rehabilitation of Government securities, with due regard to the necessity of funding the temporary debt and to the provision of capital expenditure for productive purposes."

I have been asked, Sir, to deal with this Resolution on behalf of Government. I can assure my Honourable friend that I move this amendment in no

hostile spirit whatever to his Resolution. It is only because I think that perhaps the object which he—and I may say equally Government—have at heart can perhaps somewhat better be obtained by the adoption of this amendment than by the procedure indicated in his Resolution. I want to make it quite clear, if I may, that I do not for one moment wish to imply that a committee composed of Honourable Members of this Council or Members of the other Chamber, or any other committee, could not be so constituted as to be able to give Government the most valuable assistance and instruction upon this matter. If I were to make any such assertion, it would not be true, and it would be almost an impertinence. Still less do I wish to be so rash as to assert that the Finance Department of the Government of India is the repository of so much wisdom and experience in these matters that it can afford to be independent of the advice or assistance or criticism of practical men of business. No one knows better than the financial officers of Government how very greatly we are dependent upon the help and assistance we get from the leaders of the commercial community in India. I do not think that the general public always quite realises the very great extent to which we do take every possible opportunity of getting into personal touch with, and of taking the advice of, all the leading business and financial men in this country. It is quite true that this advice is usually taken informally. That is a matter of necessity. But it does not make it any less valuable or essential. And I must say how very grateful the Government is for the assistance that has always been given to it by the business public, assistance that has always been given most ungrudgingly, and frequently at no small personal inconvenience. And, I think, I can make so bold as to say that it has more than once kept Government from making mistakes.

I have said that this consultation is usually informal. Of course, there are occasions when public discussion on matters of this sort is eminently desirable, not only for Government's own instruction, and, as it were, to feel the pulse of the representatives of the people, but also so that the country at large may rest assured that matters like this, which, though I am afraid may seem rather dry and technical, nevertheless concern the tax-payers very closely, and very profoundly affect the welfare of the country—I say it is a good thing that the people at large should rest assured that these matters are receiving the due attention of Government and of their own representatives. I, therefore, welcome this Resolution, Sir, as giving an opportunity for free and open discussion. Government have nothing to hide, and they have everything to gain by publicity.

Before I give reasons for my suggestion why I think on the whole that my amendment is a preferable course to adopt than the terms of the Resolution, I should like, if I may, to say a few words of a general nature on the nature of the problems which this country has to face in respect of international debt. I do not propose to go over the whole of the ground, over which my Honourable friend has travelled with such skilful avoidance of its quicksands and nullahs, nor shall I explore the labyrinth of figures that he has threaded with such lucidity. I should rather like to take up this matter more or less where he has left it. The Honourable Member emphasised the very serious depreciation which has occurred in all Government securities, not only in the older ones, but also in those more recently issued. It is not altogether clear to me how far he considered that this depreciation was really inevitable, or how far it could have been avoided by a more skilful policy.

[Mr. E. M. Cook.]

I take it, however, that this Council will wish to look, not so much to the past, but to the present and the future. The Government's policy, I do not think, would be very difficult to defend, but I do not propose to say anything upon my learned friend's remarks regarding the loan policy of the last few years. I shall just say one word on his remarks referring to the two five per cent. loans and the sinking funds which were instituted under the loan notifications. He said that the public did not know what efforts had been made to redeem the Government's promise. My Honourable friend took the best possible steps to give publicity to the actions of the Government in that matter by asking a question on the subject the other day, and I thought he obtained a very straight answer

The HONOURABLE SIR MANECKJI DADABHOY : But there was very little information in that answer.

The HONOURABLE MR. E. M. COOK : I am glad to learn that my Honourable friend did not mean to imply that the Government did not redeem their promise.

The HONOURABLE SIR MANECKJI DADABHOY : No, I certainly did not mean that.

The HONOURABLE MR. E. M. COOK : The Honourable Mover referred to certain remarks of Sir Guy Fleetwood Wilson and Sir William Meyer. Of course, it would be quite impossible for me to treat otherwise than with the greatest respect, I might almost say, reverence, any remarks of either of those two Finance Members. I had the honour of serving under both, and as every one knows, India is under a very great debt of gratitude to each of them for the caution and prudence with which India's finances were managed in the years of peace before the War, and which, I think, helped India to stand the strain of War finance so much better than most other countries.

At the same time, I cannot altogether understand the relevancy of bringing in Sir Guy Fleetwood Wilson's remarks in 1909 upon 3 and 3½ per cent. paper. I think one might as well get up in the House of Commons now-a-days and make a quotation from one of Lord Goschen's speeches on the 2½ per cent. consols. The position in this country to-day is altogether different from the position which Sir Guy Fleetwood Wilson was dealing with in 1909. To treat those remarks as relevant to the present position is, I venture to think, to close one's eyes entirely to all that has happened since then. There has been a war, there has been a world shaking catastrophe. There is everywhere in Europe amongst our best customers ruin and devastation. I hope that my Honourable friend is not surprised that India has not remained unaffected by that. It would be rather surprising if the value of 3½ per cents. were to be at 98 as they were in July 1914.

At the same time, Sir, I should not like the Council to think that Government do not share fully the Honourable Member's concern at the very great depreciation which has occurred in Government securities. Our 3½ per cents. are held very widely throughout the country. They are held by many people on very moderate incomes, who, in many cases, rely entirely on the interest on those securities for their whole income. Of course, they still get the same interest as formerly, but if, by any chance, their capital has to be realised, then, of course, they suffer very substantial loss. Moreover, they have to

suffer the same hardships that all people of fixed income have to suffer. Therefore, I quite agree with my Honourable friend, to the greatest possible extent, that this is not a position which can be faced with equanimity. Seeing that India's premier securities are held all over this country, any very severe depreciation in them is, of course, a loss of prestige to the State credit, and the financial consequences of that are obvious.

Of course, I know that my Honourable friend will realise that this depreciation is not peculiar to India. He gave instances of certain colonial stocks which apparently depreciated somewhat less. But I think one of the best analogies is the old French *rentes*. These are held all over France by the thrifty peasantry of France, and they occupy in that country the same position that our 3½ per cents occupy here. I find that the French *rentes* have fallen some 68 points against 3½ per cent's fall of 40 since 1914. I think that is sufficient to show that, at any rate, the Indian investor has not suffered anything so much as investors in a prosperous country like France. Of course, the holders of the 2½ per cent consols in England have suffered almost as much. I do not wish to labour this point, because I think that every one must agree, and there can be no difference of opinion, that this progressive depreciation in our securities ought, if possible, to be brought to an end, and further than that, that we ought to take what steps we can to climb up-hill and to endeavour to restore them to something like their old level. That is a very excellent sentiment of course, but, unfortunately, it is one of those sentiments which command universal assent, which are very easy to enunciate but very difficult indeed to put in practice. There is one sovereign remedy, one absolutely certain way of stopping depreciation, and that is to stop borrowing. If we stop borrowing, I think the Council will agree that very soon our old securities would gradually go up. Of course, everybody knows that that is a counsel of perfection.

That brings me to the second half of my amendment. Our liabilities and necessities are such that it is absolutely impossible for us to stop from borrowing. In the first place, we have a series of war bonds maturing during the next ten years. In the current year we have about 15½ crores to repay; in the next year we have about 11½ crores. After that there is a comparative lull, the amounts maturing being fairly small. In 1928, we have 25 crores to repay in 1930, not less than 30 crores. All these war bonds aggregate a sum of no less than 94 crores falling due within the next nine years. These, of course, have got to be paid off as they mature, and although I am as much an optimist about India's general financial position, as the Honourable Mover, it is hardly likely that we should be able to count upon such enormous revenue surpluses as to be able to repay these loans without raising fresh ones. Therefore, I submit, Sir, that it is imperative for this country to refund these war bonds and long term loans, and the sooner we do so the better for us. As long as they are hanging over our heads, our borrowing power remains to a large extent mortgaged, and we shall not be able to devote our borrowing power to productive purposes.

Secondly, there are our Treasury Bills. I do not know how far the Council realises the extent to which the existence of these Treasury Bills constitute an impediment not only to our getting our national debt into a more satisfactory condition, but also, I submit, a positive danger to the whole of our financial and currency administration. My Honourable friend has

[Mr. E. M. Cook.]

mentioned that the outstandings are 100 crores. Of these, 60 crores are held in the Paper Currency Reserve. I do not intend to deal with those here. I do not say that the existence of 60 crores of our own Treasury Bills created *ad hoc*, and held in the Currency Reserve is a good thing. I think it is very much the reverse. But, of course, we are not discussing currency policy to-day, and, therefore, I deal only with the 40 crores of Treasury Bills that are now in the hands of the public. I submit, Sir, that this 40 crores is very much too much. These Treasury Bills are 3, 6, 9 and 12 months Bills. They keep on maturing; they keep on having to be paid off and replaced, if possible, by fresh issues. I have not got the time now, I am afraid, to describe how all these Treasury Bills came to be issued originally, but any Honourable Members who have read the budget speeches of the last two or three years will understand this. What I should like to emphasise is the very urgent necessity of reducing to more manageable proportions the extent of our Treasury Bill outstandings. I need only say one word in justification of that. In the next few months we have no less than 12½ crores maturing. I say that is very much too much. If we have too many Treasury Bills outstanding, we are of course far too dependent on the state of the market at the time. We have frequently been obliged in the past to offer more and more attractive rates in order to replace our maturities and, of course, all this tends still further to depreciate the credit of the State and to enhance the value of money in all the markets. But, I think, there is even a worse effect than that. There have been occasions when the sale of Treasury Bills has been insufficient to meet the maturities and when, owing to our ordinary cash balances being so low, we have been forced, in order to meet maturing Bills, that is to say, maturing Bills held by the public, to issue currency notes against our own paper, created *ad hoc* and put into the Currency reserve. Of course I need not go into that, because I am quite sure that Honourable Members will realise that, when we are forced to do that, it is not a sound thing from the currency point of view. Well, during the trade boom of two years ago, we had at one time no less than 60 crores of Treasury Bills in the hands of the public. We were able to keep this amount floating more or less all through those years because, owing to certain reasons into which I need not enter, the markets were very full of money. Now conditions have altered and we find 40 crores very much too much to be either comfortable or safe. Our position as regards these Treasury Bills is, I think, as Mr. Howard once described to the Imperial Legislative Council, namely, that Government is very much in the position of a juggler who is trying to keep a number of balls in the air at one time. So long as he has only got 2 or 3, he can do it with a smile on his face. When he gets to 6 or 7, observe the look of anxiety and worry on his face. I can assure the Council that many times during the last two or three years they might have seen that same look of worry on the face of financial officers. I speak from personal experience. When I was Controller of the Currency two years ago, I remember on more than one occasion going down to my office in Calcutta in the morning knowing that a crore or two of Treasury Bills was due for maturity the next day and without knowing where I was going to find the money to meet them, and, if it had not been for the assistance that we could often count on from the Bank of Bengal and the Bank of Bombay, our position would have been extremely acute. That is not a nice position for a country like this, and, therefore, I think I have said quite enough to prove my point that it is time we cut these Treasury Bill outstandings down.

Honourable Members may say 'This is all very well; it has been said before. How do you propose to do it?' Well, there are only two ways that I can think of. The first way, I think, is general economy, which, of course, is always a watchword of the Finance Department, but which has a special application to this. By economy I mean keeping down the ordinary expenditure so as to be less dependent on Treasury Bills in order to meet our day-to-day outgoings. If we can do that, then perhaps we can draw in our horns a bit and not have so much in the market at one time. The second way is to fund them, that is, if in any year our ordinary loan is in excess of our liabilities and in excess of our capital programme, then, when this is so, of course any surplus that there is can be devoted to either letting Treasury Bills run off or to fund them in the loan itself. But, apart from that, I cannot think of any other way. We cannot work miracles, and I cannot think of any shorter cut.

I hope, Sir, that I have shown some solid reason why we are at the best forced to go on with our long term loans. Our war bond liabilities average from 10 to 11 crores a year and, over and above that, we have our Treasury Bills, which if we can fund so much the better.

The last point I have to deal with—I hope not to take up the Council's time for more than another minute or two—is the question of our productive expenditure. Well, here we find ourselves of course at once on the horns of a dilemma. We all know the very urgent need for capital expenditure in various directions of development, of which of course railways is the most important. I have seen figures published in the Press and elsewhere of the amounts which could profitably be spent on Indian Railways in the near future. Well, the size of the figures which are sometimes mentioned is, I think, rather out of all proportion to practical possibilities. Nevertheless, every reasonable person must admit that there is a crying need for more money to be spent on railways. Secondly, there is irrigation. This in future will be a Provincial Subject, but it is very probable that the Provinces will look to the Central Government to lend them the capital sums required. Just at present it so happens that, owing to the completion of large projects in recent years and to the fact that the preparation of new projects was held up for various reasons during the war, there has been a comparative lull in expenditure on irrigation. But, as the Council knows, there are some very large projects, such as the Sukkur Barrage and the Sarda Canal in Oudh which will, it is hoped, soon be ready, and it has been estimated that in about 8 or 9 years' time the amount of money required for irrigation may even reach the level of some six crores a year. Then, of course, apart from railways and irrigation, the provinces will no doubt ask us for loans for various projects of their own, for capital or quasi-capital, productive or unproductive, expenditure. Now, it is quite obvious that if all these claims were to be satisfied, it could only be at the expense of seriously raising the rate of interest and of consequently depressing our own securities still further. There is no clear way out of the dilemma. I can only suggest caution and patience. I venture to think that in the long run it will be much more to the advantage of the country that we should for the present concentrate our energies, as far as possible, upon clearing the ground for a more progressive policy in productive expenditure in future, by first of all freeing ourselves so far as we can from all these embarrassments which are really a mortgage on all our borrowing powers. However, I am afraid these remarks are rather of a general character, and Honourable Members may say 'these sentiments are all very well, and very excellent. Meanwhile, while all this is being done—it may take some years—

[Mr. E. M. Cook.]

what about the poor 3½ per cent investor. Can you or can you not, do anything for him ?" I do not think, Sir, that the Council can expect me to give any specific answer to a question of this nature, especially when we are so close to the presentation of the Budget and when the Council does not yet know what the precise financial position of the country is. It would perhaps be possible to speak rather more freely a week hence. Therefore, I hope the Council will make some allowances for me if I have merely indulged in generalities.

For the present all that I can say is the Government have this matter of depreciation under their close attention. It is obvious that some of the concessions which have been suggested in various quarters would entail considerable expense and would only result in relief being given to certain classes at the expense of the general tax-payer. On the other hand, I have heard of schemes, and I dare say some speakers this morning may put some forward, which, it is contended, could be put into execution without giving rise to that objection. I can assure the Council that Government will explore very carefully indeed the possibilities of any such scheme, and in doing so they will not only ponder over the matter at leisure when they retire to their mountain retreat after the end of this Session, but I have the Honourable the Finance Member's authority for saying that we will consult the country's financial and business experts to the very widest extent and at the earliest possible moment including, I have no doubt, many of the experts in this Chamber. In view of that, Sir, I hope that my Honourable friend will not press his proposal for a formal committee empowered to take evidence and all that. I do not think that a formal committee will be the right and proper method to approach a subject of this sort. The facts unfortunately are only too clear and known to everybody. It is a matter, I think, for consulting all the experts we can think of, and I can assure the Council that this will be done.

I beg to move.

The HONOURABLE MR. A. CHETTIYAR : Sir, loans have been, so to say, the last resource of Government. Already heavy taxation
12 P.M. to the utmost extent possible induces the Government in most cases to resort to this kind of raising money. Such loans presuppose a certain amount of wealth in the country accumulated in the hands of a few who would gladly invest the sums in the first-class securities offered by Government. Of all the subscribers to loans in India, those of the 3 and 3½ per cent. loans seem to be badly off. Their complaint is that the stocks have fallen a great deal. Such fall has affected adversely their financial position. It is imperative that we should try to remedy their grievance by all means in our power, but, in attempting to find out remedies, we must also bear in mind that the position in India is not unique. Subscribers to State loans in all other countries are in much the same position. It is the same War that is responsible for this state of things all over the world.

My Honourable friend, Sir Maneckji Dadabhoi, in the early part of his speech said—if I have followed him aright—that the public had lost confidence in Government because of the fall in Government stocks. To this remark the answer is simple and my Honourable friend will find that answer in the fact that the Government of India have been able to raise, by way of loans, crores of rupees in recent years. But I am afraid my

Honourable friend might get up and say : ' Well, this is due to the high rate of interest that the Government have agreed to pay.' Well, Sir, it is true, but it is due to the conditions prevailing in the world market, and I believe that it has nothing to do with the stability of Government. The stability of Government is a very great factor in the success with which these loans are floated. This stability continues as its main advantage even in times of depreciation ; but depreciation is very often temporary and soon the effects of war might disappear. Sir, the number of people affected by this state of things in the country, I believe, is not large ; but small though they may be in number our best efforts should be made to remedy their grievances, if possible. To strengthen public confidence and to increase Government credit, it is necessary that we should try to put up the price of Government stocks. But in this, as in a few other matters, the remedy might be worse than the disease. Where are we to find money for raising the prices of stocks ? The pockets of Government are empty. Large schemes of industrial development and educational advancement have been laid aside for want of money. The taxpayer feels his last pie has been taken from him. To make him put his hands into his pockets is impossible, I should say, unwise at this juncture. I fear any new taxation, at any rate any new direct taxation, might drive even the willing co-operators into the non-co-operation camp. Sir, I would therefore urge that we should bear this present depreciation as a necessary evil and wait for the day when things seem more hopeful.

The HONOURABLE MR. LALUBHAI SAMALDAS : Sir, I rise to support the amendment moved by my Honourable Friend Mr. Cook ; and I do so specially for the second reason mentioned in the amendment. The words used in the amendment are these—he gives two reasons—' with due regard to the necessity of funding the temporary debt and to the provision of capital expenditure for productive purposes.' Sir, as the Honourable Mr. Cook has said the problem of finding money for railway extensions is a very ticklish one really ; and it will have to be faced by Government. I want to put before the House just now a few facts which will give some idea as to what the requirements of the railway are in one portion only of the Presidency of Bengal, if the necessities of the industries in that part are to be met. Sir, a paper was submitted by Mr. Marshall on behalf of the Metallurgical industries in Eastern India to the Railway Committee, and it will show that taking only one industry, the iron and steel industry, we find that there are three companies at present working ; three more are likely to come into existence ; one of the existing ones, perhaps two, have gone in for large extensions, and I shall give only one figure to show what will be the requirements of these companies when they are in full working order. The annual tonnage at present required is 2,251,000, and the tonnage from the new plants and enlargement of present ones will be practically seven times that. If we are going to allow these industries to develop to their fullest extent, Government will have to find money to duplicate 133 miles of railway and place orders for 12,860 four-wheeled wagons and 232 locomotives, and the cost of these comes to crores. That is why I want some policy of conversion, or as my friend, Sir Maneckji, said consolidation to be thought out by Government which would make provision for finding money to help the industries. The Honourable the Finance Secretary also referred to the difficulty of funding the temporary debt. He said that he had been passing, or that the Finance Member had been passing, restless nights, apprehensive lest when he woke the next morning he may not

[Mr. L. Samaldas.]

be able to meet the requirements of short-term Treasury Bills which have matured meantime ; to meet these he suggested two means. One is to go on borrowing at higher rates, and the other is to go on issuing currency notes. The first is, I hope my Honourable friend will not be angry with me for using that word, the road to bankruptcy. A private gentleman who went on borrowing to meet his next requirements at higher rates of interest ends in bankruptcy, and I hope the Government of India will not do so. The second thing, Sir, of issuing more currency notes means the deflation of money, reducing the money value. That also is really harmful to the country and must be avoided. For these two reasons also I do hope that the Government of India will carefully consider the question of consolidation and conversion combined, so that we may get more money and Finance Ministers may not have to pass restless nights.

Sir, many schemes can be suggested, and I will provisionally put forward a scheme. It is a very crude scheme and will have to be examined by the experts in the Finance Department. If, for instance, Government were prepared to carry out a scheme like that and the public viewed it with favour, both these difficulties may to a certain extent be met. First, taking only the case of $3\frac{1}{2}$ per cent. Government securities, I believe the total issue of these securities is about 119 crores of rupees. Let us take it at 120 crores for the sake of easier calculation. The present rate of those securities is 55 ; my friend, Sir Maneckji, said that this was the nominal rate. The rate of interest on new loans cannot be less than 6. I hope I am not exaggerating ; but in view of the fact that the Government of India have granted the Bombay Government leave to issue our Development Loan at $6\frac{1}{2}$ per cent. income-tax free rate, I do not think the Government of India will be able to get money at less than 6 per cent. If they borrow, say about 20 crores, they will have to pay one crore and 20 lakhs as interest at 6 per cent. What I suggest, Sir, is that if the owners of the $3\frac{1}{2}$ per cent. loans were given an opportunity—I am merely suggesting a figure which may or may not work out correctly—to convert their $3\frac{1}{2}$ per cent notes into 6 per cent. by paying in 35 rupees more ; and even if half the present owners took advantage of it, Government will get 21 crores of rupees, and the loss to the tax-payer about which my Honourable friend Mr. Chettiyar said that his interests would have to be taken into consideration, works out only to 24 lakhs per annum. This would, I believe, ensure the early rehabilitation of Government securities, and bring in more money for the railways also. It would also bring in money for meeting short-term Treasury Bills and help Government in other ways too. I merely throw it out as a suggestion. It may be workable or it may not be ; but many such schemes can be thought of. I heartily support the amendment of the Honourable Mr. Cook.

THE HONOURABLE RAJA SIR HARNAM SINGH : Sir, the question of Government Stocks is very important, as it has direct relation to the national credit. But I do not think there is any serious apprehension in this respect. The general financial position of India is very strong. The national indebtedness of this country, in comparison with the national resources, is very much smaller than that of most other nations. Then again a very large fraction of the national debt is what may be called productive debt, representing a productive outlay on Railways and Irrigation, normally yielding a return considerably in excess of the interest on the whole:

amount borrowed. The Great War, however, made it necessary to call for and obtain fresh loans known as the War Loans which added over 30 per cent to the national debt. The enormous success of the war loans, though partly explained by the patriotism of the people, testifies to the national credit. But I feel strongly that no effort should be spared to save the Government's Stocks from any possible depreciation, and we cannot be too zealous in maintaining and safeguarding the national credit. In a country like India where the bulk of the population is illiterate, any depreciation of the value of the Stocks may be easily misinterpreted and much mischief may be done. I would therefore support the Resolution for the appointment of a Committee of expert financiers to explore the possibilities of improvement in the position of the existing Government Stocks. They may thoroughly investigate the matter in the light of their expert knowledge and experience and help the Government with their well-considered opinions and recommendations. I believe they will be able to do a good deal of valuable work in yet another respect as indicated in the second part of the Resolution. They can advise the Government on the question of future loans, both for State purposes and for Railway and Irrigation purposes.

Any future loan will affect the existing stock. For instance, the Government may find it difficult to raise loans in future except by offering interest on a higher scale. This no doubt will tend to depreciate the value of the existing stock. The question is difficult and complicated, and expert knowledge and advice will be of great service.

A more extensive outlay on Railways and Irrigation will be a productive investment and add considerably to the revenue of the country, even after setting aside an adequate sum of money every year for the payment of interest on the loans raised and for a sinking fund. The Committee may reasonably be expected to work out, for the benefit of the Government, a practical scheme for such investments. It is certainly worth trying.

The HONOURABLE SARDAR JOGENDRA SINGH : Sir, I had no intention of taking any part in this discussion, but there is a remark which fell from the lips of the Honourable Mr. Cook regarding the Government getting nervous and stopping borrowing, and about it I should like to say a few words. At the present moment in India it is absolutely necessary that we should raise as much money as we can for productive works. There are a great many irrigation works and railway works kept in abeyance which, when completed, would add immensely to the wealth of the country, and these works should not therefore be deferred merely because the Finance Department is nervous of raising loans. That is why I strongly support that a committee should be appointed as suggested. A formal committee is not generally of much use. They take evidence and write a report, and that report is shelved for years before any action is taken on it. An informal committee charged with the function of going fully into the question would certainly be more helpful and would reach conclusions much more quickly. The lines of inquiry, to my mind, should be to find out as to how best to raise money for special industries. The Honourable Mr. Lallubhai Samaldas just pointed out that the Iron Works in Bengal needed crores of Railway Expenditure to be able to develop fully. I have reason to believe that definite proposals of the Committee are clearly put before the Finance Department, they may be able to raise money on easier terms. Similarly, with regard to Irrigation works. If money were invited from landed

[Sardar Jogendra Singh.]

interests, I think it could be raised much more cheaply than at 6 per cent. There is a good deal of capital available in India, particularly in the hands of agriculturists, and it is mostly the agricultural capital which has not yet been so far tapped. The Committee could consider how this capital could be brought into the market and utilised for special purposes. The question perhaps is a Provincial question, as the Honourable Mr. Cook pointed out, but this Committee, if it is appointed, would greatly help in finding out ways and means as to how to raise capital for irrigation purposes and for Railways. With these remarks, I support the Resolution as amended by the Honourable Mr. Cook.

The HONOURABLE MR. W. M. HAILEY : Sir, as the Honourable Mr. Cook informed the House, he is in charge of the Resolution on the Government side, but I was very unwilling that the discussion should go forward without my having an opportunity of attending and of hearing the views of a House which contains so many practical men of business. We have here not only that Nestor of Indian financiers—I mean of course Sir Dinshaw Wacha—but we have at least three Governors of our new Imperial Bank of India, Sir Maneckji Dadabhoy, Mr. Chettiyar and Sir Dinshaw Wacha himself. Now, Sir, the opinions of a House so constituted must be of the highest value and especially so on a question of such vital importance to us. If merely from interested motives we ourselves can have nothing but regret for the extent to which the capital value of our 3½ per cent. and 3 per cent. has depreciated. But there are other motives which must weigh with us. We are aware of the political consequences of allowing a large number of our investors, men who supported us in the past, and who supported us in the war, to feel that they have suffered a serious capital loss; and so, Sir, on every ground we attach the greatest importance to this question. I came to the House as I was determined to listen carefully and to profit fully by the advice of those qualified to speak on this subject.

Now, Sir, the Honourable Mover of this Resolution has drawn a lurid—not an exaggerated, but still a lurid—picture of the depreciation of our capital securities. I think the House will admit the difficulty of the situation with which we are faced when it sees that the concrete proposal put forward by the Honourable Mover himself was one simply to raise fresh money on our railways and irrigation works in order to improve the interest payments of our 3½ per cent. He would consolidate for the whole of India a 4 per cent. issue free of income-tax. He realises that the expenditure on this must be met somehow, and he would meet it by raising fresh money on our railways and on our irrigation. Now if we can raise fresh money on those two capital assets of ours, it is clear that we could also expend that money in other ways. We could reduce taxation in other directions; we could as a matter of fact use it as the basis for paying more interest on money which we have to raise in the future for our railways and for our other capital enterprises. So that this proposal is not one which we can lightly entertain in the interests of the general tax-payer. As a matter of fact, it has already found one opponent in this House. The Honourable Mover twitted us, I think, with insufficient foresight and lack of courage in the past. He referred to the failure of our conversion in 1917. But when he proceeds so far as to say that in 1920 we showed an equal lack of courage, then I would like to ask what more can be . . .

The HONOURABLE SIR MANECKJI DADABHOY: I did not refer to the 1920 loan in that sense.

The HONOURABLE MR. W. M. HAILEY: I hope I am not misquoting the Honourable Member. He said that our last issue was not a success . . .

The HONOURABLE SIR MANECKJI DADABHOY: That is quite different.

The HONOURABLE THE PRESIDENT: If the Honourable Member wishes to say anything, he must rise and if the Honourable Member in possession gives way, he can then make his statement. He must not interrupt the speaker otherwise. He was listened to in perfect silence, and other Honourable Members expect the same from him.

The HONOURABLE MR. W. M. HAILEY: I have perhaps imperfectly caught or imperfectly reproduced the Honourable Member's remarks.

Now, Sir, we have before us another scheme to which, I need not say we shall pay equal attention, and that is the scheme of the Honourable Mr. Lallubhai. It is just of course a question whether the additional money which he thinks that we could obtain by our conversion scheme will have to be paid for too heavily by increased interest rates or not, and those are issues which we must and we shall balance very carefully.

Now, Sir, as to the general question. I have little time at my disposal and your hour glass, I am afraid, Sir, runs so rapidly that I cannot, though I should wish to do so, enter into the whole of the causes behind the depreciation of capital values not only in India but in the world at large. I should have liked to have analysed the great increase in what we may generally describe as 'money' in England itself which has resulted in so disastrous a fall in the real value of money there. When we think of their 300 million of unsupported currency notes, of their 1,100 million of Treasury Bills, of their 260 million of Ways and Means advances, we can understand very readily why the value of money has fallen so heavily and so disastrously. The best test which the House can apply to determine the increase of available credit is probably the very large accretion of private deposits in the Banks. They have, I think, amounted since the war to no less than 1,800 million.

Well, I cannot enter fully into all the causes, but I would remind the House of one fact. The factor of inflation is not determined merely by the addition of legal value money, or even by the addition of money, using its widest term, available for credit; an important factor is also the velocity with which money moves. And the House, I think, on looking into the facts will find that whereas there was a great increase of money in England during the War itself, it had not the full effect of inflation until after the Armistice, the reason being that after the Armistice money began to move with increased velocity.

Now I wish to apply that conclusion to the conditions of India. Here again I must merely touch on the fringe of the subject for I cannot enter into as full an explanation as I should wish. I think it would be a natural supposition that in India itself, supposing there were a large addition to available money of all kinds, the effect of this would be less rapid than in England because money has a lower velocity. We have here an imperfectly developed Banking system though we are ourselves attempting something to improve it. We have

[Mr. W. M. Hailey.]

methods of bazaar finance which are sometimes very sticky. We have a trade which is mainly seasonal, and therefore money remains out of use for considerable periods. We have the hoarding habit, and we have, finally, the fact that in all periods of rising prices the tendency is to make very heavy investments in real property. One would, therefore, expect the effect of an addition to available money in India to be less rapid than in England. I think nobody would accuse us, certainly I do not think that history will accuse us, in face of the difficulties of the war, of unduly inflating money in India. We have, of course, had heavy increases in the Rupee currency; but that in itself is not necessarily inflation. We have, I admit, made considerable increases to our unbacked currency notes; that is a more serious element. As regards our Treasury Bills in the hands of the public, they amount to 40 crores; a very inconvenient sum indeed; as the Honourable Mr. Cook said, a sum which frequently causes grave anxiety. It has not caused us so much anxiety in the past year as it did in the two previous years. To continue his parallel, we are now merely tossing backwards and forwards the lighter balls, but I can remember times in the past when the anxious juggler knew that somewhere in the air was a ball which weighed no less than 24 crores about to descend into one hand or the other. As I say, that is an inconvenient figure, but it is not an immense figure when compared with the total wealth and money available in the country. We have none of those great Ways and Means advances which have been so conspicuous in England. I can only conclude, Sir, that the depreciation of the value of money in India is not due to any great extent to additions made by us to correct legal value money or other money. As regards the rise in interest rates, I am not at all sure that the real reason is not that we have temporarily exhausted our money market. We proceeded with the utmost caution in the past; caution for which many people have since blamed us. They have told us that at a time when we were raising money at 3½ or 3 per cent. in small quantities, we could have raised money in very much larger quantities if we had offered higher rates of interest and that we could have employed that money beneficially to the improvement of the country. Well, Sir, that may or may not be true; but at all events we can claim this. We gave the country, because of the low rates of interest that we took, probably the cheapest form of transport at the time in the world. We created for the country a magnificent asset in our productive irrigation works and the country is benefiting to-day, as my Honourable friend the Mover of the Resolution pointed out, by the extent by which the interest received on those investments exceeds the interest which we have to pay. That policy of caution in the past left us, when the war stress came, a large reserve of credit on which we could draw for our necessities at the time. Our drawings have been heavy, and it is probable that at the present moment we have temporarily exhausted the money market. In addition, the claims of reviving trade in India, and the demands of industrial development of India, have made very large inroads on the market in the last year, and, as I stated before, the result of a general increase in prosperity has been that large sums have been locked up in real property.

Now, what is the one conclusion we can draw? The one conclusion we can draw is this, that we must do our best to get ourselves into a sound and healthy position in relation to the money market. As the Honourable Mr. Cook says, we must put an end to such inflation as has followed from the issue of unsupported currency notes. We must reduce our Treasury Bills, not

only because they are inconvenient to us, but because they become a form of money. We must repay our short-term debts. Those are the lines on which we must get ourselves back into a healthy financial condition and improve the money market as a form of supply and of cheap supply of loans to us. But now, Sir, comes a problem, to which I must refer, and refer at some length because there is a corollary to what my Honourable friend said, a corollary of the very greatest importance to this House and to the country. On every hand we are being pressed to provide more money for our capital undertakings. Witness after witness has come up before the Railway Commission with insistent demands that more money should be spent on railways.

But there is, as far as I can see, in the minds of those witnesses, a complete divorce between the responsibility of spending money and the responsibility of providing money. I admit that more capital money is urgently required for our railways; but if we are to go on raising large sums of money for capital purposes to satisfy those who would raise such money at all costs, then, Sir, we must pay more for it. And if we pay more for it, then we shall have to answer to the country for causing a still further depreciation of our existing stock. Properly speaking, until we have got an easy market again, we ought to hold our hand in regard to raising fresh loans. My Honourable friend Mr. Cook, while adverting to the desirability of this, rightly referred to it as a "counsel of perfection," though I think that some members of this House rather understood that such abstention from the market was actually in the mind of the Government. I heard a sigh of apprehension, I think, coming from the House when he referred to the matter, and my Honourable friend Sardar Jogendra Singh in his speech voiced that feeling. It is, however, only a counsel of perfection and we cannot entirely stay away from the market. But I return to my point that if we have to raise large sums of money in the immediate future we must pay very heavily for them. One knows what the rates are in England to-day. One knows that America is lending to foreign Governments—and foreign Governments with the very best security—at rather over 8 per cent. One knows that the commercial debentures are being issued in England at between 7 and 8 per cent. on a guarantee of unimpeachable security. One knows the rate at which the best debentures are being issued in India to-day; you can only issue at 7 per cent. with a discount: I only want to draw this conclusion: that our primary duty is to avoid forcing the pace by making large capital issues at great expense to the country and eventually at great trouble to our successors.

I support Mr. Cook's amendment and I think the Council would do well to adopt it. It is always difficult to discuss publicly and in formal committees, matters which may affect the finances of the institutions which the members represent. It will be difficult to come to any recommendation without materially affecting the money market. On the other hand, if we tackle the problem in the way that has been suggested by my Honourable friend Mr. Cook, I can assure this Council on my own behalf that we shall consult everybody whose opinion may be of value on this question. We shall do our best to call in the highest expert opinion. We shall undoubtedly utilise quite as fully the opinions of members of this Council and of the Assembly as they would be utilised by a formal committee. And if any solution can be found which will not cost the tax-payer too much and which we can honestly recommend to the Assembly, you may be sure that in our own interests—because our own reputation is at stake—and in the interests of the country, we shall do our utmost to put it into execution.

[Sir D. Wacha.]

scarcer and money could no longer be had at the older and cheaper rates of interest. Necessarily, when the Bank of England was giving interest at 5 and 7 per cent. you can understand how the Government of India, ever in want of the eternal pence, had to borrow at higher rates. They want, even at the present hour, for railway purposes, for irrigation purposes, for a hundred other purposes, immense sums of money. They would be willing to borrow 500 million sterling if these could be obtained at 5 per cent. But I doubt if they can even get 50 millions. But the newer loans, on more favourable terms and at higher rates of interest have come into competition with the older loans of 3 and 3½ per cent. which therefore are necessarily neglected. Then, again, there are those Treasury Bills at liberal rates of interest. Is it at all surprising that these new loans are favoured as against the older ones? And as these loans with a higher rate of interest are favoured, those older loans with lower rates have come into disrepute and necessarily gone down. But I am not of belief that because those old securities have depreciated in capital value, that therefore the credit of the Government is in any way diminished in the monetary market. Had the credit of the Government been less, I am quite sure, as my friend the Honourable Mr. Lallubhai said, the Government would have really been in a state far from solvent—I will not say 'bankrupt'. But that is certainly not the case. Why? Because I consider that, bearing everything in mind, even to-day the financial position of India is strong enough. Otherwise the Government would never have been able to maintain its credit? It has got its credit here and it has got its credit elsewhere than in India. If that had not been the case, I do not think that President Wilson would have given us those 200 millions worth of silver. So that, taking everything into consideration, apart from the fact that the financial position is what I have stated to be, there is nothing to regret about. Taking into consideration that trade is bad, that Europe is unsettled, and that our customers in Europe are not buying our products, we must be prepared for an adverse balance of trade against us, and it is because the balance of trade is against us, that exchange is going down. That again obliges the Government of India to pay more for its Home charges of 80 crores per annum. When all these facts are well taken into consideration and the present financial liabilities and responsibilities which are hanging over the Government, I am not surprised, as the Honourable Mr. Cook said, that they are trembling every day as to what may come to-morrow. No wonder they are anxiously devising means for raising the large amounts required for the repayment of Treasury Bills and other floating loans. Only the trade conditions and the other economic conditions of the world must improve before India can improve her financial position, good as it is, in a way that may rejoice the hearts of those responsible. For the present what is most imperative is the exercise of prudence and caution. Because one great financial mistake may undo what has been accomplished. That being the condition of things I believe that, however willing we may be to see that these older loans do not go further but improve rather to a certain extent, it is not possible that any immediate improvement can be looked for. But I am sure, the Council are glad to learn from the Honourable Mr. Cook that the Government are perfectly aware of the facts of the depreciation and are in sympathy with the investors and trying to do their best to minimise it in the midst of the many serious difficulties. We have the assurance of the Honourable Mr. Cook that they will obtain expert opinion—expert Indian and English opinion. It will be a private inquiry how best

to deal with the question because as the Honourable Mr. Hailey has just pointed out these very important deliberations demand secrecy. If they wanted to make their investigations open to the public, there might be a regular financial crisis to-morrow! Speculators will rush in, and there are speculators in Bombay and elsewhere who will be only too glad to get some kind of 'tip' to bull or bear the market in the manner they wish to do. There is a great danger involved in making a revelation of what the Government's intentions are at the present moment. The Honourable Mr. Hailey assures us that he and his Government are willing to do something towards minimising the depreciation, but it can only be a slow process—consulting experts, taking their opinion, and seeing how far the matter may be practically attended to. That assurance ought to suffice for the present. I wish Members of the Council will try to realise what is the real financial situation at present. It will be made known to us all on the 1st of March when the Honourable the Finance Member will be able to give us his exposition of the next year's financial liabilities and responsibilities and the ways and means to discharge them. I wish Members of the Council, both in this House and in the other House, would pay more attention to that part of the Budget which always relates to what is called 'Ways and Means.' You may criticise land revenue, you may criticise military expenditure, you may criticise borrowings for railways. All the same, eventually, if you really want to know the kernel of Indian finance for the coming year you have to go to that Chapter which deals with 'Ways and Means'. Because there you will see what the Government proposes to do. And unless you know that you will never be in a position to criticise the Government correctly. Therefore, I do earnestly recommend you to study, as far as possible, what are the ways and means proposed. Try to help the Government because in helping Government you will be helping yourselves and the tax-payers. Remember please that every new loan that is issued by the Government, even for the most necessary and emergent purpose, means a further interest charge, and a further interest charge means an additional burden on the tax-payer. Some people have said here that the tax-payers have been taxed to their utmost capacity. I do not know that. In England they would like to have taxes imposed to the utmost capacity, because all the best English economists like Professors Foxwell, Pigou and Nicholson and Mr. Hartley Withers and many others have publicly stated that it was a great mistake to have borrowed more, while not levying taxation to the highest limit possible. Because, they argue that the position of England to-day would have been infinitely better had heavier taxes been imposed. No doubt people like always to get rid of taxes as much as possible, and when heavy taxation is talked of they raise a cry in the press forgetting that war taxes during war time are infinitely better than large loans, say, for 50 years and more carrying a heavy burden of interest charge. That is the opinion generally expressed by all the great economists, not only of England but of the world. Gentlemen, my friend, the Honourable Mr. Lalubhai Samaldas, tells me that my time is up. Well, Sir, I am in your hands and in the hands of the Council. I was impelled to speak on this important subject. The Honourable Mr. Hailey paid me a compliment and I am trying to return that compliment by freely expressing my thoughts on the subject. I have been trying to put before this House, as far as I am concerned, my own views thereon, so that the Council may well understand all the aspects of the financial question under discussion, and try to help the Government rather than criticise them

THE HONOURABLE THE PRESIDENT: The Council will, I am sure, listen to the Honourable Member with the greatest interest, but time is limited, and the Honourable Member must finish his remarks within his time-limit.

THE HONOURABLE SIR D. WACHA: I bow to your decision, Sir. I will only say a word more and then resume my seat. I once more appeal to all the Members of this Council that at the present moment it will be wise to adopt the Honourable Mr. Cook's amendment, thanking at the same time the Honourable Sir Maneckji Dadabhoy for having so exhaustively brought this motion before the Council.

THE HONOURABLE SIR MANECKJI DADABHOY: Sir, I have heard with great interest the many important speeches made in this connection in this Council to-day. My object in presenting this Resolution for the consideration of the Council was to invite a full and free discussion on a subject which is of paramount importance to the country at present, and I am very pleased to say that that object has been gained by the most lucid and illuminating speeches of the Honourable Mr. Cook and the Honourable the Finance Member, who have enlightened the Council with the many important features of this Resolution. Honourable Members apparently think that my Resolution is something very different from the amendment which is proposed by the Financial Secretary. A little careful examination of the wording of my Resolution will clearly show that the ground which I have covered includes what has been urged by way of an amendment by the Honourable Mr. Cook. My Resolution is of a two-fold character. In the first place, I ask for a Committee 'to be appointed, with powers to take evidence, to explore the possibilities of improvement in the position of the existing Government stocks,' and, secondly, 'to advise Government on the question of future loans.' The Honourable Mr. Cook asks that 'the financial policy of Government be so directed as to ensure the early rehabilitation of Government securities,' which you will see is covered by the first part of my Resolution. His second proposition runs thus:—'with due regard to the necessity of funding the temporary debt and to the provision of capital expenditure for productive purposes.' You will see that the latter part of his amendment regarding the funding of the temporary debt and the provision of capital expenditure for productive purposes is covered by my words 'to advise Government on the question of future loans both for State purposes and for Railway and Irrigation purposes.' Honourable Members must also have noticed that when I made my observations, I referred to the temporary loans of Government. I referred to the funding of the temporary debt and I made a point of that. You will see, therefore, that, except for my request for the appointment of a committee, and the Honourable Mr. Cook asks that the matter should be left to the Finance Department to deal with, there is absolutely no difference between the two Resolutions. In fact, there is a difference without any distinction in the two Resolutions. However, after what has fallen from the Honourable Mr. Hailey—and it is a matter of congratulation to India that at the present critical time, we have at the head of the Finance Department an officer of deep sympathy and great ability controlling the Finance Department of the Government of India—after what he has urged regarding the various lines on which he proposes to move, it would not be proper on my part to insist on a Committee of Inquiry. I had asked for a Committee of Inquiry because I was strongly of opinion that both the Council of State and the Legislative

Assembly, which have some very great business men, financiers and economists in their body, will be in a position to deal with the question in a more satisfactory manner and render Government most valuable help and assistance in this direction. However, after the assurance of the Honourable the Finance Member, as well as of the Honourable Mr. Cook that they will consult experts, both inside and outside this Council, I consider my point is fully gained, and there is no necessity therefore at present for my pressing for the original proposition, which only differs on one point, as I have stated, *viz.*, with regard to the appointment of a committee.

But, before I formally accept the Honourable Mr. Cook's amendment, I would like to answer one or two points which have been raised in the course of this debate, with reference to the remarks which I have addressed to the Council this morning.

Honourable Members somehow seem to think that in placing before the House schemes of conversion and consolidation of the existing stocks, I have been dogmatic enough in asking these schemes to be adopted. I may state that this was far from my intention. I have only placed before the Council such considerations as may be taken into account, and I only mentioned in my speech that the committee that would be appointed might *inter alia* consider these schemes. Every one knows that the question of State borrowings, the question of redemption and the conversion of Public Debt is one of the most difficult and complicated of financial problems. I should be the last man, therefore, to urge with any show of reason that any particular scheme of mine should be adopted. Nothing of that sort. In the course of my speech I have only pointed out certain ways in which the proposed committee might move with advantage to the country.

There is one remark of my Honourable friend the Finance Minister with which, with great respect, I disagree. The Finance Minister said that the depreciation of the Government stock, which I had pointed out, was due to the exhaustion of the Indian money market. With much respect to his considered opinion, I beg to point out that the flotations of the last year 1920, do not support the conclusion to which he has arrived. The Council is aware that during 1920 a large number, a very very large number, of joint stock companies were floated all over India, and particularly, in the Presidency-towns, and the response given by the public to those joint stock companies was of a phenomenal character. In fact, as far as I am aware, almost all the capital asked for, crores and crores of rupees, were fully subscribed. I do not, therefore, share the view that the potentialities of the money market have been exhausted. I have great faith, I am a strong believer in the sound monetary condition of India. I firmly believe that there is a considerable amount of public money which will be available to Government if the financial policy of the Government is directed in the right direction with a little more of consideration for the investor. I am not holding a brief for the 3 and 3½ per cent. investors from any point of view, but I do share the opinion, and what I did urge the Council was to bear in mind that the Government credit cannot be allowed to be lost by constant depreciation in the premier stock of the country. I made it clear in my preliminary speech that the country was in an extremely solvent condition. I pointed out our total debt. I brought to the notice of Honourable Members our total assets, and I compared them with other countries to show that we are in a far better position. Therefore, as regards this constant and continuous depreciation of Indian securities.

[Sir M. Dadabhoy.]

we have to look to some other causes than mere stringency of monetary market or the exhaustion of the Indian money markets.

The Honourable Mr. Cook in this connection compared our securities with the French bonds. I submit that that was not a fair comparison. Every one knows how France had suffered in the Great War, what conditions were prevailing in France before the War and after the War, and if 60 points had fallen in French securities as against 40 points of the Indian securities, that was not a point for congratulation. The reasons are obvious for the difference in depreciation between the French bonds and the Indian securities. On the other hand, Honourable Members will remember that I have compared our Indian securities with other countries similarly situated like ours with whom we can make a proper comparison. I have already referred to the Australian securities, the Tasmanian securities, and other Asiatic securities. There are other reasons to which this constant depreciation is due, and, therefore, an inquiry into their circumstances is essentially necessary.

There is one thing more which I wish to say, and I want to clear the position which I have taken up. I am not a pessimist by any means. I have no apprehension as to the credit of India suffering in any way. I have not the slightest doubt that, if the Honourable Finance Member wants to go in for a bold policy of State borrowings at the next budget time for productive works, the country will respond to him with one voice. I have not the slightest apprehension on that point. I only wish to urge that in these matters the Government should act in the right direction, and it will be advisable to consult the best financial brains in the country outside the coterie of the Finance Department in order to get real good help, and I am very pleased to note that the Honourable Mr. Hailey with absolute frankness and with commendable candour has agreed to consult outside people in shaping the future policy of the Government of India in matters of this kind.

For these reasons I shall not press my original proposition as there is absolutely not much difference between it and the amendment, and I shall very gladly accept the Honourable Mr. Cook's amendment.

The HONOURABLE the PRESIDENT: I think I shall obtain the opinion of the Council best by putting the question in this way. The original question was :

'This Council recommends to the Governor General in Council that a Committee consisting of members of this Council or of members of this Council and the Legislative Assembly be appointed, with powers to take evidence, to explore the possibilities of improvement in the position of the existing Government stocks, and to advise Government on the question of future loans, both for State purposes and for railway and irrigation purposes.'

To that original question the Honourable Mr. Cook has moved the following amendment :

That for the words 'a Committee consisting of members of this Council' down to the end of the Resolution, the following shall be substituted :

'The financial policy of Government be so directed as to ensure the early rehabilitation of Government securities, with due regard to the necessity of funding the temporary debt and to the provision of capital expenditure for productive purposes.'

The HONOURABLE THE PRESIDENT: The question is that the amendment be accepted.

The motion was adopted.

The HONOURABLE THE PRESIDENT: It remains for me to put the amended question. The question is that the Resolution which runs as follows be accepted:

'This Council recommends to the Governor General in Council that *the financial policy of Government be so directed as to ensure the early rehabilitation of Government securities, with due regard to the necessity of funding the temporary debt and to the provision of capital expenditure for productive purposes.*'

The motion was adopted.

RESOLUTION *RE* EXPORT OF RICE.

The HONOURABLE MR. A. CHETTIYAR: In view of the debate that took place on the rice question the other day, I do not propose to move the Resolution which runs as follows:

'This Council recommends to the Governor General in Council that the export of finer kinds of rice from India not ordinarily used by the poorer classes be allowed for the consumption of Indians abroad.'

and I therefore beg leave to withdraw it.

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

The Council adjourned for Lunch.

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

RESOLUTION *RE* LEGISLATION FOR UNIVERSITIES OF INDIA.

The HONOURABLE MR. BHURGRI: Mr. President, the Resolution I 3 P.M. propose to move is as follows:

'This Council recommends to the Governor General in Council to take early steps to introduce legislation in order to place the Universities of India on a more democratic basis.'

It is unnecessary to labour the point that the present constitution of the Universities requires remodelling; in the new era, upon which India has entered, Universities with Senates of about 80 per cent. of the members nominated, are surely out of date. The supreme governing organ of the University must be composed with a large majority of elected members. It must be a popular body, representative of all the interests concerned. This is a commonplace of University Government and cannot but be accepted in India at a time when popular Government is initiated here. The need for a revision of the constitution being granted, the only question is how best to do it and what lines it is to follow. The Calcutta University Commission Report, though its scope was limited only to the Calcutta University, may be taken to have crystallised the broad policy of reform in regard to other Universities also. Subject to certain qualifications and criticisms, the report has met with general approval in the country, and the revision of the constitution which we now desire will, I take it, generally be cast on the lines of that Report. The question may be raised whether this revision will be best carried only by the method suggested in the Sadler Report for the Calcutta University (on page 379 of Volume IV), namely, that of repealing the Act of 1904 and replacing it, in the central

[Mr. Bhargri.]

legislature, by another short and elastic Act, the nature of which has been described in the Report, or by another alternative method, namely, that of delegating to the Provincial Legislative Councils the power of introducing changes in the constitution of the Universities in their charge. It will doubtless involve difficulties of drafting, but it is certainly not an impossible task. I have no doubt that this procedure will be welcomed by the country as providing the best chance to secure the academic freedom on which we have set our heart. Some of the best educationists in the land also prefer this course, and really there is no reason for the Central Government to keep University legislation in its own hands when the whole subject of education including University education, is transferred to provincial and popular control. What I now ask the central legislature is to delegate its powers to the local legislatures, which alone are in a position to adjust the University legislation according to the needs of its local Universities. If, however, the Government of India be unable to see their way to delegate this power to Local Governments, then this Council and the other Chamber must themselves undertake legislation—setting forth barely the constitution and functions of the governing organs of the Universities. The public, however, in my opinion will favour the other alternative, *i.e.*, the delegation to the Local Governments of the power of enacting University legislation according to the needs of the different provinces.

(At this stage the Honourable Mr. Sastri took the Chair for a few minutes after which the President returned to the Chair.)

It is unnecessary to mention the exact points to be secured in reform, but, in a word, effective popular control must be established over the Universities, and to this end the general plan of University government and the constitution of the organs of government may roughly be, the one suggested by the Sadler Report. The Sadler Report follows closely the lines of the London University Commission presided over by Lord Haldane and commands wide support. We may thus have three bodies: the Court, the Executive Council and the Academic Council. The Court, a widely representative body, will exercise powers of review and criticism of the whole of University work, will enact all fundamental legislation, and will generally supervise the finances of the University. The Executive Council will be the chief business organ in charge of finance and administration. And the Academic Council will be the chief academic body in charge of all academic work. The Calcutta Commission Report does not fix any definite proportion of the elective element on these bodies, but it is believed that the proportion which it bears on a similar body, the Lucknow University, which is the most recent University, modelled on the Sadler Report, will be generally acceptable. The mode of the appointment of the University Professors, however, adopted in the Lucknow University Act, must be discarded. Under it, practically all the Professors are to be appointed by the authorities in England; it must no longer be so. The University authorities themselves ought to be able to select their own Professors. Again, the Vice-Chancellor's office need not be filled by the Governor, but should be elective. Then, Sir, in some of the Universities at present the Executive Council Members are the Vice-Chancellors, and I have heard that at least in one instance the nomination of Fellows has been done without the consultation of the Minister in charge. This is indeed serious and requires to be remedied. The position of the Minister must for the future be clearly defined in this respect. Now, Sir, I will ask the Honourable Member in

charge to state whether Government is prepared to accept the alternative ; in case, if it does not find favour with them, Government must make a definite statement of their policy and of what they are going to do in this matter. If my Honourable friend will pardon me, I will say this, that this matter has been for a long time under consideration, and I think considerations even by Governments must have some limit. I think the country wants a statement, and I hope my Honourable friend will come out with it.

With these words I beg to move the Resolution which stands in my name.

The HONOURABLE DR. JHA : Sir, I rise to oppose the Resolution. The thesis of the Honourable Proposer has been that Universities should be under popular control. That was the central idea around which his speech has crystallised. To my mind, Sir, it may be an old-fashioned idea, but the very idea of coupling the term 'University' with popular control is a distinct contradiction in terms.

The term 'University' has always connoted in my mind the highest form of aristocracy—not indeed the aristocracy of wealth, though that is not excluded, but certainly the aristocracy of learning and intellect. It is not a comparatively modern idea : it has been so from very ancient times. From all the accounts that we have of the very ancient Universities in this land, the Universities of Nalanda, Taxila, Mithila, Kashi and, coming to comparatively modern times, of Nuddea, they have never been under popular control ; and, if I am informed aright—of course on that point my information is second-hand—some of the most modern Colonial Universities are not under popular control ; but on this point, Sir, I am subject to correction. Then again, Sir, the conditions at the various Universities in this country are very different. Firstly, Sir, there are the two Universities with which the Government of India are mainly concerned—the Hindu University at Benares and the Muhammadan University at Aligarh. The constitution of these Universities is as democratic, as subject to popular control, as anything conceivable, and so far as one can draw conclusions from the experience of these two Universities, the element of popular control introduced does not seem to augur well for the future of the Universities. What has been in the mind of the Honourable the Proposer has apparently been the majority of nominated members on the Senates of our various Universities. As regards that point also, Sir, whenever on any Senate the pinch of this majority has been felt, the Senate has always asserted itself, and proposals have been made by the Senate and accepted by Government for remodelling their constitution. In fact, Sir, in any Senate where the so-called independent members take sufficient interests in the affairs of the University, they do not fail to assert themselves sooner or later. For instance, Sir, in Calcutta where also there is a majority of nominated members, I do not think the independent members of the Senate find themselves always outvoted, and the reason for that is that these independent members take sufficient interest to acquaint themselves with matters coming up before the Senate, and so with their well-considered opinions make their influences felt and there is not much complaint heard now of official control in the Calcutta University. There are complaints against the Calcutta University of some sort of autocracy, but that autocracy does not proceed from the members nominated by Government. That autocracy is, as Honourable Members are aware, the autocracy of a master-mind who is capable of controlling and guiding the minds of his countrymen.

[Dr. Jha.]

I understand, Sir, that in Bombay also, where a sufficient number of independent men have felt the pinch of what is called the nominated majority, proposals have already gone up and have been accepted by Government for the remodelling of the constitution. In direct contrast to these Universities stands my own University of Allahabad. We have had some elected members during the last 14 or 15 years. I am sorry to have to say it, but I must say that of these 14 or 15 members, only two or three have shown any signs of active interest in University matters. I am glad to say that these two or three members are making their presence felt. What interest the general educated public of the United Provinces takes in University matters may be gauged from the fact, which Honourable Members will be astonished to hear, that the University maintains a register. Under the Universities Act they have got to maintain a register of graduates in which, on the payment of a nominal fee, a graduate of a certain standing has his name entered, and he becomes entitled to vote for elections to the Senate. We have thousands of graduates in the Allahabad University—I do not know the exact number, but there must be thousands, their names cover several pages in the University Calendar; and yet, Sir, during all these 10 or 12 years that the register has been open the number of graduates who have thought of getting themselves registered does not go beyond 150 up to date. In a province like that, Sir, if the constitution of the Senate is so altered as to make the election of Fellows depend upon this electorate of 150 men, you can very well see what the effect of that will be. What sort of electorate shall we have? I as a graduate of the University would not admit any other electorate besides the graduates of the University and its Professors. To open the electorate to the outside public would be resented by all. So my idea, Sir, is that whenever in a University any need has been felt and a sufficient number of men have come forward to offer their services on the University Senate, and they have taken a sufficiently deep and abiding interest in its affairs, they have always been able to assert themselves, and to force the pace of things by any legislation would not be wise. It is for that reason, Sir, that I oppose the Resolution in its all comprehensive form.

THE HONOURABLE MR. W. G. KALE: I rise, Sir, to give my support to the Resolution which has been moved. I am really amazed at the remarks which have fallen from the Honourable Dr. Ganga Nath Jha. He spoke of the aristocracy of learning, and urged that the Universities should be entirely dominated by the Professors. I appreciate the force of this remark, and agree that the business of the Universities should, as far as possible, be regulated by men who are actually working at the colleges and who are in close touch with educational work.

But, at the same time, I do not see why he should oppose what he says he has failed to understand, the popularising of the Universities. What is meant by popularising the Universities is not to create for them constituencies such as we have for our Legislative Councils, of people paying a certain amount of taxation, but to create constituencies of graduates and of teachers and of those who take any interest in the work of the University. In Bombay, in particular, there has been a very bitter complaint for a number of years that the University had been badly treated by Government. Honourable Members of this Council may recollect that, after the passing of the Universities Act of 1904, there was a complaint everywhere that the Universities

had been officialised by that Act. The Universities Act did, no doubt, attempt to do a certain amount of good from the point of view of efficiency of education; but it did one other thing, *viz.*, it made it impossible for non-officials properly to exercise their voice in the government of the University. So far as the Bombay University is concerned, this complaint has been a complaint of very long standing and has been a very loud complaint. Look at the constitution of the Bombay University. The majority, *viz.*, 80 per cent. of the members of the Senate are nominated by Government, and it is an open secret that a few years ago certain courses and curricula were forced upon the University at official dictation. This official interference was resented by the people, and the University now is engaged in undoing the work of so-called educational reform which was done at that time. Many of the reforms which are being demanded in the Bombay University by the people are demands which have now been endorsed by the Calcutta University Commission. Take the question of the vernaculars. The question of the introduction of the vernaculars had been very strongly opposed by the majority in the Senate in Bombay. It was only very recently that they were able to carry a Resolution by means of which the vernaculars were placed upon a footing of equality with the classical languages at the B. A. examination. On account, therefore, of this officialising of the Universities, it has been found very difficult to push through those reforms which are needed by the people. Only 10 members of the Senate of Bombay are to-day elected by the registered graduates. My friend here complained that graduates were not taking as much interest as they ought to have taken in the work of the University, and he quoted certain figures with respect to the number of registered graduates. I may tell you, Sir, that the number of registered graduates in Bombay is now something like 1,500. I am myself a member of the Bombay University elected by the registered graduates of the University; and I may tell my Honourable friend that a good deal of interest is being taken by the registered graduates in the work of the University. What stimulus have the graduates to take interest in the work of the University if they can return two solitary members each year to the Senate? Two members of the Senate out of 100 are to be annually elected by the registered graduates. What a generous concession it is, that has been made to the registered graduates of the Bombay University, so that they may be attracted in larger numbers to the roll of registered graduates and take more interest in the affairs of the University! If there is, therefore, any indifference on the part of the graduates and the educated people generally, it is very largely due to the fact that they cannot exercise any influence upon the University. The constitution of the University is such that the Senate is very largely composed of the nominees of Government. I do not mean to say that those who are nominated by Government do not take a real interest in education, or that they do certain things which they ought not to do. Nothing can be further from my mind than to impute any motives of this character to official nominees; but I do want that all those who take any real interest in education ought to have facilities given to them for returning their own men to the Senate and for being returned themselves to the Senate. For example, headmasters and teachers of schools ought to have representation. Are they not educationists? Are they to be excluded from the so-called intellectual aristocracy? Their interests as conductors of schools are very closely bound up with what the University does. The Universities lay down courses for the Matriculation. The course for the Matriculation dominates the whole of the high school

[Mr. W. G. Kale.]

curriculum ; and at present teachers and headmasters have no voice. They are always ignored. Ought not the teachers and headmasters to have a voice in the working of the University ? It ought not to be a monopoly of a certain class of teachers. If that is to be done, representation must be given to headmasters and teachers, so that Professors of colleges, headmasters and teachers and people of the various communities generally, say the commercial community, may have representation in the Senates of the Universities. Why should they be nominated by Government ? Why should not the democratic principle be admitted into the constitution of our Universities ? Our friend has told us that in modern Universities there is no such thing as democratisation. I do not know whence he got this information. So far as I am aware, almost all Western Universities are democratic. We have yet even to approach the threshold of the democratic character of those Universities, and the demand of the Honourable Mover is that our Universities should be placed on a democratic footing. It is in that sense that he used the word 'popular.' The Bombay University has already submitted proposals that the University should be reconstituted, and under those proposals out of say 100 members in the Senate, 70 are to be elected ; out of these 25 are to be elected by the College Professors, assistant professors and lecturers, 5 by headmasters of registered schools, 20 by registered graduates, 10 by Faculties and 10 by public bodies, besides the 30 who are to be nominated by Government. If this constitution is adopted, for example, you will have almost all classes who are interested in education properly represented.

Here are public bodies mentioned ; there are commercial bodies and manufacturers and they want a certain type of engineering graduate or a commercial graduate, and they must have a voice in the formulation of the courses in the University. This is what is meant by popularising and democratising. I do not mean to say that the University should be thrown open to anybody who wishes to cast a vote for the membership of the Senate. I do not want that the University should be popularised in that sense ; but the Universities should be thrown open to those who are deeply interested in the cause of the progress of education. How that is to be brought about, whether the legislation should be undertaken by the Central Government or whether it is to be delegated to Local Governments, is a matter of detail. If the Government of India thinks that for the purpose of uniformity the central legislature must pass an Act laying down the general lines of the constitution of Universities, the Central Government can do it. But the Central Government cannot go into the details of the requirements of each province. Conditions will vary from province to province, and the Government of India cannot say what each province will have. So uniformity in matters of education may be unattainable and therefore, subject to certain general principles, the provinces will be left to themselves to frame their own constitutions. I will not take up more of the time of the Council. I give my hearty support to the Resolution moved by the Honourable Mr. Bhurgri.

THE HONOURABLE MAUNG PO BYE: For Burma, Sir, we do want a more democratic University than the one now in existence. The whole country is against the present University Act. Strikes of students in colleges and schools throughout the province are increasing day by day, and we want the present University Act to be revised and revised quickly, and

a more democratic form of University is an urgent need for Burma. I heartily support the Resolution brought forward by Mr. Bhurgri.

The HONOURABLE RAJA SIR HARNAM SINGH : Sir, the question of University reform has long been before the public mind. Since 1904, when the New Universities Act was passed, there has been a steady growth of public opinion in this matter, and a remarkable progress has been made during the last ten years in University education. There have been constitutional reforms ; Universities of a new type, teaching and residential, have been established, and there are proposals for a few more to come in in the near future. The recommendations of the Sadler (Calcutta University) Commission are before us and the Government have given them a careful consideration, and the result is embodied in the Government of India Resolution published in the beginning of the last year.

I fully realise that much remains to be done, and the constitution of the existing Universities as laid down in the Act of 1904 needs revision and reformation in view of the rapidly changing conditions of the country. I do not see any reason, however, why this Council should make any recommendation for a greater speed in University reform, nor why the Resolution should be moved here at all. Education, primary, secondary and University, is now a Transferred Provincial Subject for the Provinces. The Ministers know the popular demands, and it is for them to meet them. The Central Government, no doubt, have controlling powers to prevent inexpedient measures, or to rectify mistakes, if any. But let the Provincial Governments manage their own Universities. If any reforms are necessary legislation may be introduced in the Provincial Councils. I do not think it wise to interfere unnecessarily with the provincial administrations.

The HONOURABLE MR. LALUBHAI SAMALDAS : Sir, my friend the Honourable Mahamahopadhyaya referred to the proposals of the Bombay University, and the Honourable Mr. Kale also made a reference to it. I want to correct a misapprehension in the mind of the Honourable Mahamahopadhyaya. He said that the Bombay Government have accepted our proposals. Unfortunately, they have not. The Bombay Government said in their letter of 25th July 1918 before the Reforms were adopted and before Education was made a Transferred Subject, 'that the Government of India have recently declined to undertake any alterations in the existing constitution of the Indian Universities pending the receipt of the Report of the Calcutta University Commission. The Governor in Council regrets that he is unable to move in the matter.' That was the reply received on the 25th July 1918. Thereafter the proposal has been before the Senate to refer the matter back to the Government of Bombay, and most probably the papers are now with the Government of India ; and if the Honourable Member for Education gives us an assurance, as asked for by the Honourable Mover, that the power of making any alterations in the Act or in the composition of the Senate, will be delegated to the provinces, I do not think my Honourable friend the Mover will press his Resolution, at least I would advise him not to press his Resolution.

One word more and it is a personal explanation. The Honourable Mr. Kale said that nominated members—of course he said he did not want to cast a slur on the nominated members—but he said that nominated members did not do their duty, as well as the elected members. But Sir Pheroze-shah Mehta, Sir Narayan Chandavarkar and Mr. Paranjpye were all nominated members, and if they did not do their duty well, I do not know who did.

The HONOURABLE NAWAB ABDUL MAJID: Sir, it is admitted by the Honourable Mover that it is absolutely necessary that in the Universities all interests must be represented. Now the question is, whether you could get your object by mere election or by nomination also. My experience in the Senate of our province, I mean the United Provinces, has been that if the whole thing depends upon election only, you will never find all the interests fully represented in the University. Unless you give the power of nomination to Government, you can never expect that people who have not got an aptitude for canvassing and getting themselves elected, will ever come into the Senates. There are diverse interests to be represented, for instance, interests of landholders who chiefly contributed when the Universities were established. Will they ever be able to get themselves an entry into the Senates by election only? Of course, if you want to have other interests represented—you could give the right of election to some interests—whereas the other interests should get into the Senates by nomination. Sir, besides that, as has been said by one of the speakers here, this is a matter which has been transferred to the provinces.

The conditions in every province are not similar. The conditions in every province are different. Therefore I would say that in this Council no hard-and-fast rules should be laid down. As it is already a Transferred Subject, the matter should be referred to the provinces who will look to the circumstances in each province, who will look to all interests, and who will take the appropriate steps necessary.

Therefore, Sir, I oppose this Resolution.

The HONOURABLE LALA SUKHBIR SINHA: Sir, I rise to give my hearty support to this Resolution. The time of democracy has come and the time of aristocracy has gone, and therefore in education it is absolutely necessary to have democratic principles as much as possible. The Resolution is very properly worded. It asks that the Universities be run on a more democratic basis. It does not ask that they should be altogether democratic, but more democratic. It is very properly worded and therefore I give my whole-hearted support to this Resolution. As an Honorary Secretary of the Meerut College, as a Member of the Court of the Hindu University, I know that there is general complaint in the country that all these schools, colleges and universities are much more officialised than they ought to be, and therefore I strongly recommend that Government will be well advised if they run these institutions in accordance with the wishes of the people.

The HONOURABLE SARDAR JOGENDRA SINGH: Sir, from the discussion that has gone on, there seems to be a certain amount of confusion of thought over the question. In the first place how the Universities are going to be more democratic has not been defined by the Honourable Mover. As the Honourable Raja Sir Harnam Singh remarked, education is a provincial subject and as such it could be made more democratic there than here, and, as a general rule, I think this Council would be well advised to let the Ministers act in their own province as they think best. Personally, I think some day when the Honourable Mr. Bhurgri or the Honourable Lala Sukhbir Sinha come to be Ministers in their own province, they would deeply resent any interference in their administration that comes from this Council. The Honourable Lala Sukhbir Sinha has said that the age of democracy has come. I suppose it has come; but I was more pleased when the Honourable Pundit Ganganath Jha said that there was some room still for the aristocracy of

intellect which gave hope that there might still be some sphere of usefulness for the aristocracy of wealth to help and guide the country in the new times. I do not know what we can do here, in this Council, to speed up University reform or to make it more democratic. On the whole, when the Honourable Mover of the Resolution thinks it over, he will very likely not press his Resolution in this Council and do all that he can in his own province to make his own University as democratic as would please his own heart.

THE HONOURABLE MR. SHAFI: Sir, in his Resolution, my Honourable and learned friend has put forward two demands. In the first place he asks us to take steps in order to place the Universities of India on a more democratic basis, and, in the second place, he wants legislation to be undertaken by the Central Government. I am referring to the wording of his Resolution and not to his speech.

Now, Honourable Members who have, or have had, some experience of the working of our Provincial Universities are aware of the fact that the administration of University affairs is vested in four bodies, namely, the Senate, the Syndicate, the Faculties and the Boards of Studies. The Senates of all the Provincial Universities, as composed under Act VIII of 1904, consist partly of nominated and partly of elected members. It is quite true, as has been pointed out by the Honourable Member, that the nominated members constitute a very large majority of the members of these Senates. The Syndicates of these Universities, with the exception of the Vice-Chancellor and the Director of Public Instruction, who are *ex-officio* members, are all elected by the Senate. The members of the various Faculties are nominated to those Faculties by the Senate and the members of the Boards of Studies, as my Honourable friend is probably aware, are elected by the Faculties in the various departments of Education. So that it must be perfectly clear to all Honourable Members that the constitution of the Syndicates, the Faculties and the Boards of Studies of our existing Universities is already as democratic as anyone could wish.

The main attack made by my Honourable friend was, I understood, against the constitution of the Senates of our Provincial Universities, and there undoubtedly he has the very high authority of the Calcutta University Commission in his support. In paragraph 22 of Chapter 27, the Calcutta University Commission observe: 'Another defect in the existing order of thing is, in our judgment, the method of appointment to the Senate. Eighty of the ordinary Fellows are nominated by the Chancellor, ten are elected by the registered graduates and ten by the Faculties. The existing principle of nomination, tempered by a limited measure of election, has failed to effect that contact with many of the forces which are essential to the well-being of the University.'

Then in paragraph 24 they observe:—

'Advisable as it may be to make use of nomination as a means of securing the right composition—at once representative and administratively homogeneous—in a small body charged with executive functions, we are doubtful whether nomination is the best method to adopt in a predominant degree for the constitution of a large body, the main function of which should be to keep an executive in touch with public opinion. In such a case it is desirable that the members of the large body should feel that in a real sense they are spokesmen of special bodies and though not to the prejudice of their own independence of judgment, responsible for giving expression to the view which those bodies entertain.'

Honourable Members who have followed the trend of legislation in recent years in the Imperial Legislative Council—which has now ceased to exist—must

[Mr. Shafi.]

have noticed that the Government of India have already carried out this part of the recommendation of the Calcutta University Commission in the various Bills which were placed before the Imperial Legislative Council and now are on our Statute-book. In the case of the Dacca University ; in the case of the Aligarh University and in the United Provinces in the case of the Lucknow University, this recommendation of the Calcutta University Commission has been amply carried out and, speaking on behalf of Government, I agree that there is considerable force in the contention put forward by my Honourable and learned friend, that in the existing constitution of the Senate of our Provincial Universities, a predominance of nomination is undoubtedly unsatisfactory. My Honourable friend, Professor Kale, invited the attention of this House to the necessity of adequate representation on the Senates of our Universities of the teaching interests in the provinces, and has invited attention to the inadequacy of teachers' representation in the existing state of things. Here, again, my Honourable friend is supported by the Calcutta University Commission, in the view which has been put forward by him. And Honourable Members will remember that in the Acts to which I have already made reference adequate provision has been made for teachers' representation on the Senates of the Universities with which those Acts had to deal. While, therefore, I recognise that there is considerable force in the contentions put forward by my Honourable and learned friend, the main difficulty of our position lies in what has been already mentioned by more than one Honourable Member during this debate. Education in the provinces is now a Transferred Subject under the control of Ministers, who, as the Council is aware, are selected by the Governors of the provinces from amongst the elected representatives of the people. That being so, even if there were not statutory limitations imposed on our power in connection with this matter, it would on *a priori* grounds be in the highest degree inadvisable for the Central Government to interfere in a matter which is now within the jurisdiction of the Ministers in charge of education in the provinces. But let us for a moment examine what the statutory position is with regard to this matter. Under section 80-A, sub-section (3), of the Government of India Act, the local legislature of any province may not, without the previous sanction of the Governor, General, make or take into consideration any law (and I refer to sub-clause (f)) regulating any provincial subject which has been declared by rules under this Act to be either in whole or in part subject to legislation by the Indian legislature in respect of any matter to which such declaration applies,—or, according to sub-clause (g)—affecting any power expressly reserved to the Governor General in Council by any law for the time being in force. These are the only two limitations laid by section 80-A of the Government of India Act on the power of the Provincial Councils to legislate in regard to the matter with which we have now to deal. Now, if Honourable Members will turn to the specification of provincial and central subjects as embodied in the rules framed under the Government of India Act and will turn to Part II, heading 'Provincial Subjects' they will find that under Category V, education is declared to be a provincial subject, 'provided that (a) the following subjects shall be excluded, namely, (i) the Benares Hindu University and any other Universities constituted after the commencement of these rules as may be declared by the Governor General in Council to be central subjects, and (ii) Chiefs' Colleges (with which we have nothing to do). Then under sub-head (b) the following subjects shall be subject to legislation by the Indian legislature, namely,

(i) the control of the establishment and the regulation of the constitution and functions of Universities constituted after the commencement of these rules, and (ii) the definition of the jurisdiction of any University outside the province in which it is situated.'

A careful consideration of these statutory provisions and those embodied in the rules to which I have just referred will make it clear to Honourable Members that Provincial Legislative Councils have absolute authority to deal with those Universities which were in existence at the time when this Act was passed and the rules framed thereunder. With one and one exception alone, the Provincial Councils have every power to deal with every matter arising out of University affairs; that is, if they wish to define the jurisdiction of the University in any manner which is calculated to extend it beyond the limits of the province in which that University is situate, then and then alone will it be necessary for them to require the previous approval of the Governor General in Council before such a Bill can be introduced in the Provincial Legislative Council.

Otherwise, the Legislative Councils in the Provinces have full power to pass any legislation they desire in connection with University education. This being the constitutional position, I am sure Honourable Members will agree with me that not only should the Central Government not interfere in a matter which is within the peculiar cognisance of the Ministers in charge of Education in the Provinces, but they should also not interfere in connection with what my Honourable friend has in view because of the fact that the Provincial Councils have jurisdiction to deal with it. I feel sure that after this explanation, my Honourable friend will withdraw the Resolution which he has placed before the Council. If it will serve the purpose he has in view, I can say that I undertake to communicate to the Local Governments the proceedings of the Council on my Honourable and learned friend's Resolution.

The HONOURABLE MR. BHURGRI: That will quite satisfy me, Sir. I am prepared to withdraw my Resolution.

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

RESOLUTION *RE* FISCAL AUTONOMY.

The HONOURABLE MR. LALUBHAI SAMALDAS: Sir, I rise to move the Resolution which stands against my name, and which runs as follows:—

'This Council recommends to the Governor General in Council that His Majesty's Government be addressed through the Secretary of State for India, with a prayer that the Government of India be granted full fiscal autonomy under the direction of the Indian Legislature.'

Sir, this Resolution asks for nothing but what is the inherent right of all civilised countries—I mean all self-governing civilised countries. Had India been a self-governing country, this Resolution need not have been brought before this Council. I would go a step further and say that, if the indigenous industries of India had not been treated by the East India Company and by the British Cabinet and the British Ministers on behalf of the East India Company in the way in which they were treated in the latter part of the 18th century and the beginning of the 19th century, possibly all the indigenous

[Mr. L. Samaldas.]

industries of India would have been flourishing now, and there would have been no necessity for bringing up such a Resolution. I do not think, Sir, that there is any difference of opinion as regards the treatment meted out to Indian industries in the early part of the 19th century. If the Honourable Member in charge will kindly say that he agrees with me, I need not read all the references that have been collected from various books. They have been collected by Mr. K. L. Dutt and also by the Honourable Pandit Madan Mohan Malaviya in his minute of dissent to the Industrial Commission. I would not tire the Council if the Honourable Member in charge says that he accepts the authorities that have been laid down there

The HONOURABLE THE PRESIDENT: The Honourable Member can hardly expect Government to accept statements that have not been given to them. I think that the Honourable Member might well proceed on general grounds.

The HONOURABLE MR. LALUBHAI SAMALDAS: To prove that the Indian industries were formerly in a flourishing condition, I will quote but one sentence from the report of the Indian Industrial Commission, which was presided over by my friend the Honourable Sir Thomas Holland. In the very beginning it is said that industries in India were in a flourishing condition when Europe was inhabited by uncivilised tribes. It further goes on to say: 'Even at a much later period when the merchant adventurers from the West made their first appearance in India, the industrial development of this country was, at any rate, not inferior to that of the more advanced European nations.' That is what the Honourable Sir Thomas Holland says. We find that the industries have gone down later on, and we have to refer only to some of the historical authorities collected by Mr. Dutt, to know the reasons thereof. I will only read one or two sentences because I do not want to tire the Council. One quotation is from the Memorials of the Indian Government, being a selection from the papers of Henry St. George Tucker (London, 1853), page 494, 'India is thus reduced from the state of a manufacturing to that of an agricultural country.' The historian, H. H. Wilson, says after referring to the heavy protective duties levied by Britain: 'Had this not been the case, had not such prohibitory duties and decrees existed, the mills of Paisley and Manchester would have stopped in their outset, and could scarcely have been again set in motion, even by the power of steam. They were created by the sacrifice of the Indian manufacture. Had India been independent she would have retaliated, would have imposed prohibitive duties upon British goods, and would thus have preserved her own productive industry from annihilation.' This act of self-defence was not permitted her; she was at the mercy of the stranger.'

I do not want to criticise the action of the British Government from its moral or political aspect. I am concerned only with the economic effects, and they were the conversion of India from an industrial to an agricultural country. Wilson says also that, if India had been a free country, she would have retaliated, would have protected her industries and not allowed them to be wiped off. By the time that stage was reached, England, under the guidance of Richard Cobden and Sir Robert Peel, became a free trading country, and as a consequence, India had also to be a free trading country. There were in this period no protective duties in England and then, the sins, if I may use the

word, were not of commission but of omission. England did not do her duty to help the Indian industries as she ought to have done. If her former sins were of commission, the latter were of omission only. I realise that the introduction of steam power in England, the ship-building industry in which England took such a prominent part, the iron and steel industry and other industries started in England also had their effect in keeping back India in the old condition of industrial dependence.

Later on the influence of Lancashire was felt on the fiscal policy of India, and that influence was exercised through Parliament and through the Cabinet. Naturally a Cabinet which was responsible to Parliament and hung on the votes of Lancashire members had to give in if they wanted to continue in office. So the Lancashire members were able to exercise a considerable influence on the fiscal policy of India, and we see one glaring instance of it on record, namely, the excise duty in India. Had it not been for Lancashire, as a free trading country, India need not have levied any excise duty because she was levying not a protection duty against Lancashire, but a purely revenue duty. But under the influence of Lancashire the Cabinet through the Secretary of State must have forced the hands of the Government of India, because we recognise that the Government of India have always been with us in this matter. It is not the Government of India against whom we have our grievances. Our grievances are against the British industry and the British Parliament and the Cabinet. During the war, Sir, we have one instance in which the Manchester manufacturers were not able to have their way. The Government of India increased the import duty all round and yet did not increase the excise duty as they would have if Manchester members had had the same influence as they formerly had. But we have not to be thankful to the Lancashire members for this. They tried their best to persuade Parliament to put pressure upon the Cabinet and upon the Secretary of State to increase this duty. We had however a strong Secretary of State and we had a Coalition Government which could withstand the Parliament. We had a strong Cabinet and the Secretary of State had the support of that Cabinet. Possibly, England wanted financial assistance from India and, if my information is correct, this arrangement was more in the nature of a treaty than any thing else between India and England. So we have not to be thankful to the Manchester members for that. They tried their best to raise a debate in the House of Commons, and it was said that they tried to use their influence in the House of Commons to get this excise duty increased.

Now, Sir, coming to the present demand, I want to make it clear that this demand is not a new demand. It is as old—I think I am right in saying that—as the National Congress and even older. My Honourable friend Sir Dinshaw Wacha, who the Honourable Mr. Hailey said was the Nestor of Economics, can bear me out whether I am correct in that statement or not. But I believe that from the time of Mr. Dadabhoy Naoroji to the time of Sir Dinshaw Wacha himself, whom we are privileged in having amongst us here to-day, this demand has been constantly made. Ranade, Dutt, Gokhale and, last but not least, Wacha, have all fought for fiscal autonomy. It is not a new demand that I am making; it is a demand as old say as the political awakening of the country. I believe that the national consciousness was awakened by our getting our education in English through English teachers. I am not one of those who believe that we had that national consciousness awakened before. It is due to the English education which we have received that this national consciousness has been awakened. But, from the time when

[Mr. L. Samaldas.]

the national consciousness was awakened, we have been asking for this fiscal autonomy. In all fairness I must say that this demand has almost always had the support of almost all the English merchant class. They always were with us in this demand. I believe I am right in saying that almost all the Anglo-Indian journals, at least the best of them, were with us in this demand. It was not a demand by one class of people; it was not a demand by one Presidency. It was a demand by the whole of India including Hindus, Muhammadans, Parsis and Englishmen also. This demand also had the support of almost all the officials. Mr. Montagu, the Secretary of State, in reply to Colonel Wedgewood's amendment in the House of Commons said 'it is not the Government of India which has been in disagreement on this point. It has been the Secretary of State. There has been no controversy between officials and non-officials.' The existence of this feeling has been noticed not only by permanent residents of India, but even by shrewd observers who have come here for a time to study Indian questions. I cannot quote a better authority on this subject than Sir Valentine Chirol, who in his book on 'Indian Unrest' says:

'One of the first things that struck me on my return to India this year and struck me most forcibly was the universality and vehemence of the demand for a new economic policy directed with energy to the extension of Indian trade and industry. It is a demand with which the great majority of Anglo-Indian officials are in full sympathy, and it is in fact largely the outcome of their own interest to stimulate Indian industry.'

Here, Sir, I would agree and readily acknowledge that we do owe a debt to these officers for the stimulus they have given to Indian industry:

'There is little doubt that the Government of India would respond readily and heartily on the lines I have already briefly indicated.'

So, when I come before this House, I am trying to convert the already converted Government of India. It is not as if I am fighting the Government of India. I only ask them to go to the Secretary of State with this request in the matter of fiscal autonomy. Soon after the war, Sir, the Secretary of State came out to India and examined the whole situation himself with the help of His Excellency Lord Chelmsford and his Officials and in his Report—I mean the Montagu-Chelmsford Report—he said: "He—meaning the educated Indian—believes that as long as we continue to decide the matter for him we shall decide in the interests of England and not according to his wishes"; and the authors refer to the debate in the House of Commons to which I have already referred on the Cotton Excise duty and say 'He (the educated Indian) points to the debate in the House of Commons on the differentiation of the cotton excise duty in support of their contention. So long as people who refuse India protection are interested in manufactures with which those of India might compete, Indian opinion cannot bring itself to believe that the refusal is disinterested or dictated by care for the best interests of India.'

That, Sir, is an authoritative pronouncement: a higher authority we cannot get. The report then goes on to say 'Educated Indians recognise that they are great gainers by the Imperial connection and they are willing to accept its drawbacks. They recognise that the question of a tariff may be mainly, but is not wholly, a matter of domestic policy.' Well, Sir, it is rather difficult to say what was the state of things when this inquiry was made, but I think I am right in saying that at present the feeling in the country is

that this question ought to be purely a matter of domestic policy and not of the politics of the Empire.

Sir, the next document to which I will refer is the Joint Committee's Report. There also the Committee practically agree with what the Montagu-Chelmsford Report said. They say that 'nothing is more likely to injure the good relations between India and Great Britain than the belief that India's fiscal policy is dictated and guided in the interests of the trade of Britain. That such a belief exists at the moment there can be no doubt,—(and this is said by the Committee)—that there ought to be no room for it in the future is equally clear.' Then we come to the point to which I have already referred. For they say—after saying that India should have the same sort of freedom as the Dominions have—'It cannot be granted by Statute without limiting the ultimate power of Parliament to control the administration of India and without limiting the power of veto which rests in the Crown. And neither of these limitations finds a place in any of the Statutes in the British Empire; it can only, therefore, be assured by the acknowledgment of a convention.' That, Sir, is a question more of international law. Fortunately or unfortunately I am not a lawyer and I cannot speak with authority on the subject. But I have read something of Keith's Dominions and, if I have correctly understood it, the Dominions of Canada and Australia fought this same fight 50 years ago; they wrote in much stronger language than perhaps the Government of India ever used, and got their point conceded by the British Ministers. The powers were not perhaps conceded in Statute form, but they were conceded in Despatches. Whether these Despatches ought to be construed as having the force of Statute or not, I will leave to the legal pundits of the Government of India to decide. What we want is that we should have the same rights as are being enjoyed by the Dominions. We want a definite assurance that we will have those rights. All that my Resolution asks is that we should address His Majesty's Government through the Secretary of State for India and get that point correctly set out.

I now come, Sir, to the two limitations which have been laid down by the Joint Committee. The Joint Committee says that in the opinion of the Committee 'the Secretary of State should, as far as possible, avoid interference in all matters in which the Government of India and the Legislature are in agreement; and they think that this intervention, when it does take place, should be limited to safeguarding the international obligations of the Empire or any fiscal arrangements within the Empire to which His Majesty's Government is a party.' Before I come to the two limitations I want to refer to one phrase used there—'as far as possible.' That is a phrase which can be used to modify or tone down anything. That is a phrase which was used in the early days of the Swadeshi movement in 1906 if I am not mistaken. When the two parties could not come to an agreement, at the time they said 'Well, let us compromise; let us say in this Resolution that we should be Swadeshists as far as possible'—in other words, leaving those who did not intend to practise it to save their consciences with that phrase. It has also, I believe, been recently used in connection with non-co-operation. I want that phrase to be deleted. I do not want a vague assurance. I want a clear statement that the Secretary of State shall not interfere. Then coming to the two limitations,—the first has reference to 'international obligations.' It is very difficult to conjecture at present what those international obligations may mean, but I will take a hypothetical case. If England

[Mr. L. Samaldas.]

has entered into some preferential tariff agreement with France and India was not consulted in this matter,—I do not mean to say that she will not be so consulted—if for reasons of her own India wants to levy an export duty, she will in this case be prevented from levying any duties on her exports to France.

The other thing, I mean the fiscal arrangements within the Empire, is still more objectionable. I believe the House will agree with me when I say that there is a strong feeling in this country that our countrymen are treated very badly,—I will not say vilely, by the Colonies. They could not be treated much worse there, and if I may use the homely phrase of Sir William Vincent, 'the iron has entered into the soul of India' in this matter. India wants to have nothing to do with the Colonies except on a question of reciprocity or negotiations. I will not use the ugly word 'retaliation,' but if need be, India would like to have the power to retaliate herself. Well, Sir, why we fear that British Statesmen may not support us in this matter is this. After all, it is said that blood is thicker than water. The English Cabinet will be guided more by the interests of the Englishmen in the Overseas Dominions than by those of India, and even Englishmen cannot always rise superior to this feeling. After all, it is the British Statesmen who are ultimately responsible for all this. The Ministers will be responsible to the Cabinet, the Cabinet is responsible to the Parliament, and the Parliament to its electors who have a greater affinity to the men in the Dominions than towards Indians. As I said, my Resolution merely asks that His Majesty's Government should be addressed, through the Secretary of State, to grant full fiscal autonomy to the Government of India, and I do hope that I will have the support, not only of all the non-official members of this House, but also of the Government of India in this matter, because, as I have already said, they are already converted.

There are two arguments which might be urged against my Resolution. It might be said that I am rushing matters and that I need not be in such a hurry to bring forward this Resolution at the first Session of this Council. I have two reasons to bring forward this Resolution now. The first is, I say it will all diffidence,—India, at least the commercial community, has lost all confidence in His Majesty's Secretary of State in Council. The recent currency policy has shown them that India will any day be sacrificed for the interests of the British tax-payer. And here I will only quote what Sir Valentine Chirol said recently in a letter to 'The Times' in England. He said that 'this policy was either the effect of a powerful self-seeking interest at Home or gross incompetency.' India believes it is the former. Well, Sir, there is one other reason. It is a personal reason. People may say that they have lost all confidence in Mr. Montagu, but I believe many of us have still faith in him. There may be a dissolution of the House of Commons any day, and as a result of the general election Mr. Montagu may go. Many of us believe that he is the best friend of this country either in the Cabinet or among the ministers of the Crown. We would therefore like to have this question settled while he is Secretary of State, because he might use his influence with the Cabinet, and, if necessary, put the matter before Parliament very strongly for us. My Resolution merely follows what was suggested in the speech of His Royal Highness the Duke of Connaught recently delivered at the time of the opening of the Bengal Legislative Council.

With the permission of the Council, I will only read a few lines from it :

'In this labyrinth of cares and labours, what clue can I suggest for your guidance? To my mind, as I am sure to yours, there is only one, that your sole thought should always be the betterment of your countrymen and not of any class or section, but of all.'

Here is this Resolution, Sir, which is not for the betterment of one class or section, but for all India. As what I ask is that this country should be made self-contained as far as our industries are concerned. Although we may have to pay more, we would do so, but we should like to be put in such a strong position that we may not be at the mercy of foreign exploiters like Japan,—I hope I am not offending the Government of India when I refer to Japan because they are our Allies, but they have been our exploiters. We want our country to be self-contained. We cannot start all the industries here till we have a right to levy tariff at such rates as we think best. I do not mean to say that we are all protectionists. Personally, I may say that I am a free thinker. I do not want a protective tariff, but I do want subsidies to be granted. The country wants the tariff to be regulated in a way that it can help our industries. I again quote a passage from the speech of His Royal Highness the Duke of Connaught, referring to the type of education to be provided :

'The second in reality complementary to the first, is the creation of industrial opportunities and an industrial spirit to relieve the tremendous pressure on the land and the economic evils which must result.'

What I am suggesting will lead to that result.

The second part of my Resolution is.

The HONOURABLE THE PRESIDENT: I would remind the Honourable Member that I must be a protectionist to this extent that his time is up.

The HONOURABLE MR. L. S. SAMALDAS: I would merely say that the last portion is only a corollary of the first, because in the last portion I say that the power should be controlled by the Indian legislature.

If Parliament is going to delegate its powers and—I am prepared to use a stronger term—divest itself of its powers, these powers must go to some strongly constituted body, and what better body can we have than the Indian legislature?

With these remarks, Sir, I beg to move my Resolution.

The HONOURABLE LALA RAM SARAN DAS: Sir, I rise to support most cordially the Resolution moved so ably by my friend the Honourable Mr. Lalubhai Samaldas Mehta. Fiscal autonomy is essential to India if she is to be called upon to take a worthy part in the commonwealth of the British Empire. Reasons, domestic as well as Imperial, now require that India should no longer remain a mainly agricultural country. Talking of internal politics we must all admit that 9-10th of present unrest and discontent in the country is due to economic causes. At the present moment there is practically no outlet for the vast number of our educated young men who are turned out every year from our schools and Universities. Many out of them have practically no careers open to them. Even those who stay at home in their rural native places and have not yet been attracted to seats of learning are so many, and their pressure of land is so much that the margin of taxable property of agriculturists, especially now on account of higher cost of production of agricultural produce, is indeed so low, that it is impossible for

[Lala Ram Saran Das.]

Government to increase the burden of taxation on them. The entire people, the rural as well as the urban sections of it, are so poor, that it is not safe to levy any more taxes on them, and yet the country has to meet huge expenditure on domestic reconstruction problems, its military expenditure has been greatly increased, and it has to find funds for many other things. The problem is how to supplement the revenues of India for meeting all its responsibilities in such a way as not to be an excessively unbearable burden on the people. Under the New Reforms the Central Government have surrendered to the provinces all the revenues from land and irrigation, and I imagine the day is not far distant when the Central Government will be called upon to surrender even the provincial contributions paid to them. The provinces under the new ministers are bound to develop their expenditure on education, sanitation, medical relief, and encouragement of industries, roads and communication. It is difficult for them to impose heavier taxes. It would, therefore, be natural for the provinces to press for the remission of these contributions. If the expenditure of the Central Government also increases, as it is bound to do, and if the contributions from the provinces are also surrendered, I ask the Government to tell this Council how they propose to meet their own future responsibilities. To me there is only one way open to Government, and that is, as is the case with all the other countries of the world, to rely more and more on its custom tariffs. The Government of India should be free to arrange and re-arrange its tariffs in any way best suited to the conditions of India. If we get freedom in building and pulling down our tariff walls in a way we choose to do, we will be killing not two but many birds with one stone.

By getting fiscal autonomy we can, by arranging tariffs in particular fashions, give protection to such struggling indigenous industries that cannot at present stand against free trade competition of the West. We can at the same time set up and build up new industries under the protection of tariff walls of desirable heights.

These tariffs would not only protect our industries and would thereby give fresh fields of employment to our vast numbers of careerless young men, but would also help very much to fill the empty coffers of Government. Not only will custom duties increase the resources of Government, but would also by protecting indigenous industries increase the taxable wealth of the people, and thus open out new sources of revenue to the Government. I have explained that freedom to pull down or build up tariff walls wherever we please will, by encouraging industries and opening to the people fresh fields for employment, solve their economic difficulties and thereby sound a death knell to present unrest, agitation and discontent in the country. But, Sir, building up of industries in India, which can be accomplished only by protection, will not only benefit economically the people, but would also be of a great military importance to the Empire of which we are proud to form a part. Sir, in the East, India occupies the centre of the Empire. India is easily accessible to Australia in the South East, South Africa in the South West, East Africa in the West and to Persia, Mesopotamia, Palestine and Egypt in the North-West. The Indian Ocean is now a British lake and India occupies a very prominent position in this lake. As the recent war has shown, and the previous wars of England in Europe have also taught us this lesson that in any war with England her enemies are sure to attack

her in this part of the world. If, God forbid, England loses for some time command over the Eastern seas, as it happened when 'Emden' visited Indian waters, may I ask how is the Empire extending all over the shores of the Indian Ocean to remain together unless India is made fit to defend the Empire, unless India's resources are developed to such an extent as to enable her to take upon herself her proper responsibilities? Under modern warfare of torpedoes and submarines, of air forces, tanks and gasses, you cannot keep any portion of the Empire not self-sufficient and not self-supporting. Which is the industry which cannot be called to the help of modern scientific warfare? It is therefore absolutely necessary, quite essential, and of great Imperial importance that India, which geographically commands a central position in a greater part of the British Empire, should be made fiscally autonomous so as to enable her to take her proper place in defending the commonwealth of nations guided by British ideals of freedom, liberty and democracy. From my humble place in this Council let me, Sir, make an appeal to the English people throughout the world, that no petty commercial considerations, no prejudice in favour of particular class interests, and no undue fears with regard to particular industries, should stand in the way of English people to grant fiscal autonomy to the jewel in the crown of that British Empire which has been built up by the labour and self-sacrifice of generations of Englishmen. His Royal Highness the Duke of Connaught has asked India to guide and control the political forces of entire Asia. Why, because the storm centre of international strife has now shifted from Europe into Asia. But how can a poverty and famine-stricken, backward and illiterate, undeveloped and resourceless India dare to take up such heavy responsibilities. Give us the means, make us stand upon our own legs, give us the freedom of action, and I assure you, Sir, England will not find India ungrateful. Let England remember that it is not always possible to patch up alliances with a majority of the great powers of the world. It is possible, may God forbid it, for such majority of powers to be ranged against England some time, as was the case in the recent war against Germany. It is all the more necessary, therefore, that 1-5th of the human race, who are proud to be members of the British Empire, should be given freedom of action to develop their resources for the defence of the Empire as a whole. Fiscal autonomy would make us stand upon our own legs, would cause us to stand with our heads erect among the self-respecting nations of the world, and would make us feel that we are a free and equal partner in the commonwealth of British nations. Sir, I earnestly hope England will not, at this critical juncture in the history of the world, be guided by the shortsighted policy and self-seeking interests of some of her industrial and commercial classes. I believe she will take a broad view of the question, take into full consideration her Imperial rather than local responsibilities, and win the everlasting support and friendship of 1-5th of the human race. I once again, Sir, heartily support this Resolution in favour of fiscal autonomy, and I hope the Government of His Excellency the Governor General will accept this Resolution.

The HONOURABLE SIR MANECKJI DADABHOY: Sir, I would like to add one word to this debate. So far as the question of full fiscal autonomy is concerned, I believe there are no two opinions on the subject among the non-official members. This question of fiscal autonomy has been fully threshed out on the public platform, in the press, and in the old Imperial Council. I myself in the old Imperial Council on various occasions have

4 P.M.

[Sir M. Dadabhoy.]

taken the cudgels in support of this principle. I am entirely in sympathy with what has fallen from my Honourable friend Mr. Lalubhai Samaldas. There is no doubt that he has made out a very good case, and so far as India is concerned, it will be to her great advantage to get fiscal freedom and to get absolute independence in this matter. But to my mind the question at this stage appears to be rather outside the pale of practical politics. We are all in deep sympathy with the proposition. The Government of India, as well as the Secretary of State, are in absolute agreement with us on this matter. But the question at present is simply this: Is this Resolution at this stage an opportune one? Our new Councils have just been formed. I pray to the Council, let us have some breathing time. Let us make these Reforms successful. Let us show by the success of this Council as well as by the success of the Legislative Assembly that we are in a position to manage our fiscal affairs in such a prudent, cautious and statesmanlike manner as to get a further instalment of full responsible government. Let us hereafter by our own work justify our demands. I think, therefore, it will be to the interest of this Council to confine its labours and its attention to practical politics. The Secretary of State knows all about our demand. The Government of India Act, has been lately passed in the House of Commons. The Joint Committee's Report also makes the situation in our favour very clear. Is it likely that only a few months after the passing of the Government of India Act, if we should ask the Government of India to approach the Secretary of State, as recommended by this Resolution, we will succeed? Therefore, though in deep sympathy with the proposition of my Honourable friend, I feel that it would serve better the interests of this country if we wait a little while, if we allow our first period of apprenticeship which has been given us to expire before we make any demand in this respect. I therefore think that it would be distinctly advantageous, in the interests of this country, to postpone our request till a more suitable and appropriate time. Though, therefore, in full sympathy with my Honourable friend's Resolution, I feel I will not be justified in voting for it.

THE HONOURABLE DIWAN BAHADUR V. RAMABHADRA NAIDU : Mr. President, after hearing the able and learned advocacy of my Honourable friend Mr. Lalubhai Samaldas Mehta on the question of fiscal autonomy, no true Indian will say his opinion against it.

We have heard it said on all sides what solicitude every Briton from His Imperial Majesty the King Emperor down to the commoner has towards the welfare of India. It is needless for me to say the great sacrifice made in the great war by India. I can safely say that the war was a blessing in disguise so far as India was concerned. It was an eye-opener to everybody. If my humble appeal would be of any use, let me also implore the Britishers to give us the inherent right of the tariff granted to India. Now as it is, it is a matter of granting the privilege by the statutory powers. As the Mover observed, it is not difficult to solve this question if the Government executive heads and their legal luminaries put their heads together and make an honest and earnest attempt in the matter. I may give for the information of this Council that Madura had once the reputation of being the centre of lace industry. Many Muhammadan families still exist that follow the profession. Unfortunately they could not compete with European traders. Though it is not flourishing, even now the lace industry in Madura has got a speciality of its own.

Madura is a great centre for dyeing industry also. I know the Sowrastra people, who were engaged in that industry, were hit very hard when they were not able to get their dyeing requisites in the cheapest market during the war. In consequence thereof many families had no work and their prospects were ruined. It would be a blessing to them if England comes forward to adopt definitely a policy of protection in connection with the dye industry. I may urge at the same time for the consideration of this Council that they must devise a method of dye industry that they may help the consumer to buy his articles at the cheapest rates. With these few words I heartily support the Resolution.

The HONOURABLE MR. G. S. KHAPARDE : This Resolution, Sir, as worded, and as argued, differs slightly. As worded, it asks for fiscal autonomy. As argued, my Honourable friend has proceeded as we do in courts by quoting evidence in our own favour, by saying that this is an old grievance that has been well recognised and so on. But he has narrowed it down to a question of tariff, and he would be content if liberty to tax English goods or any goods coming into India were granted. As it is, I am quite at one with him, and I vote so far with him, but I wish to go further and I support the general proposition that any kind of responsible government and fiscal autonomy are convertible terms. One who has not got fiscal autonomy can have no responsible government, and anybody that has got responsible government must have fiscal autonomy. In that view of the matter I go further than him.

The Honourable Member has very properly given this Council the opinions of the most eminent persons who have gone before. But I will put it on common sense grounds without going into learned arguments on that matter. It is like this. Responsible government means, to go back to my old simile, to put a man on a horse and tell him to make his journey as well as he likes, but fiscal autonomy is the bridle of the horse, and if a person keeps the bridle of the horse with him and puts another on the horse and asks that other to go on with his journey, that journey cannot be properly made. Similarly, I say that if I am to be a master in my house, if I am to regulate my house, if I am to manage my house, I say I must have the power of my purse, and it must be in my power to spend money where I think proper, to raise money from such resources as I possess. But if this power is not given to me, how can I manage my house? If I am not at liberty to raise money from such resources as I have, and if I am controlled in various other directions so far as money matters go, then I submit responsible government loses a great deal of its meaning. In fact, it hardly is responsible government. They are so intermixed with each other that one cannot exist without the other. That being my position, I entirely go so far as my friend Mr. Lalubhai goes, but I go further, and I say that it is an absolute necessity and we should not stop with the tariff question alone. We may have higher and greater questions to deal with, and fiscal autonomy is absolutely necessary, and as my friend has endeavoured to show, we in a manner were promised fiscal autonomy. Only I suppose in drafting or writing, some portions have got left out, and therefore it is that we are in the present position, and if we go to the Secretary of State and point this out, I have no doubt that he will agree that what little modest demand that my Honourable friend makes should certainly be granted.

My friend on the right thinks that it is too early and this is not a question of practical politics. I humbly beg to differ from him. In fact, you cannot

[Mr. G. S. Khaparde.]

make a beginning with responsible government unless you have the power of your purse, and in order to make these reforms successful and to show that we are able to manage our own affairs and that we have got the capacity to manage them, it is necessary that we should have the power of ordering our purse, spending where we like to, not spending where we do not like to, raising money from such resources as we possess. Of all questions that have been discussed up to this time, this is the most practical question, and being the most practical question I congratulate my friend Mr. Lalubhai on having brought it forward as early as he possibly could.

There is a further question involved in this, and that is important in this way. My friend Mr. Lalubhai said that he was a free trader and he did not like to call himself a protectionist. I am, frankly speaking, a protectionist, and all people that I have been associated with up to this time from the days of Mahadeb Gobinda Ranade, have been protectionists also, and my teacher of political economy also wrote a book on *Protection versus Free Trade* and so on. I do not wish to go into arguments. I am a plain man. England has adopted protectionist doctrines now. The home of free trade has adopted protection, and we know how dyes now have to come in under certain licenses, that is to say Germany cannot send her dyes and other things into England without their being put under certain restrictions. Even Manchester, which was supposed to be the home of this free trade, has also adopted protectionist doctrines. Were it necessary, I could quote authorities from Mr. Mill down to the present time, more especially by American authors and by the younger generation of political economists to show that, in the case of incipient industries, in the case of industries that are rising, it is permissible to protect them, it is permissible to save them from outside influences and let them grow, and then, once they have grown, to leave them to fight their own battle, much the same as we do in the case of roadside trees. We plant roadside trees, but, in order that the animals may not eat them, we put a hedge round them, and after they have grown to a certain height so as to withstand the weather, etc., we take away the hedge. In the same way there are many of our industries which require to be looked after now, and, if they are not protected now, they probably will never rise at all, because there is competition from outside, very hard competition, and, as unfortunately happens, we are deficient in capital and other countries that want to compete with us have got really more capital than they require. So it is necessary that we must have this tariff freedom of imposing such taxes as we like, and also of being able to bring in laws of the same kind requiring licenses for other people who want to come and compete here so as to destroy the industries that I wish to raise.

On these grounds, therefore, it comes to be that even in the limited way in which the Honourable Member has framed his Resolution I support it, but I should like to retain the wording as it stands and the larger implications which it involves.

I heartily support the proposition.

THE HONOURABLE RAJA SIR HARNAM SINGH : Sir, a demand for fiscal autonomy has persistently been made by the thinking public of India. . . .

THE HONOURABLE THE PRESIDENT : Will the Honourable Member kindly raise his voice. It is impossible for me to hear a word.

The HONOURABLE RAJA SIR HARNAM SINGH : Sir, a demand for fiscal autonomy has persistently been made by the thinking public of India during the last few years. They have claimed their right, as a nation, to levy duties or impose restrictions in the interests of India's well being, and to be free from the dictation of the British Imperial Government. Some of them believe, rightly or wrongly, that the British Imperial Government have often sacrificed the fiscal interests of India to the interests of British capital and commerce. Referring to this belief the Joint Committee recorded in their report :

'Nothing is more likely to endanger the good relations between India and Great Britain than a belief that Indian fiscal policy is dictated from Whitehall in the interests of the trade of Great Britain.'

It is not my point to prove or disprove this charge made in the past. Great Britain has now given us a substantial measure of responsible self-government, and fiscal autonomy is only consistent with the spirit in which the reformed constitution has been given to India. The Joint Committee have clearly laid down their opinion in this matter :

'In the opinion of the Committee, therefore, the Secretary of State should, as far as possible, avoid interference on this subject when the Government of India and its Legislature are in agreement, and they think that this intervention, when it does take place, should be limited to safeguarding the international obligations of the Empire or any fiscal arrangements within the Empire to which His Majesty's Government is a party.'

Sir, I recognise that India is a member of the British Empire and the obligations which this relation implies. Her fiscal autonomy must be partially limited by these obligations. But her fiscal interests should not be subordinated to those of Great Britain or any other part of the Empire. I appreciate the spirit of justice and fairness with which the Joint Committee made the recommendation, and I hope that this will be fully adopted as the fiscal policy of India by the British Government. India should have as complete a fiscal autonomy as is necessary for the industrial and commercial development of this country, and consistent with her obligations abroad.

The HONOURABLE SARDAR JOGENDRA SINGH : Sir, I wish to support this Resolution very strongly. I think the Honourable Mr. Lalubhai Samaldas is doing a great service in moving this Resolution at an early date, and I am not in any way tormented by the feelings of misgiving to which the Honourable Sir Maneckji Dadabhoy gave expression. I must say that the Honourable Mr. Khaparde's plea for protection has certainly discouraged me a good deal, for we can only attain fiscal autonomy if we advocate free and open trade between India and England and all other parts of the Empire. If from the very outset, we set about talking of doing things which will work against England, I think we cannot expect England to give us fiscal autonomy. We need British capital, British skill, British organisation, to develop our trade, and free trade between India and England and other parts of the Empire is most essential. I advocate fiscal autonomy on the ground that England is now becoming more democratic than she was yesterday. When English policy was guided by an aristocracy of intellect and wealth, the consideration shown to other countries was much greater than is likely to be shown, when that policy is guided by the capitalist class. The capitalist after all is no better than a glorified Bunnia.

There are two or three recent instances which occur to my mind when I am advocating fiscal autonomy for India—

- (i) The Reverse Councils. The policy regarding these was dictated from England ; it did not emanate from India.

[Sardar Jogendra Singh.]

(ii) The juggling with the Exchange.

(iii) The Gold Reserve which is held in England. Why should it not be brought out here for the advantage of our own country?

In developing our industries, the idea of protection from the very beginning does not appeal to me. I believe that in the coming years all the nations of the world are going to be united to help each other in trade and in other things. If we develop our industries, if we produce more than we need and exchange our surplus produce freely with other countries of the world, the Honourable Mr. Cook will no more have sleepless nights. We shall have our finances overflowing, our industries prosperous and our fiscal affairs managed both in the interests of India and England.

I strongly support the Resolution.

The HONOURABLE MR. A. CHETTIYAR: Sir, the Honourable Mover has dealt with this question in all its aspects and in an exhaustive manner. I do not, therefore, propose to make a speech on this Resolution. I shall only quote from Sir Visweswarayya, the great Diwan of Mysore, known for his sober outlook and for moderation of expression. He says:

‘In India, not only are cotton goods imported practically free, but the Government actually imposes an excise duty on the products of the local mills to enable foreign manufacturers to compete successfully with them. Nowhere else in the world would such an obvious attempt to handicap industry be tolerated.’

In another place he says:

‘Fiscal reconstruction should be the corner-stone of the economic and social edifice of the future.’

Sir, I shall only add that I support the Resolution.

The HONOURABLE DR. T. B. SAPRU: Sir, it will be recognised that the question which has been raised this afternoon by the Honourable Mr. Lalubhai Samaldas is one of great importance, but I would venture to submit at the outset that it is really the constitutional aspect of this question which is of far greater importance than the economic. I do not, therefore, propose to take up the time of the Council by addressing any remarks on the economic aspects of this question. On the economic side of the question it is possible that views may differ, and I will just illustrate my point. We have here, if I am not misrepresenting the position—if I am I shall stand corrected at once—in this Council a distinguished free trader in the person of Sir Dinshaw Wacha. We have already seen that there are other Honourable Members who are equally strongly wedded to protectionist views. Therefore, so far as the economic issue is concerned, I do not propose to enter into it. But we must take the position of the Government of India as it is into consideration, and then ask ourselves how far it is possible for the Government of India to take any such steps as are suggested in the Resolution moved by the Honourable Mr. Lalubhai Samaldas. The very first remark that I shall make with regard to that Resolution is, that it is extremely vaguely worded, and I will beg the House to analyse that Resolution somewhat closely; for this purpose I shall read the Resolution:

‘This Council recommends to the Governor General in Council that His Majesty’s Government be addressed through the Secretary of State for India, with a prayer that the Government of India be granted full fiscal autonomy under the direction of the Indian Legislature.’

I confess that it is extremely difficult to understand what is exactly intended to be conveyed by these words 'under the direction of the Indian Legislature.' If the House will remember the present position, it comes to this. As a matter of fact the fiscal policy even at the present moment is in fact determined by legislation and not by executive order. I hope this is a fact which will not be denied by any Member of this House.

It is not open to us, so far as I have been able to study and examine the law, to pass any executive order modifying or regulating the fiscal policy except in so far as it is consistent with, or purports to be in accordance with, a law passed by this House. If we are to accept the Resolution moved by the Honourable Mr. Lalubhai Samaldas and press it to its logical sequence, what are the results which follow? For one thing, we will be forced to accept the position that the Secretary of State is never to use his executive power—and he has certain executive powers given to him under the Act—to direct the Government of India not to proceed with a fiscal Bill which had the approval of the Indian Legislature. The second necessary result would be that the Secretary of State would have to dispense with the power which is vested in him under which he requires certain Bills to be submitted to him for previous sanction. What is more important than these matters is that we will have to face the situation that, although the Government of India Act vests certain powers in the Governor General under section 67 (2) (a) with regard to fiscal Bills, that power will become a dead letter. Similarly, the Governor General would never refuse assent to such a Bill under section 68 of the Government of India Act, and lastly—this is far more important than any other consideration that I have submitted to the House—the power of veto which is vested in the Crown which is the ancient prerogative of the Crown, and which is reproduced in section 69 (1) of the Government of India Act, will also become a dead letter.

Now so long as the Government of India Act stands on the Statute-book, I hope it will be recognised that it will be impossible for the Government of India to take any action in regard to this matter which over-rides their statutory obligations. In this connection I would beg leave of the House to invite their attention to certain outstanding sections of the Government of India Act which bear on this particular point. I do not wish to deal with the subject in any narrow, technical spirit, and I hope it will not be said that I am disposing of it in the manner of a technical lawyer; but the fact remains that it is a question of constitutional importance, and the Government of India are bound by the Act to which they owe their existence and which regulates their whole conduct. Now, so far as the Secretary of State is concerned, I would invite the attention of the House to sub-section (2) of section 2 of the Government of India Act, which says: 'In particular, the Secretary of State may, subject to the provisions of this Act (or rules made thereunder), superintend, direct and control all acts, operations and concerns which relate to the Government or revenues of India'. That leaves no room for doubt that the ultimate power of superintendence, direction and control vests in the Secretary of State.

Then we come to section 19 A which was introduced in the recent Government of India Act, and I would invite the attention of the House to one very important clause of that section which runs as follows:

'The Secretary of State in Council may, notwithstanding anything in this Act, by rule regulate and restrict the exercise of the powers of superintendence, direction and control, vested in the Secretary of State and the Secretary of State in Council by this Act, or otherwise, in such manner as may appear necessary or expedient in order to give effect to the purposes of the Government of India Act, 1919'.

[Dr. T. B. Saprū.]

So that the position is that all that is open to the Secretary of State to do under section 19 A of the Government of India Act is by rules to regulate and restrict the exercise of the powers of superintendence, control and direction which are vested in him. Even if the Secretary of State were disposed to give up those powers, it would not be open to him to do so under the Government of India Act.

We come then to section 33 of the Government of India Act, which says :

' Subject to the provisions of this Act and rules made thereunder, the superintendence, direction and control of the civil and military government of India is vested in the Governor General in Council, who is required to pay due obedience to all such orders as he may receive from the Secretary of State.'

Well, then, so far as the Governor General is concerned, his powers with regard to legislation both in this House as well as in the other are again regulated by three important sections of the Government of India Act, and I would particularly invite the attention of the House to these three sections. These sections are 67-B, 68 and 69. Now section 67-B runs as follows : I shall not read the whole of it, but I will read only the operative part of it. Section 67-B runs thus : ' Where either Chamber of the Indian Legislature refuses leave to introduce, or fails to pass in a form recommended by the Governor General, any Bill, the Governor General may certify that the passage of the Bill is essential for the safety, tranquillity, or interests of British India or any part thereof, and thereupon . . . may do certain things which are specified in that section. Well, if Mr. Lalubhai says 'give us complete independence,' does he really mean fiscal autonomy ? . . .

The HONOURABLE MR. L. SAMALDAS : Not political.

The HONOURABLE DR. T. B. SAPRŪ : If he means that we ought to get complete fiscal independence, well he cannot achieve that unless he is prepared to over-ride these clear provisions of the Statute. It means that the Governor General must stay his hand even though those powers may be definitely laid down in the Act. Similarly, to press it further, he will have to over-ride the clear provisions of section 68, which are to the following effect :

' When a Bill has been passed by both Chambers of the Indian Legislature, the Governor General may declare that he assents to the Bill, or that he withholds assent from the Bill, or that he reserves the Bill for the signification of His Majesty's pleasure thereon'.

This power of withholding is vested by Statute in the Governor General, and if the Honourable Mr. Lalubhai Samaldas' Resolution is to be accepted, although the Statute may grant him that power, yet the Governor General may not exercise that power of withholding assent if it seems to him necessary to withhold assent on any particular occasion in regard to any fiscal matter.

Then, as I pointed out just now, even the power of the Crown to exercise veto in section 69, completely disappears if we accept Mr. Lalubhai Samaldas' Resolution. It is, therefore, obvious that so long as the Government of India is what it is and so long as the Government of India is governed by this Act, it is impossible for the Government of India to take any action in regard to this question independently of the provisions of this Act.

It has been observed by certain Honourable Members—in fact it was observed by Mr. Lalubhai Samaldas also—that if India had complete responsible government he would not have moved the Resolution. He has, if I may venture to say so, answered his own Resolution. That is exactly the difference

between the present position of India and the position in the Colonies. No doubt the power of veto, according to strict constitutional law, also extends to Colonies, but through a long series of years and by repeated exercise of conventions a practice has grown that in regard to matters of a fiscal character decided by the Colonial Legislature the Crown does not, as a matter of fact, exercise that veto. Here, again, it is necessary for me to remind the Honourable Mr. Lalubhai Samaldas and the House that, so far as the policy with regard to autonomy is concerned, that is clearly indicated by the preamble of the Act which was passed in the year 1919. I only need refer to the expression which is known to everyone, namely, 'the progressive realisation of self-government.'

I will only add one word, Sir, and it is this, that so far as this question of fiscal autonomy is synonymous with the power to regulate our tariff, we have already got certain legislative powers, and we can strengthen those powers by the growth and careful fostering of conventions which are bound to grow within the next few years, or within a reasonable distance of time. The control which is, therefore, vested in the first instance in the Secretary of State and secondly in the Governor General under the Act is not a shadowy control but a real control, though it is quite obvious that the exercise of that control will always be regulated by the greatest possible discretion and by regard to the fiscal interests of India.

Taking, therefore, the Resolution as it stands, I am bound to say on behalf of the Government that they find themselves unable to accept the Resolution as worded by Mr. Lalubhai Samaldas. It is possible that Mr. Samaldas would have carried the Government with him if he had worded his Resolution somewhat differently, and I would only suggest to him whether he is not prepared to accept the suggestion which I will make with regard to the wording of his Resolution

THE HONOURABLE THE PRESIDENT : I am sorry to interrupt the Honourable Member. If he proposes to move an amendment, it is not open to him to do so as he is not a Member of this Council. The amendment should be moved by some other Member of the Government.

THE HONOURABLE DR. T. B. SAPRU : I am not going to move an amendment, Sir. I was only suggesting to Mr. Lalubhai Samaldas that he might himself like to modify his Resolution. If he had only said that this Council recommends to the Governor General in Council that His Majesty's Government be addressed, through the Secretary of State for India, with a prayer that the Government of India be granted full fiscal autonomy *with due regard to their responsibilities under the Government of India Act*, I should think he would have made his task and the task of the Government of India very much easier. It is for him to decide; I merely make the suggestion

THE HONOURABLE MR. L. SAMALDAS : With due regard ?

THE HONOURABLE DR. T. B. SAPRU : With due regard to the provisions of the Government of India Act. It is not a matter in which the Government of India have shown no interest. On the contrary, they have shown considerable interest in the past, and their attitude need not be understood to be hostile. Not at all, as my Honourable Colleague (Sir George Barnes) says.

That is all, Sir, I would say, and there I would leave the matter.

THE HONOURABLE MR. SRINIVASA SASTRI : Sir, the House, I am sure, will feel indebted to the Honourable Dr. Sapru for a very lucid exposition on

[Mr. Srinivasa Sastri.]

the legal aspects of the case. But it has apparently been forgotten in the course of this discussion that what is called fiscal autonomy has, till now, been generally understood to have been granted to the people of India, partially; if not fully, substantially, if not in legal form. The Joint Select Committee's Report makes that point absolutely clear and, if I may remind the House for one moment, Lord Curzon, a competent authority in the interpretation of documents, in speaking on this subject in the Upper House, bade us remember that we had a very great principle accorded to us in the Reforms Scheme, namely, that of fiscal autonomy. It is necessary to remember that what fiscal autonomy we ought to enjoy, has been granted to us as part of a large proposition that has been enunciated. That proposition first found place in what is commonly spoken of as the Report of the Crewe Committee which sat on the constitutional relations of the Indian Government with the Secretary of State in Council as part of the arrangements preparatory to the Reforms being passed. That Committee laid down the proposition, which the Joint Select Committee subsequently accepted and which Parliament ratified by implication, namely, that the Secretary of State was not to interfere wherever the Government of India and their Legislature concurred. In matters of fiscal legislation, they themselves instanced a very particular and pointed application of this doctrine which they designated the doctrine of non-intervention. Well, in fiscal matters they laid down in a special paragraph. 'If the Government of India and their Legislature agree, let not the Secretary of State interfere, except in a certain very limited class of cases.' In that way the people of India will come to enjoy fiscal autonomy. We cannot grant fiscal autonomy, they said, in Statute or by law, for that is an impossibility. That would interfere, as the Honourable Dr. Sapru pointed out, with the operation of various provisions in the Government of India Act. It would defeat the veto which vests in the Crown, and in the representative of the Crown. It is not that, I hope, which the Honourable Mr. Lalubhai Samaldas desired. He only desired that this fiscal autonomy which purports to have been granted to us as part of this doctrine of non-intervention should be really effectuated, so that it may grow by continual practice into what is known as a constitutional convention. Now, in order to effectuate it, it is necessary that we should come to some understanding with the Secretary of State. Now a concurrence between the Government of India and their Legislature is laid down as a condition precedent. Now, a concurrence on these matters, as a matter of history, we know is fairly common. I do not think the severest critic of the Government of India will question this fact, that on most occasions when our economic interests have come into collision with the economic interests of England or a section of the English people, the Government of India have stood manfully by the people of India. The instance of reverse Council Bills of a very recent date goes only to prove the general rule: I half suspect, and I believe it is a secret which is fairly well known, however, to the public, that the Government of India in that matter were not their own masters. Altogether, therefore, this concurrence between the Government of India and their Legislature is an expectation that we may reasonably entertain, and this condition precedent of fiscal autonomy will be attained. Nevertheless, the Governor General may exercise his veto. Whenever the Government of India—I am distinguishing for the moment between the Governor General and the Government of India—even where the Government of India and

their Legislature agree in fiscal matters, it will be open to the Governor General to veto such fiscal legislation. Let us hope that that veto will come to be nearly forgotten. So that while it may exist on paper, as so many other things exist in the English constitution, it never will be utilised, and we may take it that this concurrence between the Government of India and their Legislature will always be achieved. Now what is the other part? It is this. There is another power which the Secretary of State at present enjoys in controlling legislation in India. There are two ways in which he does it. First of all, the Government of India must submit certain Bills of importance, before they are initiated, to the Secretary of State so that he looks over them in a general sort of way and tells the Government of India 'Very well, you go on.' Now, we must ask the Secretary of State to forego this power,—as a matter of practice, not as a matter of law,—in regard to fiscal legislation that we may undertake here. For once we submit our fiscal Bills at this stage to the Secretary of State and ask whether we may go on with them, it is quite likely that he will impose his will upon the Government of India, which may really be the will of Manchester or some other part of England. Now, that power the Secretary of State must consent to forego. Besides, during the course of the legislation, it is also open to the Secretary of State, according to current practice, to order the Government of India to stop progress. Now, that power also he must give up. Initial consent, and interim veto are powers which the Secretary of State now enjoys over fiscal legislation as over all other legislation.

Now, these two powers he must surrender as a matter of practice. I think the Honourable Mr. Lalubhai Samaldas Mehta will be quite content if the Government of India will undertake to write home to the Secretary of State and ask him to say whether, as a matter of policy, he is willing to forego these powers. I know it will be said by constitutional lawyers, meticulous about precedents and so on, that although one Secretary of State may for the moment forego such powers, it is open to a succeeding Secretary of State to revive them. Certainly it is so. But we are perfectly willing to take the chance of an erratic Secretary of State coming into power and upsetting things. We do believe that, as a matter of constitutional precedent and usage, if one Secretary of State during successive years never exercises these powers and also expressly states that as a part of the policy of His Majesty's Government these powers will be held in abeyance and will not be called into exercise except on the most extraordinary occasions, such as those that are mentioned in the limitation, the Honourable Mr. Lalubhai Samaldas Mehta will have achieved all that he desires. I did not understand him to say that he wanted a legislative enactment. I only understood him to ask that we should address the Secretary of State with a prayer that he must for his part take such action as will make the fiscal autonomy that has been granted real and substantial.

THE HONOURABLE MR. LALUBHAI SAMALDAS : Sir, I am very grateful to Honourable Members

THE HONOURABLE SIR GEORGE BARNES : I wish to say one word first, Sir. You have ruled, Sir, that the Honourable Dr. Sapru is not in order in suggesting an amendment to the Resolution before the House, inasmuch as he is not a Member of this House. But on behalf of Government, I am prepared to accept the Honourable Mr. Lalubhai Samaldas' Resolution if he will insert at the end of the Resolution the words 'subject to the provisions of the Government of India Act', instead of the words 'under the direction of the Indian Legislature'.

THE HONOURABLE THE PRESIDENT : If the Honourable Member wishes to make the suggestion, he must move an amendment.

THE HONOURABLE SIR GEORGE BARNES : I am not moving an amendment, Sir. I am only asking the Honourable Mr. Lalubhai Samaldas Mehta if he will himself accept the amendment I have suggested.

THE HONOURABLE THE PRESIDENT : If it comes before the Council at all, it must come in the form of an amendment.

THE HONOURABLE SIR GEORGE BARNES : I will then move an amendment, Sir, in these terms :

That in lieu of the words 'under the direction of the Indian Legislature' at the end of the Resolution, the following words shall be substituted : 'subject to the provisions of the Government of India Act, 1919.'

THE HONOURABLE THE PRESIDENT : There is now an amendment before this Council, moved by the Honourable Sir George Barnes, which proposes to substitute for the words 'under the direction of the Indian Legislature' the words 'subject to the provisions of the Government of India Act 1919.' The amendment having been moved, it is open to Honourable Members to speak on the amendment.

THE HONOURABLE MR. LALUBHAI SAMALDAS : May I speak, Sir, on the amendment? I think, Sir, on a point of order, that after the amendment is put, I have a right to reply to the original motion.

THE HONOURABLE THE PRESIDENT : Certainly.

THE HONOURABLE MR. LALUBHAI SAMALDAS : Then, as regards the amendment, I regret I do not see my way to accepting it. I have to oppose it because the amendment is practically—I hope my Honourable friend Dr. Sapru will forgive me for saying so—the same thing which the Government of India have already said. It is tantamount to asking me to withdraw the Resolution. Instead of saying so, he has very kindly supplied me with some means of going back without hurting my feelings. I am sorry, Sir, I cannot accept anything like this.

If you wish me to accept that amendment, it is practically saying that I had better withdraw my Resolution. If I could accept the amendment, the best thing for me would be to withdraw the Resolution straightaway. If the amendment which the Honourable Mr. Sastri has suggested, namely, that the Government of India will write to the Secretary of State and ask him to lay down definitely that he waives his two rights, the right of getting sanction previous to any legislative measure being introduced with non-intervention in fiscal matters,—if that proposal meets with the wishes of the Honourable Members opposite, I shall consider my position. As it is, this amendment practically means the withdrawal of my Resolution, and I am sorry I have to oppose the amendment.

THE HONOURABLE MR. W. G. KALE : Sir, so far as I was able to see, I did not expect Mr. Lalubhai Samaldas to accept the amendment that has been proposed. From his speech it was quite clear that he wanted practically an amendment of the Government of India Act, 1919. He said that he did not care for political autonomy so much as he cared for fiscal autonomy. But there can be no fiscal autonomy without political autonomy. Fiscal autonomy means the right of making fiscal laws without being overruled or without being controlled, and the demand for fiscal autonomy naturally would mean a suggestion to the Secretary of State, and through the Secretary of State to the

British Cabinet, that an amendment of the Government of India Act, 1919, should be forthwith undertaken for the purpose. That is what I thought was his intention in the speech that he made in moving his Resolution.

So far as the amendment goes, it is a suggestion which squares the desire for fiscal autonomy with the Government of India Act as it exists to-day on the Statute-book. As the Honourable Mr. Sastri has pointed out, under the amendment, or under the existing conditions, whenever there is perfect agreement between the Government of India and the Indian Legislature, the Secretary of State would waive his right to interfere. That is certainly a long step in the way of fiscal autonomy. It is not, however, full fiscal autonomy. Before the reforms were inaugurated and embodied in the Government of India Act, 1919, a demand was being put forward on behalf of the people that responsible government should be granted in the Central Government in this country. That demand was not conceded. When that demand was not conceded, it meant that full fiscal autonomy was not going to be conceded. But what has now been conceded is, if not the first, the second best, or the third best. If you cannot have complete fiscal independence, at any rate, you will have something in the place of it which, in course of time, will develop into full fiscal autonomy. So, that is the position in which we stand to-day. If Mr. Lalubhai's Resolution is accepted, it will practically mean a demand for the amendment of the Government of India Act. Whether such a demand should be put forward or not at this moment is a matter for the Council to consider. If, however, the amendment is accepted, it will only mean that the assurances which have been given will be made more certain, and the Legislature will see exactly where it stands. So, I look at the whole question from these two different points of view, and I would ask the Council to record its vote after a due consideration of the arguments which have been advanced on both sides.

The HONOURABLE SIR WILLIAM VINCENT: Sir, I had not intended to speak on this debate, but as a point has been raised which affects the constitutional position of the Government, I will address the Council very shortly on that aspect.

The Honourable Mr. Sastri referred to the Report of the Joint Select Committee. Now one of the principles and a most important principle laid down in that document is in the following words:

'The Committee regard it to be an essential feature of the policy of His Majesty's Government that except in so far as he is released from responsibility by the changes made under this Bill, the Governor General in Council shall remain in undisturbed responsibility to Parliament and fully equipped with the necessary powers to fulfil that responsibility.'

And it is to meet the objection which was felt to the Resolution as worded on this ground that the present amendment is suggested. If the Council will read for one moment again the Resolution put before them they will, I think, see that it is, as has been properly pointed out by the last speaker, entirely inconsistent with that proposition. The Resolution reads:

'This Council recommends to the Governor General in Council that His Majesty's Government be addressed through the Secretary of State for India, with a prayer that the Government of India be granted full fiscal autonomy under the direction of the Indian Legislature.'

Now the proposal contained in the last 6 or 7 words is, I submit, not compatible with the statement in the Joint Report which I have just read out 'that the Governor General in Council should remain in undisturbed responsibility to Parliament and fully equipped with the necessary powers to

[Sir William Vincent.]

fulfil that responsibility'. Therefore, the Resolution is exactly as the Honourable Member, Professor Kale, has put it, a demand for a change in the Government of India Act before it has been tried, before the Council knows how the new constitution is going to work, within the first fortnight of its inauguration. Is this Council going to make a demand of that character? I want also to refer very shortly to another quotation from the Joint Committee Report. I had not intended to speak upon this Resolution, but when this point was raised I at once got the Report. This is what the Joint Committee said on this question of fiscal control :

'It cannot be guaranteed by Statute without limiting the ultimate power of Parliament to control the administration of India and without limiting the power of veto which rests in the Crown ; and neither of these limitations finds a place in any of the Statutes in the British Empire. It can only, therefore, be assured by an acknowledgment of a convention,' and that convention will undoubtedly grow rapidly as the country progresses on its road to responsible government. The Committee go on to say : 'In the opinion of the Committee, therefore, the Secretary of State should'—not be prohibited from interfering or any words of that kind, but—'should as far as possible avoid interference' (a very different suggestion from that contained in the Resolution) 'on this subject when the Government of India and its Legislature are in agreement and they think that his intervention, when it does take place, should be limited to safeguarding the international obligations of the Empire or any fiscal arrangements within the Empire to which His Majesty's Government is a party.'

To this extent the Joint Committee support the proposal which the Honourable Mover advances, but you will see that the interference of the Secretary of State is to be avoided as far as possible when the Government of India and the Legislature are in agreement. The proposition laid down in this Resolution is of a very different character. It does not speak of cases 'when the Government of India and the Legislature are in agreement at all', but proposes that the Government of India is to be subject to this Legislature in this matter of fiscal autonomy. This—I want to make this point clear—is inconsistent with the provisions of the Government of India Act and, unless the Council seeks to tear up the Act, to drag up this tree which the Parliament has just planted, by the roots, I do suggest to this Council that there was great wisdom in the advice of the Honourable Sir Maneckji Dadabhoy when he suggested that the Resolution was premature. The convention will grow in force year by year and the Legislature will get what it wanted without an immediate attack on the very Act by which this Chamber is constituted.

THE HONOURABLE MR. SRINIVASA SASTRI: I wish to say a word about the amendment. I am willing for my part to accept the amendment.

I think that we get under it all that we can reasonably get at the present stage—"subject to the provisions of the Government of India Act". The words seem to me to be superfluous. The Honourable Dr. Sapru, with the caution natural to his profession, reinforced by the caution which as a Member of the Government of India he has now acquired, has put in those words. They are quite welcome. I do not think myself that they are going to limit the scope of the Honourable Mr. Lalubhai Samaldas' desire in moving this

Resolution. I may also remind the Honourable Mr. Lalubhai Samaldas that when we went over to England previous to the enactment of this Act, all our deputations united in pressing this question of fiscal autonomy on the authorities, and the Moderate deputation—which, I take it, enjoyed the confidence of the Honourable Mr. Lalubhai Samaldas—did not yield to any other deputation in pressing this matter on the Government. I may quote to him the paragraph that we wrote in our Memorandum on the subject :

‘Fiscal independence is the next important thing we earnestly press for. England imposes free trade on India, and in the opinion of most Indians this policy stands in the way of the development of indigenous industries and manufactures. We are aware that some inter-Imperial arrangements are contemplated by which a system of preferential tariffs may be established. We trust that they may be equitable in their incidence on India not merely in name but also in fact. Subject to such limitations, the Government of India and the Legislative Assembly should be given the same power of regulating their tariffs that the Dominion Governments and Legislatures enjoy. This would mean in practice that the Government of India should no longer be under an obligation to refer tariff proposals to the Secretary of State for his previous sanction, and that when the Legislative Assembly, agreeing with Government, has passed those proposals, the Secretary of State will, as a rule, refrain from refusing sanction to them. This would be an act of bare justice to the people of India, and is based on a principle the adoption of which has been unanimously recommended by the Committee appointed by Lord Crewe to determine the relations of the Secretary of State and the Government of India.’

I claim that what we demanded in this particular paragraph has been fully granted to us under the arrangements embodied in the Government of India Act and in the Joint Select Committee's Report. I am not quite prepared to support the Honourable Mr. Lalubhai Samaldas, if what he seeks really is an amendment of the Government of India Act even before it starts to work.

THE HONOURABLE MR. LALUBHAI SAMALDAS: Sir, may I rise to make a personal explanation? I said quite clearly that I am prepared to accept the Honourable Mr. Sastri's proposal, that if the Government of India give us an assurance that they will write to the Secretary of State

THE HONOURABLE THE PRESIDENT: The Honourable Member must not make a speech. He can only make an explanation.

THE HONOURABLE MR. L. SAMALDAS: I am not going to make a speech. I was merely saying that I am prepared to accept it if the Government of India give us an assurance that they will write to the Secretary of State and guarantee that he will agree not to use these two powers to which Mr. Sastri referred.

THE HONOURABLE SIR GEORGE BARNES: Sir, I am prepared to accept the Resolution with the words ‘subject to the provisions of the Government of India Act’ substituted for the words ‘under the direction of the Indian Legislature.’ My Honourable Colleague, Dr. Sapru, a little while ago pointed out to us that the Secretary of State had got no power to waive his rights, and an agreement not to exercise them amounts to waiver. What may grow up is a convention. If the rights fall into disuse it may become unconstitutional to use them. I do not think we can do more, and I hope that the Honourable Mr. Lalubhai Samaldas will accept the amendment.

THE HONOURABLE MR. G. S. KHAPARDE: Sir, I wish to draw attention to one portion

THE HONOURABLE THE PRESIDENT: The Honourable Mr. Khaparde has spoken once already; he can only speak now on the amendment.

The HONOURABLE MR. G. S. KHAPARDE : Yes, Sir, I am only going to speak on the amendment, and I may begin my speech by saying that I wish to oppose the amendment that has been proposed. My opposition is based fortunately for me upon what was read out by the Honourable Sir William Vincent. In that there is a sentence—I am only quoting the sense of it and not the words themselves—that such a provision is not to be found in any of the laws governing the self-governing Colonies ; that is to say, the Government were then willing to put in this provision but they found that no such provision was to be found in any of the Colonial laws, and therefore they did not think it necessary, or they did not think it proper, to introduce it in the Government of India Act ; but the understanding was that as in the case of the Colonies the British Government does not exercise any of the powers so far as fiscal matters go and does not prohibit any laws relating to fiscal matters made by them, so in the case of India also fiscal laws will not be governed by the Secretary of State and will not depend upon his initiative or his will. That was a clear understanding. I happened to be there at the time, and this was very much discussed amongst us, and this was the understanding that, if no provision is put in here, it is merely because it is not constitutional, it is not customary to put in such a provision ; but it is clearly understood that it will be so acted upon. So in this respect, therefore, when the Honourable Mr. Lalubhai Samaldas says that, if the Secretary of State will kindly say in his letter that he does not mean to exercise any of these powers, then it is all right ; otherwise putting in those words suggested in the amendment merely keeps us where we are. According to the provisions of the Government of India Act everything is being done now and everything has been pointed out, and therefore what is the idea of putting forward this Resolution at all ? So I oppose the amendment.

The HONOURABLE SIR MANECKJI DADABHOY : Sir, I move that the question be now put.

The HONOURABLE THE PRESIDENT : I think the Council is now in a position to arrive at a decision, and I propose to accept the motion. The question is “ that the question be now put ”.

The motion was adopted.

The HONOURABLE THE PRESIDENT : The question is that the following amendment be accepted :—

‘ That for the words “ under the direction of the Indian Legislature ” the words “ subject to the provisions of the Government of India Act ” should be substituted.’

The motion was adopted.

The HONOURABLE THE PRESIDENT : The question is that the Resolution as amended, which runs as follows, be accepted :—

‘ This Council recommends to the Governor General in Council that His Majesty’s Government be addressed, through the Secretary of State for India, with a prayer that the Government of India be granted full fiscal autonomy *subject to the provisions of the Government of India Act.*’

The motion was adopted.

The HONOURABLE THE PRESIDENT : It is now a quarter past five, and the contentious business not being taken after 4-30 the Council will now adjourn till Monday, the 28th February, at 11 o’clock in this Chamber.

The Council then adjourned till Monday, the 28th February, 1921.