

Monday, 23rd July, 1923

THE  
COUNCIL OF STATE DEBATES

(Official Report)

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*(From the 16th to the 28th July 1923)*

THIRD SESSION

OF THE

COUNCIL OF STATE, 1923.



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# COUNCIL OF STATE.

Monday, 23rd July, 1923.

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

## QUESTIONS AND ANSWERS.

### RAILWAY PROJECTS, DACCA DIVISION.

62. The HONOURABLE MAHARAJA SHOSHI KANTA ACHARYYA CHAUDHURI : (a) What are the present intentions of Government in regard to different projects of railway extension in the Dacca Division in Bengal ?

(b) What progress has been made in the construction of a railway line connecting Jharia-Jhanjail with the Garo Hills, and when is it likely to be completed ?

The HONOURABLE MR. D. T. CHADWICK : (a) The financial prospects of the projected railways in the Dacca Division are at present under examination by the Railway Board.

(b) The line referred to in the second part of the question has not yet been sanctioned for construction.

### REMOVAL OF IMPERIAL RECORDS.

63. The HONOURABLE MAHARAJA SHOSHI KANTA ACHARYYA CHAUDHURI : (a) Have any orders been passed regarding the removal of the Imperial records from Calcutta to Delhi ?

(b) Are Government aware of the objection that has been raised in the press to the removal of the historical section of the records which may be resorted to for research purposes ?

The HONOURABLE DR. MIAN SIR MUHAMMAD SHAFI : The answer to part (a) of the question is in the negative and to part (b) in the affirmative.

### ACCOMMODATION IN IMPERIAL LIBRARY.

64. The HONOURABLE MAHARAJA SHOSHI KANTA ACHARYYA CHAUDHURI : What proposals, if any, are under the consideration of Government for increasing the accommodation of the Imperial Library ?

The HONOURABLE DR. MIAN SIR MUHAMMAD SHAFI : Orders were recently issued for the transfer of the Imperial Library from Metcalf Hall to a portion of the old Foreign and Military Secretariat Building, where there is more accommodation.

**REDUCTION OF EXPENDITURE OF COMMERCIAL INTELLIGENCE DEPARTMENT.**

65. The HONOURABLE MAHARAJA SHOSHI KANTA ACHARYYA CHAUDHURI : What action has been taken in carrying out the recommendation of the Incheape Committee for the reduction of expenditure of the Commercial Intelligence Department by Rs. 2,80,000 and in what directions will the usefulness of the Department be affected thereby ?

The HONOURABLE MR. D. T. CHADWICK : The expenditure during the current year has been reduced by Rs. 2,27,000 and the possibility of further reduction is under consideration, particularly in the matter of publications. The reductions effected will reduce the usefulness of the Department especially in its abilities to answer inquiries by small manufacturers and traders in India about openings in foreign markets.

**RECOMMENDATIONS OF INCHEAPE COMMITTEE.**

66. The HONOURABLE MAHARAJA SHOSHI KANTA ACHARYYA CHAUDHURI : Will Government be pleased to make a statement showing the particular recommendations of the Incheape Committee in the different departments which they have finally decided not to give effect to, giving brief reasons for such decision in each case ?

The HONOURABLE MR. A. C. MCWATTERS : The Honourable Member is referred to the statements laid on the table of this House on the 16th instant in reply to a question on the same subject by the Honourable Mr. P. C. Sethna.

**RECOMMENDATIONS OF JAILS COMMITTEE.**

67. The HONOURABLE MAHARAJA SHOSHI KANTA ACHARYYA CHAUDHURI : What recommendations of the Indian Jails Committee have so far been given effect to ?

The HONOURABLE MR. J. CRERAR : The carrying out in detail of most of the recommendations of the Indian Jails Committee rests with Local Governments and the Government of India cannot give complete information of the extent to which effect has been given to them. The Honourable Member will find some information on this point in the provincial jail administration reports published by Local Governments.

The Government of India addressed Local Governments and these letters have been published at pages 253-280 of the debates of the Legislative Assembly held on the 15th September 1921. Since then there has been further correspondence in regard to some of the recommendations, and if the Honourable Member desires I shall see whether this correspondence also may be published.

As regards the penal settlement in the Andamans, the Government have already announced their intention of abandoning it ; but the process of the evacuation of convicts now undergoing sentences must necessarily be slow and dependent on the ability of the Provinces to receive them : as the Honourable Member is no doubt aware, provinces are handicapped at present by serious financial stringency.

## MEETINGS OF COUNCIL AND PROROGATION.

The HONOURABLE SIR PURSHOTAMDAS THAKURDAS (Bombay : Nominated Non-Official) : Sir, I wish to know whether we may have some announcement regarding the approximate date when the Session may be expected to close. In view of what the Honourable the Leader of the House said; it appears to me that there may be no Government business after the 26th at the latest, and I wonder if you are in a position to inform us ?

The HONOURABLE THE PRESIDENT : There will certainly be a meeting on Friday. I have some reason to believe that His Excellency has under contemplation addressing both Houses before proroguing, but whether he has decided on that definitely I am not in a position to say ; but I will take care that your request for information in which the Council is generally interested, is conveyed to the proper quarter.

### RESOLUTION RE REVISION OF THE SYSTEM OF TAXATION— (continued).

The HONOURABLE SIR MANECKJI DADABHOY (Central Provinces : General) : Sir, with your permission I will take the liberty of reading my speech on this occasion, as it is a very important \*Resolution, and I hope I shall have the indulgence of the House.

The HONOURABLE THE PRESIDENT : I note that with regret. The Honourable Member is perfectly able to address the House and it is rather regrettable that he should return to manuscript.

The HONOURABLE SIR MANECKJI DADABHOY : Sir, I maintain that our present system of taxation is not strictly scientific, and is more or less a haphazard growth, regulated more by the needs of the State than by economic or fiscal principles. There are defects also in the Indian system due in a large measure to too close an adherence to the British scheme of taxation and to India's political subordination to Great Britain. That the main fiscal policy of the Government of India is dictated by Great Britain admits of no doubt. The absence of our fiscal freedom has been our standing grievance since the establishment of British rule in India. Even with the introduction of political reforms with the express object of making India self-governing within a reasonable distance of time, we have not obtained liberty of action in fiscal matters. The accustomed strictness of control has undoubtedly been relaxed, but the determining voice is still that of the British Government. Fiscal freedom has been guaranteed to India, not by direct statutory provision, but by a recommendation in the Report of the Joint Parliamentary Committee presided over by Lord Selborne.

The Secretary of State's interference has resulted in the past in the subordination of India's economic interests to those of Great Britain. In one breath Parliament talks of conceding fiscal autonomy to India,

\* The following Resolution was moved on the 18th July and discussion postponed :  
" This Council recommends to the Governor General in Council that an inquiry be made into the whole system of taxation in India with a view to its thorough revision on an economic, equitable and scientific basis with special regard to the taxable capacity of the people."

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that is to say to allow the country to regulate its own fiscal policy in the interests of the country and no other. And in the other breath tells us that the administration is subject to Parliamentary control. Under the cover of that control you do not allow India the fiscal autonomy, to regulate its own internal fiscal policy in the interests of the country and no other. It is obvious that the concession is minimised by declaring that the Indian Administration is subject to Parliamentary control just as it suits British interests! The control of protecting and safeguarding British interests when they are in conflict with Indian fiscal interests—so that what is really happening is that this policy of undefined control which unfortunately tries to subordinate Indian interests to those of the British and disturbs the principle of equitable taxation. The principle is there but it is the policy which tends to destroy or greatly qualify the economic principle of public finance, and leads to all sorts of intolerable expenditure in the shape of heavy indefensible taxation. There is no reasonable prospect that the result will be different in the immediate future.

The principles underlying the four fundamental maxims of taxation laid down by Adam Smith and accepted, not only by John Stuart Mill and British economists generally, but by economists all the world over, are that, while it is just and proper that every member of the community must bear a proportionate share of the expense of the Government under the protection of which it lives, it is of the first importance that all taxation which has a restrictive influence upon the productive capacity of the people subject to it and the accumulation and investment of capital within the country must be severely condemned and abandoned. Where therefore in a conflict of economic interests between a ruling country and a dependency taxation within the latter country is controlled by the former, the effect can only be the advancement of the economic interests of the country which has the power and the control at the expense of the dependent country. The foreign imports are developed at the sacrifice of local manufactures. That in India taxation in some respects has had this unfortunate result, admits of little doubt. It is not possible to undertake here a detailed examination of the economic effects of the various taxes imposed by this Government to prove that they have not so far been regulated by the vital consideration that they must on no account cripple the resources of the country. It is enough to mention a few taxes by way of illustration. And I may just refer to two taxes regarding which complaint has been made even in official reports. Industrial alcohol is the basis of numerous special industries which should be developed in India. Development of industries generally, it is superfluous to point out, is necessary if only for the purpose of increasing the taxable capacity of the people. The development of the special industries for which a plentiful supply of industrial alcohol is required is no exception to the general rule. One would therefore expect that in a sound and scientific system of taxation special facilities should be provided for the production of industrial alcohol. But the complaint among manufacturers has always been that, far from the Excise Department providing special facilities in the desired line, the duty on spirits has a decided restrictive effect.

The excise duty on cotton goods made in India is another, and perhaps a more glaring, instance of taxation designed originally, not in the interest of either revenue or local manufacture, but in the interest of the foreign manufacturer. And not only that: It was pointed out more than once that, in its character as a countervailing duty, the excise duty proved a serious handicap to the Indian export trade. The increase in later years in the customs duty on foreign imports of cotton manufactures has perhaps mitigated the evil to some extent, undoubtedly as a slight concession to the crying injustice of the duty, but the objections to the excise duty on the ground of its being unscientific still remain. The Indian export trade with the Far East has been materially affected—not surely by reason of the excise duty alone; and in the home market also, in competition with foreign manufacturers, Indian manufacturers are at a more or less serious disadvantage. However, I am prepared to concede that besides the excise duty there have been other extraneous factors which have contributed to the greatly diminished exports of yarn to China principally.

The land tax, as it obtains in temporarily-settled areas, is even more unscientific than all those three taxes mentioned above, even though it purports to be assessed upon the basis of "a scientific classification of soils". It is not necessary to enter here into the academic disquisition about the nature of the revenue derived by Government from land. It is useless to discuss whether it is rent or tax. Strong arguments can be advanced in support of both views. For all practical purposes, however, it may be treated as a tax. It has all the characteristics of a tax, and the difference in its classification does not affect in the smallest degree either its incidence or its economic effect. Now the land tax is, as a matter of fact, increased at every fresh settlement. The extent of the increase is, according to all experience, out of all proportion to the unearned increment which only Government can legitimately claim. There are cases in which the tenants' rent has been increased 600 per cent. Such increases are by no means rare. It would be absurd to suggest that they are justified by the convenient theory of unearned increment. In official reports too significant admissions can be found of large increases. It is said by some economists that the assessment to this tax is unscientific on two grounds,—first, it proves a tax on industry and discourages employment of capital, and secondly, it violates one of the four canons of sound taxation referred to above, *viz.*—in the words of John Stuart Mill, "every tax ought to be so contrived as both to take out and keep out of the pockets of the people as little as possible over and above what it brings into the public treasury of the State." If the rule be that at every periodical settlement land revenue must be increased, consciously or unconsciously, settlement authorities are likely to strain a point in favour of the theory of unearned increment, and it becomes very difficult for the tenant or the landlord to disprove that there has been improvement in the productive capacity of the soil and to prove that the improvement suggested by the authorities has been due to the industry of, and the employment of capital by, the holder.

There is another matter incidental to this subject which is rather of a delicate nature but which ought not to be overlooked. The existing policy of Government to exempt agricultural incomes from income-

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tax is assailable from many points of view under the present altered conditions. Not only they are exempted from the payment of income tax and super-tax, but in ascertaining their general assessable income the authorities under the present law are not allowed to take into consideration the income derived from agriculture. The same process of elimination has been in practice adopted in the determination of their assessment for super-tax. There may be some justification for plot proprietors and tenants and peasantry being exempted from the payment of income-tax and ordinarily their cases will be covered under the statutory exemption limit of Rs. 2,000 ; but there seems to be very little warrant or justification for exempting a large class of people who derive fabulous incomes from the possession of thousands of acres of rich and valuable land. There have been several heated debates in the late Imperial Legislative Council on this subject but the time has now arrived when the question ought to be seriously taken up, impartially reviewed, and fully and dispassionately threshed out whether or not the absentee landlords and arm-chair agricultural magnates deriving large incomes ought not in common with the general majority of people share these burdens. If one community in India derives substantial benefit and advantage by a stable form of government, it is the landed classes and the landed aristocracy of the country.

Similarly, the exemption of Hindus and Muhammadans from inheritance duty is the weakest spot in the British Indian system of taxation and most inequitable. The incontestable underlying principle of economic and equitable taxation is that a tax should be levied according to the ability of the taxpayer. Why then should our Hindu and Muhammadan brethren object to a duty on inheritance in cases where inherited property is able to bear a moderate duty for revenue purposes ? It is notorious that all rich persons of the Hindu and Muhammadan community dying escape death duty which is paid by all other classes of the community. This in itself is most inequitable and infringes the very principle laid down by Adam Smith. Probate and Letters of Administration duties are uniformly levied in all civilized countries. Such a principle of inequality would not be tolerated for a moment in any other country and economists of all shades of opinion would have revolted against such inequality had it been the case in Great Britain that one class fully able to bear the impost has escaped a just tax, while another not able to pay it was subjected to penalty for evasion. I am aware, Sir, that the immunity enjoyed by our Hindu and Muhammadan fellow subjects to pay this equitable tax is based on a fiction originating in their personal laws. In one case it is levied because when the succession opens out a man succeeds to an inheritance, while in the case of a Hindu joint family where a father dies his heirs can get hold of his huge fortune without the payment of the State's share on the plea that they succeeded to the heritage not by the law of inheritance but by the law of survivorship.

The domain of death duties undoubtedly offer attractive possibilities at the present juncture far greater than additions to the existing overburdened direct taxation, and I venture to submit that a system

could easily be devised whereby in case of a joint family the fiscal statute may be made uniformly operative without the destruction of the right of survivorship or any prejudice to the maintenance of the coparcenary status. I feel equally certain that our Hindu and Muhamadan brethren will not be unpatriotic to evade their just and legitimate responsibility. It is needless to assert here whether the amounts realised by way of death duties belong to the Central or the Provincial Governments. If a tax on the income of a man during his lifetime is a Central revenue it logically follows that the accumulations of his income on his demise which are taxable ought to belong to the Central Government.

It has been also said that Court-fees and all other charges connected with redress in a Court of law, grouped under the general head of law taxes, are objectionable. All economists have condemned such taxes as the worst conceivable. It might of course be urged in reply that this is absolutely correct as a piece of dialectics, and only as such, as a small fixed fee charged for petitions and complaints, and a moderate, *ad valorem* fee for plaints do not cause serious disadvantage, and do not check the course of justice. And since Government has to get revenue enough for its needs the law taxes cannot be abandoned altogether even though they may not have a place in a scientific scheme of taxation. Besides, law taxes are common in all civilized countries. They have therefore the sanction of common usage and common practice. I am quite prepared to accept the position and not to stand out for an indiscriminate loyalty to scientific ideals in matters of taxation. But the whole point about the Indian law taxes is that they are not uniformly moderate, that they contravene the practicable rule of taking out and keeping out of the pockets of the people as little as possible over and above what it brings into the public treasury of the State, and that, along with the other heavy expenses which every suitor has to incur, they do in numerous cases prevent enforcement of rights by aggrieved parties and induce them to quietly submit to wrongs rather than to face ruin by resort to courts of justice.

Two other taxes may be mentioned by way of illustration of my position that the Indian system of taxation is more or less unsound and urgently requires revision. Of direct and assessed taxes the Income-tax and Super-tax, in so far as they are heavy on profits and are assessed on a wrong principle, are objectionable. John Stuart Mill points out :

“The mere fact that profits have to bear their share of a heavy general taxation, tends, in the same manner as a peculiar tax, to drive capital abroad, to stimulate imprudent speculations by diminishing safe gains, to discourage further accumulation, and to accelerate the attainment of the stationary State.”

That is only the general objection, and this objection prevails when the tax is heavy. That the Indian tax is heavy will be admitted by all. And since it is so it is open to the general objection. If the full economic effect of such a heavy tax is not patent, it is because just at the present moment the British income-tax is heavier still, and there is little inducement to capitalists in India to transfer their capital to Great Britain. But apart from the general objections, the Indian Income-tax is assessed on an altogether wrong principle. Two defects cannot escape notice of even the casual observer. In the first place, it is wholly wrong to assess to the tax and super-tax “invest-

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ments". In calculating the net profits of business-men no allowance is made for the part of the income invested remuneratively. Income so invested becomes capital, and should not be subject to any tax, light or heavy. A capital levy, however small, is objectionable, being opposed to sound economic principles. In the next place, the assessment of income to the income-tax is likewise open to another criticism. The principle of graduation has, it is true, been adopted by Government; but it is worked on an unscientific method. Exemption allowed up to Rs. 2,000 is all right, but in that a person with an income of Rs. 2,010 has to pay full tax upon the whole income, the tax is certainly not fair to him. He is at a disadvantage compared with a person having the smaller income. Up till recently the rule was that when the income exceeded the maximum of the exempted income or of the lower grade of incomes even by Re. 1, it was subject in the one case to full assessment or in the other case at a higher rate. This was wholly wrong and unjust. The rule has been modified a little, but not to the extent demanded by justice and sound economics. In England, however, there is one good provision. Every income is given a rebate of £150 because it has long been recognised that people must live. Therefore the average was fairly fixed at £150. Here in India no such admirable provision exists though in my opinion, it ought to be enacted. Incomes here are very poor and even those who have to pay a tax on income ranging from 2,000 to 6,000 rupees find the present rate really burdensome, specially with the increased cost of living. Therefore exemption to the lower middle classes whose income is only 6,000 a year ought to get a rebate of at least 1,200 or 1,500 rupees. That is to say from an income of 6,000, 1,500 should be deducted and only the balance made assessable. Similarly with the lowest income of 2,000 the assessee should be assessed only 500.

I have already referred to one injurious economic effect of the Super-tax. Another and a more serious and general effect is that it discourages industry and enterprise. When one knows full well that the moment a certain limit of income is exceeded one has got to pay a tax upon it at a higher and heavier rate the natural effect is that one feels discouraged to increase one's gains. This is certainly not conducive to the best interests of the community. Super-tax by itself is recognised all over the wealthy countries in the civilized world as in no way an "unscientific" tax. It is correct in principle and if levied with discretion and judgment at a moderate percentage must be deemed equitable. In other words a moderate super-tax can in no way be burdensome or tending to cripple industrial or commercial capital. It is the method in details of levying the super-tax which is rightly found fault with and acts prejudicially. It is the inordinate or extortionate percentage levied, whether in peace-time or war-time, against which the commercial and industrial classes justly inveigh. It would be a false system of public finance which would by way of tax on income of those sweep away the bulk of profits so as really to cripple capital whereby the normal development of commerce and industry is alike arrested. The Excess Duty of 80 per cent. in England was of that nature. So, too, it was here and also the super-tax. But in England commerce and industry had vastly benefited by supplying materials

and stores to Government at fabulous prices. The Government was therefore not wrong in levying a high percentage. It was in a way to get back a portion of those big profits made during the war that Government levied an excessive Super-tax and a high excess duty. State of affairs however are very different in this country. It cannot however be overlooked that an excessive Super-tax is likewise objectionable from another standpoint in that it has all the ugly features of a heavy capital levy.

Indian taxation in certain respects ignores the first fundamental principle recognised by the whole civilised world since the days of Adam Smith. It is open to the charge of being unequal. Inequality of taxation admits of no justification. This inequality in Indian taxation is due to a two-fold reason. In the first place, in imposing taxes little thought is given to the taxable capacity of the people. The only scientific basis of taxation is a just and careful estimate of the taxable capacity of the people, but no attempt has up to now been made to gauge this capacity. Various estimates have from time to time been made of the average annual gross income of the inhabitant of India, on what materials, does not appear. The estimates can certainly not be accepted as scientific. But it is of the supreme importance that a correct estimate should be made on a scientific method, and that periodically, as much in the interests of taxation—Central, Provincial and Local—as for other weighty reasons. In the absence of such an estimate it is extremely difficult for Government to disprove the charge that Indian taxation is far too heavy for individual income and out of all proportion to the taxable capacity of the people. Taxation, to be scientific, ought to be upon the sure and sound foundation of a proper estimate of the taxable capacity of the people, the necessary preliminary of which is a scientific estimate of the average annual individual net income. It must be remembered that the limit of taxable capacity is not a stable factor and fluctuates in response to the manner in which taxation is raised. Again, when a particular tax is fixed at a certain level which causes hardship, it is expedient and also advantageous to the State not to augment it from time to time but to resort to other new forms of taxation. Progressive taxation not only creates ill-feeling and hardship, but often tends to destroy ability, ambition and productive capacity of the people. As has been rightly remarked, it is only “by judicious mixture of methods one can get a larger sum out of the community with a given amount of pain than by following any one special line”. In the conception of a judicious scheme of taxation these considerations ought not to escape the attention of our Government.

The essential preliminaries to any solution or consideration of taxable capacity are the ascertainment of the amount of the national capital, the national and individual incomes and the proportion in which they are distributed.

There is no evidence forthcoming that the Finance Department of the Government of India has applied its mind to the ascertainment of the relevant information. As far as I am aware, the Government has not yet devised on a method of computation of the national income per annum which may be deemed fairly free from colossal errors. Perhaps,

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you can never get a perfect method, but you can conceive a system or a method which a whole band of distinguished statisticians and economists may resolve or agree to as fairly reliable. In India the Government has never made known to the public the method it may have adopted in secret, or the method or the premises that have influenced its taxation policy. Once only Lord Curzon entered into details unknown and unpublished to the public. He only declared the result so far as individual income was concerned by stating that the result was Rs. 30 per annum against the figure of Rs. 20 given by the late Mr. Dadabhai Nowroji and 27 of the India Office, but much water has flowed under the bridges since, and we are still groping in darkness. Such an inquiry as the basis of future equitable taxation therefore becomes indispensable, when it is further realised that taxable capacity is measured by the difference between two factors, the aggregate production and the aggregate consumption. Unhappily, there has not been any scientific and elaborate inquiry which would have given the necessary information regarding the national psychology of the people taxed, as to the methods that could be legitimately adopted and the precise rate which would be fair and generally equitable. Some practical means must be found for the removal of the disparities and the re-adjustment of the taxes on a scientific basis. And on this point my suggestion is that, in the first place, an inquiry should be held on two points. The taxable capacity of the average Indian as also of particular classes should be determined with care. In many civilised countries the average annual income of the individual is well-known. Only in India so far no serious effort has been made in that direction. The defect should be remedied. But the ascertainment of average annual income is only a step forward. The taxable capacity of the people is not commensurate with the income. Due allowance must be made for necessary expenses. It is only after balance is struck that the net income, which alone ought to be subject to taxation, is determined. The difficulty, however, is that the necessary expenses include expenses upon articles which are taxed, and it may not be easy in all cases to eliminate the tax from the price. However, the great point is to fix a reasonable and moderate ratio between income and the total tax. The other point regarding which preliminary inquiry is necessary is, what the burden of particular taxes is upon the poor, people with moderate incomes, and the rich? The incidence is the great point in scientific taxation, and too much care cannot be taken to equalise it as far as practicable.

In the next place, taxes imposed upon even articles which are either necessities of life or of such widespread use as to be unavoidable even to the poor, must be unequal in their incidence upon the different classes. A few instances should be convincing. It is a travesty of scientific taxation to tax a necessary of life like salt. It is a still greater travesty to handicap local manufacture by the imposition of an excise duty. It is not necessary here to discuss the merits of the recent enhancement of the Salt tax. It is sufficient for our present purpose to observe that even a light tax upon salt would not be tolerated in a scientific system of taxation. A tax out of all proportion to the prime cost of manufacture is even more

intolerable. Then again the quantity of salt required for consumption by a villager with a normal family of 4 or 5 members and a paltry income of a few rupees a month is certainly not less than the quantity required by the comparatively richer townsman with an equal family burden. As a matter of fact, the villager requires more of this article than the townsman, as allowance must be made for the cattle. Upon these premises the only legitimate inference is that the poor—exactly the people who are least able to bear the burden—pay more in salt tax than the richer classes. The incidence of the tax is thus heavier upon the poor than upon the rich. This is opposed to the elementary rule of scientific taxation that :

“ The subjects of every State ought to contribute to the support of the Government as nearly as possible in proportion to their respective abilities ; that is, in proportion to the revenue which they respectively enjoy under the protection of the State.”

Under the general head of “ Customs ”, over and above the salt tax, there are several taxes which weigh more heavily upon the poor than upon the rich. Kerosene oil, which is now extensively used by the common people, steel and iron utensils required more by the villager in the field or in the household, spices, tin goods, cotton sewing thread, matches and drugs are all subject to more or less heavy taxation, and a good deal in these taxes is paid by the poor. The common people also use largely Indian mill made cloth. The excise duty upon such cloth falls heavily upon them. Sugar (refined) is not ordinarily used by the poor, but there are ceremonial occasions when it is unavoidable. It may also be noticed that it often happens that the duty on a finished article imported into the country is smaller than the duty on the component parts of that article when that article is manufactured in India. If account is taken of all payments made by the poor in different taxes the total becomes disproportionately heavy in all conscience. Add to these the Forest duties which the villager alone, or more largely than the townsman, pays, and the Excise duties which also are paid largely by the poor, and the total becomes too heavy to be viewed without alarm.

Some of the taxes are thus specially burdensome to the poor and some (like Forest duties, Excise duties, and Canal charges) are practically only paid by the poor. In these circumstances the contention is legitimate that Indian taxation is unequal in incidence : that is, a larger proportion of the poor man's income is taken in taxes than that taken from the rich man's income. The percentage of tax to income, I submit, is the true test of incidence, and examined by this test, Indian taxation upon necessities of life and articles in common use is unequal in incidence and therefore unscientific. It should be remembered that a number of articles of food are taxed in India. The results of the recent survey of the Bombay Town Working man's economic condition show that the percentage of expenditure on food to income for “ all incomes ” is 57 per cent. Mr. Findlay Shirras, the learned compiler of statistics, points out that in the United States of America the percentage is lower, but that is irrelevant to the present discussion. The outstanding fact is, that, deducting 36.2 per cent. of income spent on cereals and pulses, we get at a total expenditure of 20.8 on “ other articles of food ”. Now some of these latter articles are more or less heavily taxed. The working man's other expenses consist

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of expenditure on "fuel and lighting (7.5 per cent.)," "clothing (9 per cent.)", "House-rent (8.9 per cent.)" and "miscellaneous" head (17.6 per cent.). Now excluding the item house-rent, a certain proportion of the expenses on each of the other heads represents payment of Central taxation. What this amount is it is difficult to estimate, but that it is heavy admits of little doubt. It will be noticed that there is no saving in the case of the working man. And yet his monthly wages vary from below Rs. 30 to Rs. 90 and over,—a scale of wages higher than that earned by even the average educated Indian elsewhere in India. The average wage for the ordinary town labourer throughout India is only a fraction of this income. The village labourer is worse off. Mr. Findlay Shirras' conclusion is :

"It would appear that the generalisation, known as Engel's Law, that the greater the earnings a group of labourers earn, the smaller will be the percentage of those earnings spent on food, is on the whole correct."

It may be added that the larger the expense on food (which of course includes articles like salt and spices) the larger is the payment in taxes. In this view the only possible conclusion is that the poor pay more in taxes in proportion to income than men with larger incomes. This is certainly wrong, as the incidence of taxation becomes more onerous in the case of the poor than in that of the rich.

It is needless to examine in detail the incidence of taxation upon the middle classes. Their responsibilities are much greater and ordinary expenses are much larger than those of the working man. And they consume, and that in fairly large quantities, more taxable commodities than the labourer. Some of the luxuries in their case are necessities. A large number of them pay, moreover, in addition to the indirect taxes, the Income-tax. Those of this class who do not pay Income-tax have, on an average, hardly the income of the more prosperous working man of the Bombay City. But their expenses are the same as regards items, though not in amount. The taxation in the case of the middle classes generally is therefore even more burdensome than in the case either of the rich or of the labourer. The incidence is certainly disproportionately heavy in their case, and in so far as it is, the taxation cannot be anything but unscientific.

In inviting the pointed attention of Honourable Members to the unscientific nature of Indian ("Central") taxation and the urgent need for its revision on more scientific lines, I do not contend that any scheme which does not conform to the unscientific ideal in every detail must be abandoned. I am fully aware that in practical working a scientific ideal is difficult of attainment, and allowance must be made for the limitations of human ingenuity. That which is practicable and that which is not must also enter into our calculations. That even with the most careful revision of the whole system of taxation some defects of the nature of those indicated above will remain, may at once be conceded. But while I concede so much I do maintain that with careful revision it is not only possible but practicable to remove some of the grosser defects from the system, to make taxation more equal in incidence and more suited to Indian

conditions, and, far from allowing it to be a clog to the economic progress of the people, to make it a lever for the industrial and economical uplift of India. And a serious effort should be made in the direction indicated, and that without delay. There may be and there are difficulties, but it would be want of apathy or indifference to sit idle in view of the magnitude of the difficulties. What administrative reform is free from difficulties? Why should we then hesitate to tackle this problem? In the interests of sound economics, in the interests of good government, in the interests of the suffering poor, a serious attempt should be made.

I say with great respect that the system adopted in India from time to time by successive Finance Ministers has been more or less undefined, sporadic and haphazard one, devoid of any economic or scientific calculation and only sufficient to tide over the momentary embarrassments of Government and requirements of any particular year. In this connection I may draw the Government's attention to Sir Josiah Stamp's interesting statement that "taxation is not merely a stationary or static problem, the cutting up of an existing cake—it is a moving and dynamic problem. We have to ask not only how little we can leave him with, but also, how much reduction will he stand before he slackens in work and abstinence? How long will he come up smiling to be taxed in this way?" In so far as Indian taxation lacks this basis it must be more or less unequal in its incidence and therefore unscientific in its nature.

The HONOURABLE THE PRESIDENT: I would draw the Honourable Member's attention to the fact that he has exceeded the time-limit. I would observe that when a Member reads his speech I am not inclined to allow him any extra time. I would therefore request the Honourable Member to draw his remarks to a close as soon as may be.

The HONOURABLE SIR MANECKJI DADABHOY: Then comes the question of the agency to be employed for readjustment of the taxes on a scientific basis. In my humble opinion, departmental inquiry is not only inadequate but undesirable for the elicitation of the facts with regard to all the points mentioned above. A Committee of experts of the Finance Department with the aid of non-officials of proved financial merit and knowledge could alone take up this onerous and difficult task. After a proper scheme has been prepared, of course the sense of the country through the accredited representatives of the people on the Legislative Assembly and the Council of State must be taken. Any action for rectification must be taken with the consent of the Legislature. With these few words, I will close my remarks.

The HONOURABLE SIR PURSHOTAMDAS THAKURDAS (Bombay: Nominated Non-Official): Sir, although I would like to very much, I am afraid I hesitate to support the Resolution moved by the Honourable Sir Maneckji. I must admit that the Resolution, as worded, is one of a most fascinating nature. But I cannot help feeling that if this same Resolution, fascinating as it looks, were moved by my friend opposite (The Honourable Mr. A. C. McWatters), not only this Council, but the public outside would at once say Government are looking out for fresh sources of taxation, and this is the thin end of the wedge. Moved as this Resolution is by my Honourable friend Sir Maneckji Dadabhoi, I must say that

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that suspicion disappears. But I think at this juncture any responsible Member of this House, either on the official side or the opposite, will have to make out an extraordinarily strong case before the public in order to get their sympathy in the direction of taxation, whether as to revision or fresh fields for it.

Superficially, Sir, the Resolution looks innocent and unobjectionable. It seeks a revision of the basis of taxation on an economic, equitable and scientific basis. It is hardly possible to object to a Resolution that is so directed. But I wish the Honourable Sir Maneckji had told this House what country in this world had a taxation system, based on such good qualifications as an economic, equitable and scientific basis. It would appear to me, Sir, that the ideal method of taxation would be that which takes from the citizen the surplus which he could afford to give without putting him to any straits; but I have sought in vain many a book on economy in order to hit upon some country, some economist who has satisfied his country that the system of taxation there was either scientific or equitable or based on a basis which met with the approval of all. Supposing my Honourable friend opposite agreed to an inquiry into such an equitable basis of taxation taking from every man and every class that he and they could justly and equitably spare for the State, I venture to ask my Honourable friend what he would regard as an average, fair and equitable standard of living to be laid down in India, bearing in mind all the while the standard of living of the 33 crores of people, of whom we are a part and whom the Legislature claims to represent. I wonder if my Honourable friend would agree to an addition to his Resolution on these lines. Would he agree to an addition that the inquiry should be based on the lines of finding out what would be the fair average standard of living to be allowed to each man before taxation is imposed, and if he does, I really wonder whether some of us, in fact every one of us in this House, would not pay much more, immensely more than what we do pay to-day.

But the Honourable mover of the proposition has indicated a few additional sources of taxation, a few sources about which he was quite unequivocal, a few sources which till now have remained untapped, such as agricultural incomes. I do not know whether he referred to permanent settlement or not. I was not able to follow him there. Permanent settlement, land tenure, death duties for Muhammadans and Hindus, these were the lines he indicated. I do not think there is much difference of opinion that these do go untapped at present, but if the basis on which these incomes have been untapped till now is fiction, as indeed my Honourable friend was bold enough to say in the case of one at any rate of the three heads; if the basis on which these three heads of income are exempt from taxation is fiction, I submit for serious consideration, though he is a lawyer and would know better than I do, whether that fiction has not something of fact, of reason and of justification behind it. Necessity is the mother of invention and to that extent I would not object to the Honourable mover putting before Government and this House any new head of taxation, but to call considerations which have been good enough both for him and for Government till now "fiction" is to

my mind shooting beyond the mark. I would have liked to dwell a little more at length on this point of the fiction part of the exemption of Muhammadan and Hindu joint families from death duties. I may say at once that in this I am not personally affected, for I do not belong to a Hindu joint family, and when I inherited my father's estate, the duty which the Honourable mover's community are liable to pay to the State was paid fully. But being a Hindu, it may be said that I am trying to enlarge on the one topic which affects my community. I will therefore leave it to some other Honourable Member of this House to give an adequate reply, if he will, to what the Honourable the mover of the Resolution called fiction. But there is one more and one rather important source of taxation to which the Honourable mover did not refer. I think we have come to a stage where, if we have to tax further, the one thing that we might tax without great opposition from inside the House or outside the House, would be leisure ! I wish the Honourable the mover of the Resolution could have conceived of some method of taxation of the people who work less than eight hours a day, or who work less than 11 months in the year ; who work more on the hills and less in the plains, who work in comparative comfort, in fact in comfort which is far above the reach, even the vision of the thirty three crores in whose name and in whose interest the Honourable mover has moved his Resolution.

Sir, I feel that the Resolution has in it certain considerations which are of a very grave and far-reaching importance, and I wish that the Honourable Mover of the Resolution had brought up each one of the different items that he put before the House in his speech by means of Resolutions, so that the House could have discussed these suggested heads of taxation before committing itself to an inquiry. I was rather surprised not to hear from my Honourable friend any word pointing out why the usual reason which the Members from the Benches opposite have advanced in the course of this session against any inquiry should not apply in this case also. It was only last week that the Honourable Sir Narasimha Sarma said in all seriousness to my friend the Honourable Sardar Jogendra Singh and also to my friend the Honourable Sir Ahmedthamby Maricair that Government were not disposed, owing to financial stringency, to undertake any further expenditure in the case of the former for inquiry and in the case of the latter for absolute necessity and for the minimum comfort of Muhammadans proceeding on pilgrimage. What about the expenditure that may be thrown on the Government Treasury for this inquiry, an inquiry which, I am sure, will need all sorts of roving trips by the Commission all over the country ; but perhaps that is a point to which the Honourable Mover may reply later on or to which the Honourable Member opposite may reply when he gets up to reply. I do hope that in this case, at any rate, it will not be said, as it has been said in the case of other official demands, that the expenditure would be comparatively small and Government can meet it with ease, for that would be in peculiar comparison with the rejection of the offer made by the Honourable Sardar Jogendra Singh that he would get up to one lakh of rupees, if the Honourable Sir Narasimha Sarma were prepared to hold the inquiry for which he pleaded.

[Sir Purshotamdas Thakurdas.]

I feel, Sir, that the day is still distant when this Council can give any support under any guise to the most fascinating proposition, to anything that will lead to or even smell of new taxation. We want retrenchment; we want a balancing of the budget with the present taxation, not any increase in it; and, until that is achieved, until there are surpluses, until, indeed, there is more contentment amongst those who are taxed, I do not think that this House can seriously consider any suggestion made with the best of motives in connection with taxation. For the apprehension may be this that there may be new avenues of taxation found and suggested, recommended and perhaps accepted by the Government, be it against the strongest opposition of these two Houses. What the Honourable Mover seeks is a readjustment of the whole thing; but there may be thin years and there may be fat years. In the case of a thin year, what may happen is that the new avenues of taxation may come and the readjustment may be put off for a better day and in the case of Government Treasuries all over the world, with all deference to the Benches opposite, the readjustment, when it is a question of giving on the part of Government, is long in coming.

I therefore think that this Council would be very well advised in rejecting this Resolution.

The HONOURABLE MR. S. VEDAMURTI (Burma : General) : Sir, I have been waiting for an opportunity to speak on a question which directly or indirectly concerned the province of Burma, the province which I have the honour to represent in this Council. Such an opportunity has been given to me to-day. I must premise my remarks by saying that I most heartily support the Resolution that has been so ably moved by the Honourable Sir Maneckji Dadabhoy. I really feel surprised that the Honourable Sir Purshotamdas Thakurdas should accept the fundamental canons of taxation, should agree that each individual should be held to help the State in proportion to the ability to help itself, and should admit the canon to be that taxation should be justly distributed and should be in proportion to the income. Admitting these to be the fundamental principles of taxation, I really wonder why the Honourable Sir Purshotamdas Thakurdas should object to the inheritance tax, as proposed by the Honourable Sir Maneckji. Well, the inheritance tax or succession duties, or, as they are popularly known, the death duties, are essentially a product of modern democracy. We, the Members of this Council, want democratic institutions, we want representative institutions,—and it will be admitted that representative institutions are a transplanted growth from the West. We want manhood suffrage, we want democracy and all that it stands for; and yet we shudder to accept one of the products of democracy. I certainly believe that a suggestion like the one that has been mooted by the Honourable Sir Maneckji will not be accepted by this Council, composed, as it is, of the monied and richest classes. Certainly, I may be accused of introducing principles of Socialism and of suggesting revolutionary methods of taxation, if I am not accused of being a Bolsheviki. (Laughter).

The Honourable Sir Purshotamdas wanted to know whether there is any fiction or fact in the matter of succession duties why the Government

have not tapped these sources. The fact seems to me to lie only in the opposition,—and in the stout opposition—that will be aroused from quarters which are represented by the Honourable Sir Purshotamdas. It has been pointed out by the great economists of the day that the only means of securing equality in taxation and of realising the principle of ability to pay lies in the introduction of inheritance taxes. There is a tendency in modern days for rich parents to tie up their property for fear of their prodigal sons by endowing a portion of their income to some charitable or religious institution. That thing the rich parents have no right at all to do. This inheritance tax is found in almost every country; the more democratic the country is, the more developed is that tax. It is found in Canada, it is found in England, it is found in the United States, it is found in the Australian Colonies, which were the first to introduce this tax. Well, whether you will it or not, the time will come when the Finance Member will have to tap this new source. When such a time comes, whether the other Members of this Council support it or not, I, for one, will certainly vote for it.

Sir, there is a great element of truth in Sir Maneckji's allegation that the taxes are unscientific in their nature.

In my part of the country, in Burma, there is a certain class of taxes which is still primitive, as they are analogous to the poll tax; they are known as 'Thathameda' in Upper Burma and as a capitation tax in Lower Burma. These taxes no doubt belong to the times of the Burmese kings. The 'Thathameda' tax is a tax calculated at a prescribed rate per household; it is a lump demand made on a village or local area, and the individual assessments are made by selected elders who are in Burmese called 'Thamdis.' These taxes are for single men Rs. 2-8 and for married men Rs. 5. I do not complain, Sir, that these taxes cause a hardship to the community. I do not complain that the Government of Burma.....

THE HONOURABLE THE PRESIDENT : I should like to ask the Honourable the Mover one question. Does he include provincial taxation as well as Imperial taxation ?

THE HONOURABLE SIR MANECKJI DADABHOY : Sir, my Resolution applies to all taxation, but incidentally I mention the land tax, which is a provincial matter, and death duties, a provincial taxation which I want to make central.

THE HONOURABLE MR. S. VEDAMURTI : I do not complain, Sir, that the Government of Burma are not justified in levying these taxes. Of course, there are exemptions made in the case of Government servants and pensioners, and of priests and schoolmasters, village headmen, newly-married couples and on grounds of poverty. Again, persons who had paid income-tax are exempted from payment of the capitation tax or from the land-tax in lieu of capitation tax in respect of land occupied by them. What I am driving at is to show that these are analogous to the poll tax, and that in any scientific scheme of taxation where the rich should shoulder a larger burden, I wonder whether these taxes will remain. For long, these taxes were sources of provincial revenue, but of late they have been

[Mr. S. Vedamurti.]

handed over to local bodies. However, these taxes are in the nature of poll taxes which were only levied, according to my knowledge, in ancient Rome, in mediæval England and in some mediæval German towns. The poll tax is regarded by economists as the first stage of rude equality, when before it there was no idea of justice in the levying of taxation but force. Professor Bastable, who is no mean authority on 'Public Finance' says in reference to the poll tax :

"When the greater part of a community possessed little accumulated wealth, the method of taxing each adult for a fixed sum was natural. What is very suitable in a rude state of society is altogether unfitted for a progressive and civilised one. No modern State could employ a capitation tax as a substantial source of revenue."

Well, what I want to impress upon this Council is that when the time comes for a revision of the question of taxation on scientific principles, this poll tax in Burma will altogether go. I am supporting heartily the remedies suggested by the Honourable Sir Maneckji Dadabhoy.

The HONOURABLE MR. LALUBHAI SAMALDAS (Bombay : Non-Muhammadan) : Sir, the House is grateful to you for having asked the Honourable the Mover whether his Resolution applied to the central items of taxation, under the Central Legislature, or it applied also to provincial taxation, and we are glad to have a definite assurance from the Honourable Sir Maneckji Dadabhoy that he referred, that he wanted at least to refer, to taxation imposed by the Central Legislature.

The HONOURABLE SIR MANECKJI DADABHOY : I said something more, Sir. I said wanted to make.....

The HONOURABLE THE PRESIDENT : The Honourable Member has not given way.

The HONOURABLE MR. LALUBHAI SAMALDAS : Sir, the way in which the Honourable Sir Maneckji Dadabhoy's thesis confused provincial and central taxation shows that he did not quite realize what he was asking. He had not made up his mind : he did not, when he read out that admirable thesis, make it clear whether he wanted the inquiry to be extended to provincial subjects also. Possibly he learned later that it would be much better to confine himself to subjects under central legislation,—to the central taxation of the Central Government. Sir, the Honourable Sir Maneckji Dadabhoy has learnt two things for which I beg to congratulate him on my behalf. Two years back, he thought we had obtained fiscal autonomy. I am glad to say he now finds that we have not got it. (*The Honourable Sir Maneckji Dadabhoy* : "I beg your pardon") ; he has evidently learnt wisdom, during this period. Six months back he did not think that the increase of the salt tax was bad enough, and he did not vote against it ; now he seems to think any tax on salt which is an article of necessity.....

The HONOURABLE SIR MANECKJI DADABHOY : I beg your pardon.

The HONOURABLE THE PRESIDENT : The rule about interruption is clear. If an Honourable Member wishes to interrupt a speech, he can only do so if the Member in possession of the House gives way. On the other hand, I may point out that it is not an unusual courtesy, when

a Member protests that he is being misrepresented for the Honourable Member in possession of the House to give way. (Hear, hear.)

The HONOURABLE MR. LALUBHAI SAMALDAS : As the Honourable Member has a right of reply I thought, Sir, that he could easily take down notes, and need not have interrupted me. Sir Maneckji Dadabhoy could not have done better to antagonize the House than by going over too wide a field ; he has antagonized our Muhammadan friends by criticising the laws under which they inherit property as members of the joint family, in respect of certain other items, he has antagonised the landlords, and in respect of certain other items I daresay he has antagonized the Government by the criticism levelled against the way in which taxation has been recently raised. If he really wanted his Resolution carried, he ought not to have antagonized almost everyone. Coming now to the specific recommendation that he has made, I would refer only to a few items. I am not going to deal with land-revenue because he himself has acknowledged that it is a provincial subject. I am not going to deal with death duties or succession duties because my Honourable friend, Sir Benode Mitter, who is an eminent Hindu lawyer, will be able to speak with greater authority on that subject. Moreover little need be said on it as he himself acknowledged that it is a provincial subject, although he added that he wanted it to be made a central subject. I do not know how he is going to get the income from the provinces under that head transferred to the Central Government. I will therefore only refer to the item of customs—where he says that these duties are not levied on scientific principles. Well, Sir, the Government of India is having the whole question examined by a Tariff Board. If there is any definite proposal that my Honourable friend Sir Maneckji Dadabhoy has to make, why cannot he go to the Tariff Board and raise the question ; perhaps, whether a particular material is a raw material or whether it is a finished product, the Tariff Board is the proper authority to examine such questions ; why have a Committee to do the same work on parallel lines ? When my Honourable friend brought forward his Resolution and when I read the Resolution, I thought there was absolutely no necessity to give such a cheque to the Government of India who have full powers to make such inquiries and fix taxes on the result of such an inquiry. What I cannot understand is why my Honourable friend, Sir Maneckji Dadabhoy, is so generous as to give a cheque, a blank cheque at that, to the Government of India. In his speech, he said that the inquiry should be made not only by the experts in the Government of India, but that the experts should be assisted by a Committee, if I understood him rightly—assisted by a committee composed of the elected Members representing both Houses. That means that the cheque is not a blank cheque. I do not know that the Government of India wants that cheque. Leaving aside that question, Sir, I think the most important point for consideration is about ascertaining the taxable capacity of the people. I do not know what the Honourable Sir Maneckji Dadabhoy wants. He has talked about national capital, national and individual average income, and the taxes to be fixed on these. I wonder, Sir, if Sir Maneckji Dadabhoy realizes what this means. If a real inquiry had to be conducted and was taken

[Mr. Lalubhai Samaldas.]

up in right earnest, in the same spirit in which he asks it to be done, it would take years.

I believe a similar inquiry was made in one or two districts. If my information is correct, one was in Bengal by the district officer; a few thousand pages were written and a few volumes were made. If the whole inquiry is to be made all over India by a roving commission, commission composed of economists, financiers, capitalists, land owners, etc., going from village to village, taluk town to taluk town, from district town to district town, taking evidence and getting all sorts of statistics, it will be another 20 years before it can complete the inquiry. By that time none of us will be here. Does Sir Maneckji want that such an inquiry should be undertaken or an inquiry of a haphazard kind? Sir, so far as the theory is concerned, I think my Honourable friend was quite right, but it was only when he came to the application of it to India that his arguments were not correct. It is all very well to talk of progressive taxation and new lines of taxation being found out. As we cannot take up questions of provincial taxation, the only important items to be considered by a Committee are income-tax and customs. If I remember aright, my Honourable friend Sir Maneckji was a Member of the Select Committee on the Income-tax Bill, and when the question of taxing income received from land was considered under the advice of the then Finance Member, it was thought advisable not to refer to it in the Bill which was before the House. The Finance Member said "if you really want to tax income from land, then have a frontal attack and do not resort to side attack." If my Honourable friend Sir Maneckji Dadabhoy wants really that income-tax should be levied on land-revenue, it is open to him to bring in an amendment to the Income-tax Act before the House, and if this House and the other House approve of it, we could have more income. But till then, I do not think an inquiry of the kind suggested by him is advisable or practicable. I therefore oppose the Resolution.

The HONOURABLE MR. A. C. MCWATTERS (Finance Secretary) : Sir, I hope I may be allowed to congratulate my friend the Honourable Sir Maneckji Dadabhoy on the very interesting and informative speech in which he has moved this Resolution. I am sorry that the Honourable the Finance Member has not been able, as he had intended, to be present at this discussion. Unfortunately, he has been detained by urgent business in another place. I must, however, say that I was extremely surprised only a few minutes ago to learn from the Honourable Mover that his Resolution was intended to refer only to central taxation. The wording of the Resolution refers to the "whole system of taxation in India" and in the course of his speech he referred at considerable length to land-revenue, which is a provincial subject. He dealt also with the subject of inheritance duties which, I would point out to him, under the Scheduled Taxes Rules, is also provincial. Another possible subject for taxation was introduced by the Honourable Sir Purshotamdas Thakurdas, a very fascinating one, of a tax on leisure, which is certainly not central. At any rate, Sir, I think I should be able to claim exemption.

The HONOURABLE SIR MANECKJI DADABHOY : May I offer a personal explanation at this stage ?

The HONOURABLE THE PRESIDENT : If the Honourable Member wishes to deal with the question whether his Resolution relates to provincial or imperial taxation, it is better that he should do so when he replies.

The HONOURABLE MR. A. C. MCWATTERS : What I desired to emphasise was that in my opinion it is quite impossible in an inquiry of the kind proposed to isolate subjects which are central from those which are provincial.

I admit that I have been surprised to-day to find the amount of opposition which this apparently harmless Resolution has excited. I must take that as a compliment to the present Government system of taxation. It seems to me that the Honourable Mover made out quite a good *prima facie* case, and certainly it is in the logical order that an inquiry into revenue should follow an inquiry into expenditure. We have had our inquiry into expenditure, and on this point I should like to be allowed to say that Government intend to relax no effort to carry out the recommendations of the Incheape Committee, and more than that, to explore for themselves all possible further avenues of economy.

In moving his Resolution, I think the Honourable Sir Maneckji Dadabhoy greatly over-emphasised the importance in this connection of the dependence of India upon England. If there is any case for inquiry it must be based on much wider grounds than that. And the position of India is not singular. Every country in the world at the present time has got its war legacy of increased expenditure, higher prices and mal-adjustment of the existing sources of taxation. If the position in India is more difficult than elsewhere, it arises partly from the nature of the country itself, from its size, from the dependence of so large a proportion of the population on one means of livelihood, agriculture, and on the immature stage at present reached, with a few notable exceptions by the country's industries. But there is more than that. We have in the last few years had circumstances connected with the political development of India which greatly affect the question of taxation. Every province has to face increased expenditure on national services, under the control of popularly elected Ministers, on such subjects as Education, Health and Local Self-Government. We have a demand for a greater control of the liquor traffic, which must in the long run affect the provincial returns from excise. We have at the same time a demand for a new fiscal policy, and any action that may be taken on the recommendations of the Fiscal Commission and of the Tariff Board which is now sitting must affect not only the total return from Customs, but the relative incidence of the different heads of the Customs tariff.

Before the war the problems were relatively simple. At that time land-revenue supplied 25 per cent. roughly of the total yield from taxation, Central and Provincial Combined. I do not propose to follow the Honourable Mover in his remarks about land-revenue, some of which I consider to be very questionable. He suggested, in fact, that land-revenue officers were inclined to take at each assessment, too large a share

[Mr. A. C. McWatters.]

of the unearned increment. We had a discussion on land-revenue last week, and I do not think the House wishes to be troubled with it at length again. But in those prewar days, we had land-revenue supplying 25 per cent. of the total revenue. We had Customs and Excise, each supplying about one-third of the amount that land-revenue gave; and, then, in addition we had returns from Railways, Forests and other commercial services and a number of supplementary minor heads such as Salt, Opium and Stamps. But the point is that in those days there was no such great increase of expenditure at any one moment as to disturb the system of taxation. The present position is quite different. We have now an estimated return from Customs Duties of 45 crores, which is many crores in excess of the total return from land-revenue all over the country. We have Income-tax, estimated to yield 18½ crores as compared with less than 3 crores before the war. We have every Provincial Government increasing its duties on stamps, and in this connection I was very much alarmed to hear the Honourable the Mover suggest that stamp duties ought to be decreased, because they are at present a very valuable source of provincial taxation. The position then, is, I think, clearly that the incidence of taxation has now been disturbed, both the incidence as between different classes and sections of the population, and as between direct and indirect sources of taxation.

And this is only one part of the problem. I have mentioned already the necessity that Local Governments are put to to find increased revenue to meet special national services. I have mentioned the new orientation in our tariff policy; I have mentioned the threat to the excise revenue. Surely all these things point to the necessity not only for readjusting existing taxation, but for broadening its basis and finding new sources. I shall not follow the Honourable Mover into his discussion of inheritance duties and taxation of agricultural income. It is quite evident from the discussion which these subjects have aroused in the House that they are very thorny subjects indeed, but what I would emphasize is that the mere fact that these subjects are so contentious makes it necessary that your inquirers, or your Committee, shall be not only experts in taxation, but also men with local knowledge of the social, administrative and political conditions of India itself. And further, it points to the all-important consideration, which I referred to at the beginning of my speech, that Provincial Governments must be associated in this inquiry. It is not only that we want to get the benefit of their expert knowledge, but it is because they must directly and indirectly be affected in their finances by any proposals which come to maturity. I do not wish to raise this difficult question here, but no one will contend that we have arrived at a complete solution of federal finance for India.

I have now, Sir, an announcement to make to the House, which is that Government have already had this subject under consideration. We have already addressed Local Governments and have invited their co-operation in a comprehensive and scientific inquiry into the whole question of Indian taxation. We have asked their advice as to the scope of the inquiry and the proper method of conducting it, and when

we receive those replies, which I hope will be at an early date, we shall be able to consider the desirability, the scope and the method of this inquiry. The Honourable the Mover suggested the appointment of a committee, and of course that is one of the obvious possibilities. He also hoped that the Legislature would have the opportunity of expressing its views. That necessarily follows because some at any rate of the proposals, if they are to come to maturity, would require legislation. Then he dealt at great length with the question of ascertaining the average income per head of the country, and there I think the Honourable Mr. Lalubhai Samaldas made a good point, that if you are going to make a statistical inquiry of that kind, it will take a great deal of time and cost a great deal of money. I hope that those who may be entrusted with this inquiry will not spend too much time on abstract statistical calculations, but rather on the important point of the incidence of taxation on particular sections and classes of the people. The main problem is the adjustment of taxation to meet national needs, and on a basis suited to the taxable capacity of the people and each section of it. The inquiry should be as wide as possible. As for the very pertinent remark that in these days we cannot afford to spend money on committees of inquiry, the only answer to that is that it is hoped, at any rate that this inquiry, if made, will be a remunerative one. I am therefore prepared, Sir, to accept the Resolution on behalf of Government inasmuch as it leaves the scope and the method of the proposed inquiry entirely open to be considered after we have received the replies from Local Governments.

The HONOURABLE SIR BINODE MITTER (West Bengal : Non-Muhammadian) : Sir, I would like to know, if it is possible to inquire, whether this Resolution includes an inquiry as to whether, for instance, any portion of the income-tax or the customs should go to the Provinces. Probably the Honourable the Mover may be able to tell us what his intentions are. The words are very wide :

"That an inquiry be made into the whole system of taxation in India with a view to its thorough revision on an economic, equitable and scientific basis with special regard to the taxable capacity of the people."

I presume, however, that the Resolution does not comprehend an inquiry into the question I have indicated because if it did, I should have been the first man to support it, coming as I do from Bengal, and I believe, Sir, that some of my friends from Bombay would have welcomed it ; but I am speaking on the assumption that the Resolution really does not comprise an inquiry of that character. The words, Sir, are very wide....

The HONOURABLE THE PRESIDENT : I would suggest to the Honourable Member that if the Resolution, in its present form, appears to him too wide, it is open to him to move an amendment.

The HONOURABLE SIR BINODE MITTER : Instead of moving an amendment, I welcome the Resolution which really comprises a discussion of the whole question, and if the matter does go into an inquiry I should submit that the inquiry should also comprise an inquiry as to how far these different sources of revenue have been equitably allocated to the different Provinces. Having said so much, Sir, I venture to

[Sir Binode Mitter.]

submit that, having regard to what has fallen from Mr. McWatters, it is just that the discussion of this matter should be adjourned and that it may be resumed after the opinions from the Local Governments have been obtained. Now with regard to the various Provinces, many subjects are transferred subjects and the Local Government may have to consult the Ministers; the Ministers may have something to say with regard to them; they may not want an inquiry into the matter. They are persons who would be vitally affected on questions with regard to sanitation, education and other cognate subjects. Why should not this matter therefore stand over for further consideration? When the opinions of the Local Governments have been obtained, if those opinions are in favour of a further inquiry into this matter, surely it will be in the fitness of things for the Government itself to bring a Resolution of that character. Therefore if you will permit me I will move an amendment that the further consideration of this matter be adjourned till the opinions of the Local Governments are obtained and circulated amongst the Members.

The HONOURABLE THE PRESIDENT : To the Resolution under discussion, amendment moved :

“ That the further consideration of this Resolution be postponed till the replies to the inquiries stated to have been made from the Local Governments have been received and are circulated to the Members of this Council.”

The question of the postponement of the discussion is now the sole matter under consideration.

The HONOURABLE MR. A. C. McWATTERS : I am afraid I must oppose the amendment in the form in which it has been put because it is quite impossible for Government to give a guarantee that they will circulate the opinions. We do not know what will be in those opinions. It is the last few words of the amendment that I object to.

The HONOURABLE SIR MANECKJI DADABHOY : Sir, I oppose this amendment. It is difficult at times to have any conception of the mental psychology of this Council. After the announcement which the Honourable Mr. McWatters, the Finance Secretary, made, I thought any motion for adjournment would be out of place. I have always understood that the policy and the definite opinion of the country was that in these matters of taxation the inquiry should not be made by Government officials alone, that we should not depend upon the decision of the Government officials and of the Local Governments for that purpose, but that a widespread, full and complete inquiry should be made with the assistance of the representatives of the people. I therefore say that I cannot understand the position taken up by my Honourable friends in this Council. What am I asking for at this stage? I am not asking this Council to commit itself to a definite line of policy. In the course of my speech I have expressed my personal views only of the directions in which the readjustment of the whole system of taxation could be made. I have not cut out any definite programme. I have only asked that Government officials, experts in the Finance Department, should be associated with the commercial experts in this

country, both Europeans and Indians, and that they should sit together and make a full, thorough and searching inquiry into this most difficult of all problems, the question of taxation. If my Honourable friends had followed the debates which have taken place for the last three years in the Legislative Assembly they would have noticed that there has been a strong feeling in that Assembly on this question. Member after Member has spoken and attacked the taxation policy of Government. I have asked for a readjustment of that policy on more scientific and equitable lines. I have asked for nothing new to be done in this Council. I have asked it to take a step which is essentially necessary in the interests of the whole country ; I have asked that the poor and unfortunate people who have been overtaxed should get some relief.....

**THE HONOURABLE THE PRESIDENT :** Order, order. The Honourable Member cannot use his opportunity of speaking on the question of the postponement of the Resolution, to make a reply on the Resolution. He must confine his remarks to the question of whether a postponement is or is not desirable.

**THE HONOURABLE SIR MANECKJI DADABHOY :** Sir, a postponement of this discussion will be detrimental to the best interests of the country. Honourable Members are not realising what they are asking for. The new Budget will be upon us in a short time and there is no guarantee that you are going to have a surplus budget. If you, therefore, take all these considerations into account, you will find that it will be detrimental and disastrous to the best interests of this country to postpone the inquiry which I am asking for.

**THE HONOURABLE MR. LALUBHAI SAMALDAS :** If you will allow me, Sir, I should like to move an amendment to the amendment, namely, that the last part of the amendment may be dropped. I will give my reasons.

**THE HONOURABLE THE PRESIDENT :** Will the Honourable Member read the last paragraph of the amendment. I think the last paragraph runs : " and are circulated to the Members of this House."

**THE HONOURABLE MR. LALUBHAI SAMALDAS :** May I speak on the amendment, Sir. We heard the Honourable Finance Secretary say that there might be difficulties in the way of circulating these opinions of the Local Governments to the Members of this Council. I think we all realise the difficulty, and, in order to meet that difficulty I am prepared to drop the last words, namely, " and are circulated to the Members of this House." I hope that the opposite Benches will approve of this. If the amended amendment is accepted, we will have sufficient time to consider the whole subject.

I move my amendment to the amendment.

**THE HONOURABLE THE PRESIDENT :** To the amendment under consideration, further amendment moved, namely, that the following words be omitted " and are circulated to the Members of this House."

The question of the omission of these words is the sole matter for consideration at present.

The HONOURABLE SIR BINODE MITTER : I am willing to withdraw my amendment in favour of that of the Honourable Mr. Lalubhai Samaldas. I am willing to accept his amendment.

The HONOURABLE MR. A. C. McWATTERS : I am prepared, on behalf of Government, to accept the Honourable Mr. Lalubhai Samaldas' amendment to the amendment.

The HONOURABLE THE PRESIDENT : The easiest way now, I think, will be to put the amendment to the amendment. The question is :

“ That to the amendment the following amendment be made, namely, that the following words be omitted, namely : ‘ and are circulated to the Members of this House ’.”

The motion was adopted.

The HONOURABLE THE PRESIDENT : The modified amendment is now open for further consideration.

The HONOURABLE SARDAR JOGENDRA SINGH (Punjab : Sikh) : Sir, after what the Honourable Mr. McWatters has said, I think the main question on which this House should invite the attention of the Government is the terms of reference.

The HONOURABLE THE PRESIDENT : The only point at present for the consideration of the House is whether the further discussion of the Resolution should be postponed or not, and that is the only matter on which the Honourable Member may speak.

The HONOURABLE SARDAR JOGENDRA SINGH : I support the amendment.

The HONOURABLE SIR PURSHOTAMDAS THAKURDAS : Sir, I rise to support the amendment. I very much sympathise with the Honourable Sir Maneckji Dadabhoy on the heat with which he tried to address this Council on account of the opposition that has been raised to his Resolution, but I feel that, as the Central Government have addressed the Provincial Governments, and as most of the increased sources of revenue may affect the Provincial Governments, it would be well for this House to discuss the Resolution further when the opinions of the Provincial Governments are in possession of the Central Government and it is known at any rate to the Government of India whether the Provincial Governments themselves and the Ministers that they have to advise them are in favour of any such inquiry.

I therefore think that the best solution of this Resolution at this stage would be to postpone further discussion of it.

The HONOURABLE LALA RAM SARAN DAS (Punjab : Non-Muhammadan) : Sir, I also beg to support the amendment for the reasons which have been given by the Honourable Sir Purshotamdas Thakurdas.

The HONOURABLE THE PRESIDENT : The question is that the following motion be adopted, namely :

“ That the further consideration of this Resolution be postponed till the replies to the inquiries stated to have been made of Local Governments have been received.”

The motion was adopted.

The HONOURABLE THE PRESIDENT : Further consideration of the Resolution is therefore postponed.

## RESOLUTION RE COMPOSITION AND PERSONNEL OF ROYAL COMMISSION ON PUBLIC SERVICES IN INDIA.

The HONOURABLE SAIYAD RAZA ALI (United Provinces East : Muhammadan) : Sir, I beg to move the following Resolution :

“ This Council recommends to the Governor General in Council to convey to His Majesty's Government, through the Secretary of State for India, this Council's sense of disappointment at the composition and personnel of the Royal Commission on the Public Services in India and its considered opinion that, in order to allay the apprehensions produced in India, it is absolutely necessary to add to the Commission two non-official representatives of Indian public life.”

Sir, since I sent in notice of this Resolution I have discovered that there are certain misapprehensions which are entertained about the scope of my Resolution. I shall briefly endeavour to dispose of these misapprehensions. The very first of them which attracted, it appears, the attention of those whose views are entitled to the highest weight and respect is that by carrying, assuming that it is carried, a Resolution of this character in this Council, the Council will be making itself a party to the original proposal for the appointment of a Royal Commission. Sir, I must at once confess that I am not in a position to follow or appreciate the force of this argument. So far as the original idea of a Royal Commission is concerned, neither this Council nor the other House have made any secret of the views they have entertained on the subject. It will be within the recollection of Honourable Members of this Council that when the Royal Commission was announced in this Council by the Honourable Sir Malcolm Hailey on the 25th January this year, it was followed by a Resolution that was moved by the Honourable Mr. Kale and so far in any case as the views of the non-official Members were concerned, there was no possible room for doubt left that non-official opinion of this Council was strongly opposed to the appointment of a Royal Commission. A day later Honourable Members are aware the matter came up before another House on a motion for adjournment, and a more emphatic protest was entered by the other House. That being the record of the non-official Members at any rate of this Council and of the majority of the Members of the other House, I do not think it can be said that by carrying a Resolution of this character this House will be undertaking the responsibility for the appointment of the Commission. It appears to me, Sir, that in the teeth of non-official opposition, though this Royal Commission was appointed, and strongly opposed though the majority of Members of the Central Legislature to such appointment were, there is no reason why we should not endeavour to make the best of a bad job. Our protest is there and will remain there for years to come, and whenever necessary we can point to the views we have expressed in this House. But I think, Sir, it is a very short-sighted policy indeed not to endeavour to improve the composition and personnel of this Royal Commission—not to make an earnest endeavour in that direction. The second objection that I have heard being taken to my Resolution is that the consideration of a question of this character necessarily involves a consideration of the respective merits of the Members who compose the Commission itself. To this, Sir, my brief reply is that in moving this Resolution, I propose to deal with principles rather than with personalities, with measures

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rather than with men. No doubt the fact of the composition of the Royal Commission as a whole will have to be passed under review, but Honourable Members of this Council no more than I are compelled to express their opinion about individual Members of the Commission, be they English or be they Indian.

I may further point out that I am quite prepared to state that everyone of the Members of the Commission has made his mark in his own sphere of activity. I take it for granted, without subjecting it to argument, that the Members of the Commission are excellent men in their own way, but the question, as I have already pointed out to be considered by this Council, is whether we cannot improve upon the personnel of the Commission.

Now, Sir, coming to the matter of the composition, this Council will at once have noted the very significant departure that has been made in its composition from the settled policy of the Government of India which has been uniformly adhered to since the introduction of the Government of India Act, 1919. Honourable Members are aware that a large number of Committees were appointed by Government during the last three years, some of them being charged with the consideration of questions which directly affect our policy. To mention only a few out of the large number of Committees appointed, I would refer to the Press Laws Committee, the Repressive Laws Committee, the Racial Distinctions Committee, the North West Frontier Committee, and last, though by no means the least, the Fiscal Commission.

THE HONOURABLE THE PRESIDENT : Were they Royal Commissions ?

THE HONOURABLE SAIYAD RAZA ALI : No. I am dealing, Sir, with the Committees appointed by the Government of India ; and it is a matter upon which the Government of India are entitled to be congratulated that in everyone of these Committees Government put the Indian element in the majority. And, Sir, let me ask what were the consequences ? It cannot be said that because the Indian Members were in a majority on these Committees, they displayed any lack of a sense of responsibility, or that they unduly pressed the Indian view-point on the authorities, or that they did not realize and appreciate the existing conditions of the country, or in any way behaved in a manner which was not worthy of a citizen of the British commonwealth. The answer, Sir, I am sure to all these questions would be in the negative.

If that is so, are we not entitled to know as to what is the reason that a departure, and for the matter of that a violent departure, has been made in the composition of the Royal Commission ? The only reply, Sir, that could be given perhaps, if I may be allowed to guess, is that this Commission is a Royal Commission appointed by His Majesty and not a Committee or a Commission which derives its authority from the Government of India. Now, so far as the powers and privileges of the two sets of Commissions are concerned, the distinction between the two is obvious and well recognised. But so far as the

question of its composition, so far as the question of the policy underlying it goes, I entirely fail to see how a Royal Commission stands on a different footing from a Committee or a Commission that owes its existence to the Government of India. Thus, the position stares us in the face that for certain reasons which have not been stated before the country it has been thought advisable to place non-Indians in a majority on this Commission. I hope the Honourable Member in charge on behalf of Government will let us have an inkling into what is really passing in the mind of Government.

Now, Sir, coming to the question of personnel, I must at once say, as I have already pointed out, that I admit the capacity of the members selected. But, again, what is remarkable here is that the Government have not deemed it fit to follow the principle that has commended itself to them in the appointment of non-Indian Members of the Commission in the case of the Indian Members. Honourable Members are aware that out of 5 non-Indian Members, 3 are non-official Englishmen. What do we find, Sir, when we come back to India? We find that not a single non-official member was selected by Government to serve on this Commission. The interests of the British section of the Indian Civil Service are represented on this Commission by an experienced and able administrator, namely, Sir Reginald Craddock. But who is there to espouse the cause of the Indian section of the Indian Civil Service? Again, Sir, so far as the other Imperial Services are concerned, an able man, Mr. Petrie, has been selected by Government to serve on the Commission. But there is no Indian occupying a corresponding position to look after the interests of Indians on these Superior Services. As I have already hinted, the most astounding fact about this Commission, if I may be allowed to say so, is a thorough distrust exhibited of public men in India. On scanning carefully through the names, one would find as if special care had been taken to exclude every man who has been identified with the public life of the country. Not only that, Sir, but though we know that the appointment of the Commission entails a heavy expenditure on the finances of India and that in all likelihood in consequence of the recommendations made by the Commission, if those recommendations are accepted by Government, a still heavier burden will be imposed on Indian revenues, Government in their wisdom have deemed it fit not to select a single member of the Central Legislature, which, after all, deals with Indian finances. Another point that would readily suggest itself to Honourable Members in this connection is that the Ministers who are directly charged with administering transferred departments and who have got valuable experience of the administration of the country for the past 2½ years have been totally ignored in connection with the appointment of one of their number. I am not so blind, Sir, as not to see that after all the members of the Central Legislature and of the Provincial Legislatures taken together do not make up the whole of India. I know that there are very able men who are neither in the Central Legislature nor in any of the Local Councils. Let us see how the Government has treated these men who do not belong to any of the Councils. The same distrust, to which I referred, is exhibited in their case. Sir, it is very important and it is very necessary, if it is desired that the report that will be finally submitted by this Commission

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should command something like, I would not say the confidence, something like the regard of the country, something like consideration by the country, it is of imperative importance that at least two non-official members, representatives of public life in this country, should be added to the Commission. There are, Sir, precedents, for Government rectifying its omission some time after the appointment of a Committee or Commission. There have been cases in which Government acting on the impulse of the moment have not given a thoroughly representative character to the Committees appointed.

If my memory does not fail me, Sir, I think that happened in the case of at least one Member of the Decentralization Commission of 1908, and I am sure that the omission was supplied in the case of the Universities Commission of 1902, which was appointed by Lord Curzon, by adding to it Sir Gurudas Banerjee, an eminent educationist, a few weeks after the announcement of the Commission's personnel. Sir, I am not one of those who take the view that if two non-official Members are appointed to this Commission, its findings would inspire confidence from end to end of the country. After all if you make a bad beginning, it is very difficult indeed to get out of it ; but this much I can say, that its report would be entitled to greater regard from the country than would otherwise be the case. As I have submitted, there are many people who take the view that, after all the Government have acted in a most irresponsible fashion, and the best thing we can do under the circumstances is to have nothing to do with this Commission. As I have pointed out, I do not take that view. I think it is up to us to try to improve, if we can, upon the composition and personnel of this Commission, and it is for that reason that I have made this attempt to induce Government to see their way, if they can, to remedy the mistake that they have committed in excluding altogether men from Indian public life.

THE HONOURABLE MR. J. CRERAR (Home Secretary) : Mr. President, my first impulse in rising to oppose this Resolution is to tender to my Honourable and learned friend a tribute of my respectful, but qualified condolence. I think it is probable that, in the Honourable gentleman's very wide experience as a legal practitioner, it has been his fate or fortune to have to deal with what is in common parlance called a bad case. I am sure that in such circumstances my learned friend has applied his eminent abilities to overcome the difficulties of the case, to bring them to a successful issue, and in doing so has displayed the spectacle, said to be so pleasant to the Gods, of a good man striving with adversity. On the present occasion he has a case which must, I think, be one of the worst he has ever had to deal with in the course of his experience, but I must point out that most of its defects are entirely of the Honourable and learned gentleman's own construction. To that extent, though I appreciate the ingenuity with which he has eliminated, in the presentation of his case, the more awkward and embarrassing elements which are really inherent in it, I must, while tendering to the Honourable and learned gentleman my sympathy, qualify it very seriously.

I have a preliminary objection to take to the Resolution on constitutional grounds. It is perfectly well known to the House that the appointment of the personnel of a Royal Commission, is a matter which lies peculiarly within the prerogative of the Crown. In the course of English political history Royal Commissions have been appointed from time immemorial, but I venture to say that the constitution, the personnel of a Royal Commission has never been moved and agitated in either of the Houses of Parliament in the manner in which the Honourable and learned gentleman invites this Council to move and agitate it to-day. It is perfectly clear that it is not within the statutory competence of the Government of India, either directly or indirectly, to communicate to His Majesty any advice on the matter. It would therefore be impossible for Government to take any practical action upon this Resolution, and I do not think it would be conducive to the dignity and the authority of this House that, on the invitation of the Honourable Saiyad Raza Ali, they should embark upon a course which would necessarily be sterile. If I may venture to say so, the weight and authority which have always attached to the decisions of this House have been so attached largely because, of its own motion under your direction, Sir, it has always shown the most careful solicitude for the canons of constitutional propriety, and I trust that on this occasion the House will not be seduced by the eloquence of the Honourable the Mover to abandon that sound and salutary course.

I make that as a preliminary point and I may have occasion to revert to it ; but I make it not because I am not prepared to meet the Honourable the Mover on the merits, or as I consider them, and as I hope to make plain to the House, the demerits of his Resolution. The Honourable Member with his usual skill and address stated at the outset of his remarks that he intended to exclude personalities from consideration. Well, Sir, I am glad that my Honourable friend adhered to that decision, but it is necessary for me to point out that, unless he is prepared to embark upon personalities, his case really falls to the ground. For what is the actual fact ? The necessity for the representation of Indian public opinion on the Commission has never been contested. The only question which can therefore arise is whether, in point of fact, it is adequately represented, and that question can only be answered by considering the personal qualifications of the Indian members of the Commission. Now, Sir, I entirely agree with my Honourable friend that the proper function of this House is to deal with principles, with policies and not with personalities. It is because Honourable Members cannot commit themselves to the sense of this Resolution without committing themselves to a judgment on personalities, that I would most strongly exhort them to refrain from giving their countenance to the Resolution. The real question in issue could only be adequately replied to by an assessment of the personal qualifications of the gentlemen concerned. To me that would be an easy and congenial task. With one of those gentlemen in particular, I have had the privilege and advantage of long and intimate official association, and I should have no difficulty whatever in replying to disparagements of the character which are inherent in the Honourable gentleman's Resolution. I will not do so partly because it would be a departure from the tradition of the House, alluded to by my Honourable friend, of abstaining from personalities and dealing with

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principles and policies. And there is another reason why I should refrain from that course and it is this. The part taken in public life by these gentlemen is a matter of public record. It is well known both in this House and outside, and I should esteem it a superfluous impertinence on my part to enter upon any exposition of their qualifications, superfluous and impertinent almost to the same degree as the contrary course which is implied in my Honourable friend's Resolution, is inopportune, ill-advised and unwarranted.

I think, Sir, it must be apparent to the House that for a successful conclusion to this inquiry an intimate knowledge and experience of the problems that arise, especially in their Indian aspect, are absolutely indispensable and, though my Honourable friend was naturally reluctant to admit it, it appears to me that it is essential to his argument to show that, because Indian public men have participated in the responsibilities of executive government, they are in some mysterious way and on that ground disqualified from being Members of a Commission of this kind. It would appear Sir, though I do not wish to urge the point too far, that the logic of my Honourable friend's position requires this. His objection really is not that these gentlemen do not know enough but that for the particular objects which he has in view they know too much. I am compelled to infer that what my Honourable friend is seeking for is an advocate, not a judge. As I conceive of the operations of the Commission, it will be the duty of the Members to form their judgments on the evidence and to frame their policy on judgments so formed. My Honourable friend appears to contemplate, as in the interests of this inquiry and as in the interests of India, that Members should be appointed to it with a certain fixed and definite preconceptions or prejudices. What would be my Honourable friend's attitude as a lawyer to a prejudiced jury or, still worse, to a prejudiced bench? And yet, Sir, the objection which I take to the real implication of the Resolution is precisely of that nature.

The matter however really goes deeper than this. It is essential to the validity of my Honourable friend's case to propound, and, indeed, to establish, a very singular proposition. We know, Sir, that there are Members of this Commission, who have taken an important and leading part in Indian public life, and there is no one here who will contend—the Honourable gentleman himself does not venture to contend,—that they are not admirable representatives of Indian public opinion. What is his real objection? Is it this, that the effect on Indian public men of power and responsibility in some strange way unhinges their minds or distorts their judgment or enfeebles their conscience? Let us consider what happens in English public life. Men of the calibre of Lord Grey or Lord Balfour, to mention only two names which occur to me on the spur of the moment, would be regarded by English public opinion as admirable Members of any Commission appointed to deal with important public questions. Their having been Members of the Government, so far from being considered a disqualification, would be regarded as an additional qualification. Are we to apply a different criterion to Indian public men? Does the Honourable gentleman really appear now as the advocate of a principle of racial discrimination in a particularly invidious form? Is

it really the case that power and responsibility have these detrimental effects on Indian public men? If that is indeed so, I am astonished at the temerity of the Honourable and learned gentleman in continuing to advocate a further advance on that road to power and responsibility, if it is beset with such possibilities of danger and disaster. I need only point out the necessary implication of my Honourable friend's position to make clear—I hardly like to use the word, but I fear it is the only word I can use and I use it in a logical sense—it's absurdity.

Now, Sir, I referred at the outset of my remarks to the constitutional position. I pointed out that, whatever the attitude of the Government of India towards this Resolution might be, it is quite impossible for them to take the course which it recommends, and I think the House will not, not only because of its reasonable sympathy with the position of Government, but, what is of still more importance from a proper regard for its own dignity and authority, permit itself to be committed to this course. Indeed, Sir, it appears to me that the Resolution reveals a complete misapprehension of the purpose of this Royal Commission. It is not a political demonstration, but, in the words of Bacon, "a laborious and sober inquiry of truth," in order to carry out a momentous task, one of the greatest that now lies to our hands, the task of construction and reconstruction on the best and surest foundations. I am confident, Sir, that this House will not withhold its support from the execution of these high designs, and that it will give a clear and certain indication of the spirit of reason, goodwill and statesmanship which have always animated its Counsels by rejecting the Resolution.

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

The HONOURABLE MR. LALUBHAI SAMALDAS (Bombay : Non-Muhammadal) : Sir, I have handed in notice of an amendment, but before moving the amendment may I speak on the general question?

The HONOURABLE THE PRESIDENT : The Honourable Member is entitled to make a speech on the Resolution and, at the conclusion of his speech, he can make any motion which is in order.

The HONOURABLE MR. LALUBHAI SAMALDAS : I wanted to refer only to one remark made by the Honourable the Home Secretary in his speech. He said, in reference to the request of my Honourable friend Saiyad Raza Ali that two Members of this House might be added to the Commission, that it would be a prejudiced jury. I think it is a term which need not have been used as regards the Members of this House. When any one of us is appointed to a Commission of this kind, we will not be prejudiced one way or another. If a Member of this House or a Member of the other House is appointed to the Royal Commission, he would not look at matters from a prejudiced point of view. That is a term which, we hope, will never be used in this House at least.

With these remarks, Sir, I would move the amendment. Part of my work is made very easy by the speech of the Honourable Mover. When I read the words "the composition and personnel of the Commission"

[Mr. Lalubhai Samaldas.]

I thought that my Honourable friend might refer to personalities and to the qualifications of each Member.

I do not think he has done so ; not only that, but he has clearly said that he does not want to refer to personalities. On the Committee are appointed public workers whom we all know and who were officials at the time of the appointment. I would like to say that I entirely agree with what the Honourable the Home Secretary has said about the Member whom he has in view ; I can say the same of another Member from Bengal who has done splendid public service ; who has been on public platforms, and has been, actively associated with the congress for more years than perhaps anybody else in this House and who has taken an active part in public life. To say that these men because they have held offices do not command the confidence of the public of India is quite untrue. I do not think my Honourable friend, Saiyad Raza Ali, could have ever meant that ; yet the way in which he put that argument forward, *viz.*, that there is not a single member who was not in service—would suggest that. But fortunately one Member is now not in service, so that at least ought to please my friend, Saiyad Raza Ali, that one member at least is not a public servant now. If he wanted that there should be a non-official who is able to carry public opinion with him in this country, well he has got such a man as a Member of the Commission. There is only one other point which I want to refer to. The Honourable Mover of the Resolution said that there are representatives of the English services ; and that there should be somebody to represent the Indian services. I think there also he is mistaken. There is an eminent Provincial Service man from the Punjab who has recently risen to the rank of a Commissioner, an Indian, who will be able to look after the interests of the provincial service men.

The HONOURABLE SAIYAD RAZA ALI : I was speaking of the Indian Civil Service, not of the Provincial Civil Service.

The HONOURABLE MR. LALUBHAI SAMALDAS : I am glad to hear the information given by my Honourable friend. However, as he has made it clear that he does not want to refer to the personnel, I hope he himself will not see any objection to having the words ' and personnel ' dropped. I therefore, Sir, move the amendment that—the words ' and personnel ' in the third line of the Resolution be deleted '.

The HONOURABLE THE PRESIDENT : I fail to apprehend the purpose of this amendment. It seems to me that the words ' the composition ' and ' personnel ' are practically the same. I do not think his amendment affects the Resolution.

The HONOURABLE MR. LALUBHAI SAMALDAS : May I give an explanation ?

The HONOURABLE THE PRESIDENT : Certainly.

The HONOURABLE MR. LALUBHAI SAMALDAS : ' Composition ' might mean that there ought to be more Indians, or that there ought to be more Englishmen, or more Englishmen who are non-officials, or more Englishmen who are officials ; personally, I thought it would be better to

delete the word 'personnel'; I thought that was my understanding; if that is not so, then I do not insist. ....

The HONOURABLE THE PRESIDENT : I do not think the Honourable Member's amendment in any way alters the sense of the Resolution. An amendment must have some definite effect on the main motion. His amendment has none; therefore I do not put it to the House.

The HONOURABLE SAIYAD RAZA ALI : Sir, as regards the preliminary objection with which I am not unfamiliar, I would say that we, members of the Bar, generally avail ourselves of the preliminary objection when we in our heart of hearts realise that we have got a bad case and that the only way of saving our client is not to allow the matter to be discussed on the merits. I hope my Honourable friend, Mr. Cramer, follows my meaning. However, I would not be so uncharitable as to say that the Government have got no case at all. But as appears from the preliminary objection there is not the least doubt, and every impartial observer will realize for himself, that the Government have got a hopelessly bad case; that is my reply to the preliminary objection. Now coming to the merits of the case, my Honourable friend, who no doubt was very courteous to me in his constant references, has used certain words in connection with my speech which I will at once examine before this House. My Honourable friend, to whom I am very grateful for the terms in which he referred to me, was pleased to say that my Resolution was inopportune, ill-advised, and unwarranted. Now in one minute I shall show to the House that just the reverse is the case. My Resolution is opportune because the Commission has not yet entered on its onerous duties, and if any addition is to be made, it is just the time when His Majesty's Government should announce the addition of two or, if necessary more, Indian Members, so that my Resolution comes at a highly opportune time. Is it, Sir, ill-advised? What, after all, is the duty that we owe to the Sovereign and the country? Our duty is, Sir, this; if Government, not knowing the conditions of this country—because, after all, the machinery through which this Government is conducted is not a machinery that is planted in the soil itself, but is for obvious reasons introduced from a country at a distance of six thousand miles if, at times, Government are prone to take action which does not serve either the best interests of the country or of the Government themselves, what is the duty of Honourable Members of this Council? I for one am convinced that my duty is that, if I see Government taking a wrong step, a step which is likely to lead to dissatisfaction, to discontentment, I must say that my plainest duty is to stand up and say 'you are wrong; either drop this measure or modify it to such extent that it will totally disarm hostility'. It is far from being ill-advised, it is a Resolution which is in the best interests of the country and the Government and highly advisable. No is it unwarranted? I do not think I need say much on that. The line that was taken by my Honourable friend itself would go to show that there is the best of warrants for my bringing forward a Resolution of this character. I will mention one of the many warrants that I have for moving this proposition. That warrant which was totally ignored, if I may say so, by my Honourable friend, Mr. Cramer is this: Here is a Commission appointed contrary to all the precedents that have obtained in this country for the past 2½ years.

[Saiyad Raza Ali.]

you have placed non-Indians in the majority here. That, among others, is the best and the greatest warrant, Sir, that I have for moving this Resolution. Coming to the selection of the Indian Members, my Honourable friend very ably tried to drag me into a trap that he very skilfully laid out for me. The trap was that he wanted me to discuss the merits of the individual Members of the Commission. From the very beginning, Sir, I have set my face against it. I say that I refuse to discuss the merits either of individual Englishmen or of individual Indians. All I say is that if you accept the line of action that I recommend, you will have a much more qualified, a much better, a much stronger Commission to tackle the questions committed to its charge. Sir, my Honourable friend in particular referred to one of the Indian Members whom he knew.

I on my part can say that I am fortunate to know all the four Indian Members who have been appointed. I have already pointed out that I do not belittle their great qualifications, their eminent achievements; they are my countrymen, my distinguished countrymen, and I have no reason whatsoever to be ashamed either of them or of their work. But that is not the question before the House; the real question is whether, having regard to certain principles guiding the conduct of Government, Government have not set those principles altogether at naught, and it is in this view that I have tried to make a certain specific recommendation to Government.

My Honourable friend in his own peculiarly felicitous manner pointed out that perhaps I was afraid of the Indian Members selected because they knew too much of the country. Sir, I wish it were open to my Honourable friend Mr. Crerar to say the same of those non-Indian non-official members who are going to be imported from six thousand miles away. I wish it were open to him to say that perhaps I have some suspicion in my mind, though in fact I have none, that the objection to these three men was taken because they knew a little too much of India. Sir, I would not go into the merits or the qualifications of these gentlemen. We know that their main qualification is a total absence of their knowledge about India or affairs Indian. Sir, my Honourable friend then took up the analogy of the Commissions appointed in England and he went on to say that nobody would think of taking objection to the appointment of men like Lord Grey or Lord Balfour on the ground that they had been officials at some time or other of their lives. Sir, to begin with, is my Honourable friend quite fair to me and to this country and to this House when he draws false analogies from British public life? Sir, in England there is the sovereignty of the people. It is Parliament, as representing the people, that holds sovereign powers in its hands. Can my Honourable friend say that the Council of State and the Legislative Assembly hold the sovereign power in this land? In England it is the people who decide which Government they will have; in India it is the Government who decide which individual men will get official advancement. Am I not justified in asking Government to desist from making this Commission something like a packed jury which will return a verdict in Government's favour?

The merits of the question, I am afraid, have not really been dealt with by my Honourable friend in charge of the Resolution on behalf of Government. As to the legal objection, I would simply say that if he will turn to the terms of my Resolution, he will find that I make a recommendation to His Majesty's Government. I entirely fail to see how the proposed action can be considered undignified on the part of the elder Statesmen of this Council, or how it can infringe the canons of constitutional propriety. We put on record this desire of ours and we say that unless His Majesty's Government take this action, it is almost certain that no attention, or very little attention, will be paid to the findings of this Commission. Therefore, it is in the fitness of things that the personnel of the Commission should be strengthened from the ranks of Indian public life. It is for this Council to decide whether I am right in making the very reasonable request that I have made in this Resolution.

THE HONOURABLE MR. J. CRERAR : Sir, the Honourable Mover in his opening remarks in reply gave us some insight into the practice of gentlemen of the legal profession. He told us, as I understood him to say, that the frequent practice in bad cases was to intrude at the outset some frivolous preliminary objection.

THE HONOURABLE SAIYAD RAZA ALI : I did not say 'frivolous.'

THE HONOURABLE MR. J. CRERAR : I understood from the general purport of the Honourable Member's contention that the objection was in the nature of a red herring. The Honourable Member referred on this analogy to the preliminary objection I raised. It differs, however, in this respect, it is a substantial one and I invite the particular attention of the House to the fact that the Honourable and learned gentleman made no endeavour to reply to it. Indeed, Sir, I think I can claim that the Honourable Mover's reply in its general character substantially supports my opposition to the Resolution. There is only one point which I desire to make and it may perhaps be of service in removing a possible misapprehension. It has been suggested—I do not think deliberately suggested,—but it has been rather left to be inferred—that the appointment of this Commission was made without any form of consultation with opinion in this country. But I invite the attention of the House to the reply made by the Honourable the Home Member in another place to a question bearing upon this. He announced that the Government of India were not formally consulted about the appointment of the Members. The Secretary of State referred to His Excellency the Governor General. His Excellency recommended the names of such gentlemen as were in his opinion, by their administrative experience, specially qualified to assist these inquiries. I think, Sir, that if we now at this stage eschew all personalities and all reference to personalities, and examine the constitution of the Commission on entirely impersonal grounds, I think that the House will agree that it is in fact a well balanced Commission. It is quite impossible on a body of this kind that there should be direct representation of all the sections and all the interests which might be affected by so large and so extensive an inquiry, and I think that really is the substantial reply to many of the contentions raised by my Honourable friend. It is quite impossible to allow a Royal Commission, a Commission which is expected

[Mr. J. Crerar.]

to discharge its duties with expedition and dispatch it is impossible to allow it to grow to the enormous dimensions which would be entailed by direct representation of all possible interests. That really is the substance of my reply to that part of the Honourable gentleman's contention. I maintain, nevertheless, though I should be glad not to be under the necessity of referring to them again, that the personal questions to which I was compelled to advert in my first speech in reply to the Honourable gentleman are matters which are implicit in his Resolution and it is quite impossible for this House to give its assent to that Resolution without at the same time giving its assent to propositions of a character which both the Honourable Member and myself admit and agree—and I hope the House will agree too—are highly undesirable.

The HONOURABLE THE PRESIDENT : The question is that the following Resolution be adopted :

“ This Council recommends to the Governor General in Council to convey to His Majesty's Government, through the Secretary of State for India, this Council's sense of disappointment at the composition and personnel of the Royal Commission on the Public Services in India and its considered opinion that, in order to allay the apprehensions produced in India, it is absolutely necessary to add to the Commission two non-official representatives of Indian public life.”

The motion was negatived.

#### STATEMENT OF BUSINESS.

The HONOURABLE DR. MIAN SIR MUHAMMAD SHAFI (Law Member) : Sir, the agenda for to-morrow's meeting of this Council has already been circulated to Honourable Members. Wednesday being a gazetted holiday, there will be no meeting on that day and the meeting provisionally fixed for the 26th has, with your permission, been postponed to Friday the 27th. On that day a motion will be made for leave to introduce a Bill to consolidate the law applicable to intestate and testamentary succession in British India. And in the event of any Bills being passed in another place to-day, motions will be made in this Chamber that they be taken into consideration and passed. Government have agreed to the Mussalman Waqf Bill and the Charitable Endowments and Religious Trusts Endowment Bill being taken into consideration after the disposal of Government business on the 27th.

The HONOURABLE THE PRESIDENT : That concludes the business on the paper, and the Council now stands adjourned till to-morrow at 11 o'clock.

The Council then adjourned till Eleven of the Clock on Tuesday, the 24th July, 1923.