

Wednesday, 6th March, 1929

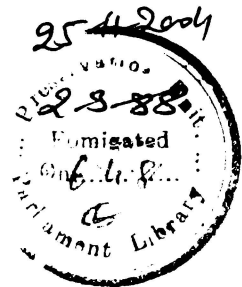
THE
COUNCIL OF STATE DEBATES

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SIXTH SESSION

OF THE
SECOND COUNCIL OF STATE, 1929



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COUNCIL OF STATE.

Wednesday, 6th March, 1929.

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

QUESTIONS AND ANSWERS.

PROMOTION OF INDIAN OFFICERS OF THE REGULAR INDIAN ARMY WITH VICE-ROY'S COMMISSIONS.

85. THE HONOURABLE SIR EBRAHIM JAFFER: Will Government please state:

- (a) Whether Indian officers of the regular Indian Army with Viceroy's Commissions, who are nominated to the Royal Military College, Sandhurst, will be eligible for promotion beyond the rank of 2nd-Lieutenant after passing out of Sandhurst?
- (b) If so, whether they will be eligible for promotion to the command of an unit?
- (c) If not, why not?

HIS EXCELLENCY THE COMMANDER-IN-CHIEF: (a) and (b). The answer is in the affirmative.

(c) Does not therefore arise.

IMPROVEMENT OF THE CONDITIONS OF SERVICE OF THE STAFF OF THE BOMBAY, BARODA AND CENTRAL INDIA RAILWAY.

86. THE HONOURABLE SIR EBRAHIM JAFFER: Will Government please state:

- (a) Whether there has been in recent years a great increase in traffic on the Bombay, Baroda and Central India Railway and a corresponding increase in the volume of work?
- (b) If so, whether the emoluments and the prospects of the staff have been correspondingly improved?
- (c) If the answer to (b) is in the negative, whether it is the intention of Government to improve the present alleged hard conditions of the staff?
- (d) Whether any acute discontent has been evinced by employees of the above Railway in respect of pay, leave, quarters and other facilities?
- (e) If so, whether Government have taken any measures to improve the conditions?

THE HONOURABLE SIR GEOFFREY CORBETT: (a) Between 1923-24 and 1927-28 there was a drop of over four million in the number of passengers carried on the Bombay, Baroda and Central India Railway. The tonnage of goods carried was much the same in the two years.

(b) This question does not therefore actually arise. But I would point out to the Honourable Member that increase in traffic is a reason for increasing the number of staff employed rather than for raising the emoluments of the existing staff.

(c), (d) and (e). Government are not aware of any acute discontent on the part of employees of the Bombay, Baroda and Central India Railway, but, as is explained in paragraphs 21 and 23 of the Memorandum on the Railway Budget for 1929-30, it is the intention to investigate the conditions of service of the lower paid employees on Indian Railways.

NEW ISSUE OF THE STERLING LOAN OF £10,000,000.

87. THE HONOURABLE SIR EBRAHIM JAFFER: Will Government please state :

- (a) Whether it is a fact that the Committee of the Indian Chamber of Commerce, Calcutta, have protested against the new issue of the sterling loan of £10,000,000 by Government and the way it has been placed upon the market ?
- (b) Whether Government intend considering some of the suggestions made by the Committee in their letter of protest ?
- (c) Whether the present ratio has resulted in contractions in the currency of the country ?
- (d) If so, what steps are being taken to remedy the evil ?

THE HONOURABLE MR. E. BURDON: (a) Yes.

(b), (c) and (d). I have nothing to add to what the Honourable the Finance Member has said in his Budget speech regarding the ratio and the borrowing policy of the Government of India.

POLICY ADOPTED IN FIXING RATES FOR STATE RAILWAYS.

88. THE HONOURABLE SIR EBRAHIM JAFFER: Will Government please state what policy is generally adopted in fixing State Railway rates ?

THE HONOURABLE SIR GEOFFREY CORBETT: For the purpose of freight rates commodities are placed in ten different classes, and separate maximum and minimum freight rates for each class are fixed by the Railway Board. Within the limits thus fixed Railway Administrations are at liberty to quote such rates as in their opinion will attract traffic, and it is with this object in view that the actual rates are fixed.

PROMOTION OF CLERKS IN THE SUBORDINATE ESTABLISHMENT OF RAILWAY ACCOUNTS OFFICES.

89. THE HONOURABLE SIR EBRAHIM JAFFER: Will Government please state :

- (a) Whether a successful candidate in the examination for the appointment of clerks to the subordinate establishment of Accounts Offices under the administrative control of the Financial Committee of Railways to be held in April 1929 will be eligible for further promotion later ?
- (b) If so, what the extent of that promotion will be and what will be their maximum salary ?

THE HONOURABLE SIR GEOFFREY CORBETT: (a) Yes.

(b) Subject to good work, good conduct and the passing of the prescribed departmental examinations, such clerks will be eligible for promotion to posts in the subordinate establishments, the maximum pay of which is Rs. 450 per mensem. They will also be eligible for promotion to the rank of Assistant Accounts Officer the maximum pay of which is Rs. 800 per mensem. Further a proportion of the vacancies in the superior establishment will be filled by promotion from the subordinate grades.

(1) SUGAR INDUSTRY. (2) ACREAGE UNDER SUGARCANE IN INDIA.

90. THE HONOURABLE SIR EBRAHIM JAFFER: Will Government please state:

- (a) Whether they are aware of the inability of the Indian sugar industry to keep pace with the increased internal demand?
- (b) If so, what steps have been taken to remedy the evil?
- (c) Whether they have given any effect to the recommendation of the Royal Agricultural Commission on the matter with respect to scientific research by the Government of India in connection with the industry?
- (d) What the acreage under cane was last year and the previous year and how much of it provides cane for the manufacture of sugar in modern factories?

THE HONOURABLE KHAN BAHADUR SIR MUHAMMAD HABIBULLAH: (a) Yes.

(b) and (c). The Government of India propose to commend the problems of the sugar industry in India to the earnest consideration of the Council of Agricultural Research which it is hoped shortly to establish, and trust that that body will take early steps to constitute a strong sub-committee to deal with them.

(d) The area under sugarcane in India was 3,103,000 acres in 1927-28 and 2,727,000 acres in 1928-29 and $2\frac{1}{2}$ to 3% of the output was crushed in modern factories.

OVERBRIDGE OVER THE LEVEL CROSSING AT KOREGAON ROAD AT POONA.

91. THE HONOURABLE SIR EBRAHIM JAFFER: Will Government be pleased to state:

- (a) The average number of trains and engines passing each day through the level crossing on Koregaon Road at Poona?
- (b) Is there a Goods Transfer Station of metre gauge of the Madras and Southern Mahratta Railway and of broad gauge of the Great Indian Peninsula Railway and a workshop of the Madras and Southern Mahratta Railway, on one side of the level crossing?
- (c) Since the development of the new Koregaon Park what increase has there been in the number of persons using this level crossing?
- (d) Did the Poona Suburban Municipality approach Government for an overbridge?
- (e) Is the proposal still under consideration? If not, why not?

THE HONOURABLE SIR GEOFFREY CORBETT : (a) About 50.

(b) The Ghorpuri Tranship Shed and the Madras and Southern Mahratta Railway metre-gauge running shed are on the south of the level crossing.

(c) I am afraid no information on this point is available.

(d) and (e). The necessity for a road overbridge over the level crossing has been established and the question of the alignment is under correspondence between the Agent of the Great Indian Peninsula Railway and the Public Works Department of the Bombay Government.

PRIVATE BUNGALOWS FOR THE USE OF MILITARY OFFICERS IN WELLINGTON CANTONMENT.

92. THE HONOURABLE SIR EBRAHIM JAFFER : Will Government be pleased to state :

(a) How many private bungalows there are in Wellington Cantonment for the use of military officers stationed therein and how many are occupied by civilians ?

(b) Out of the above how many bungalows have been taken under the new Cantonment House Accommodation Act ?

(c) Whether it is a fact that owners are compelled to rent their bungalows otherwise than by procedure under the said Act ?

(d) Whether they are asked to supply furniture with the bungalow without getting any extra rent ?

(e) What steps Government intend taking in the matter ?

HIS EXCELLENCY THE COMMANDER-IN-CHIEF : The information is being collected and will be supplied to the Honourable Member in due course.

THEFTS OF BICYCLES FROM THE COMPOUND OF THE GENERAL POST OFFICE, POONA.

93. THE HONOURABLE SIR EBRAHIM JAFFER : Will Government be pleased to state :

(a) How many bicycles belonging to the public were stolen from the compound of the General Post Office, Poona, during last year ?

(b) What arrangement there is to protect the public from such thefts ?

(c) Do Government intend to make better arrangements in order to save the public from such loss ?

THE HONOURABLE MR. A. C. MCWATTERS : Government have no information. The matter is of purely local concern and any parties who have suffered loss should refer to the Poona police.

I might add with reference to (c) that in many places where a demand for this facility arises, bicycle stands are provided by the postal authorities into which the public are recommended to lock their bicycles.

REVISION OF THE LISTS OF VOTERS FOR THE COUNCIL OF STATE IN THE BOMBAY PRESIDENCY.

94. THE HONOURABLE SIR EBRAHIM JAFFER : Will Government be pleased to state whether the lists of voters for the Council of State constituencies in the Bombay Presidency have been revised during the last three years ? If not, when do they intend revising them ?

THE HONOURABLE MR. L. GRAHAM : It has been ascertained from the Bombay Government that although the existing electoral rolls for the constituencies of the Council of State in the Bombay Presidency have been in force for a period exceeding three years, no steps have yet been taken to prepare fresh rolls. In view, therefore, of the provisions of sub-rule (4) of rule 9 of the Council of State Electoral Rules the Local Government have been informed that the preparation of fresh rolls should be initiated forthwith.

RECOGNITION OF CERTAIN POSTAL SERVICE ASSOCIATIONS.

95. THE HONOURABLE MR. KUMAR SANKAR RAY CHOUDHURY : Will Government be pleased to state (a) whether they accorded separate official recognition to the following Postal Service Associations :

- (i) The Officers' (Superintendents') Association,
- (ii) The Gazetted Postmasters' Association,
- (iii) The Union of All-India Postmen and Lower Grade Staff (Menials),
- (iv) The Association of All-India Postal Town Inspectors, India and Burma, and
- (v) The All-India (including Burma) Postal and Railway Mail Service Union ?

(b) whether it is a fact that the postal officials who passed the accounts examination have ceased to be members of the All-India Postal and Railway Mail Service Union and have applied to the Director-General, Posts and Telegraphs, for according official recognition to their own Union quite distinct from the All-India Postal and Railway Mail Service Union ?

(c) whether Government are aware that the graduate employees and the signallers of the Post Office have also ceased to be members of the All-India Postal and Railway Mail Service Union and have formed their own Unions to safeguard their interests ?

(d) whether it is a fact that the All-India (including Burma) Postal and Railway Mail Service Union does not actually represent all classes of postal employees in India, as the name of the Union represents ?

(e) if so, whether Government will take steps to have the name of the Union properly designated in accordance with the limited classes of officials it represents ?

(f) whether the attention of Government has been drawn to the four resolutions recently passed by the members of the All-India Postal and Railway Mail Service Union in their meetings held at Calcutta, Rangoon, Allahabad and Lahore relating to the postal Town Inspectors attached to the first class Head Post Offices ?

(g) whether any such resolutions have been passed by the aforesaid Union relating to any other classes of postal employees whose pay has been revised in the Government Order of 5th August, 1927 ?

THE HONOURABLE MR. A. C. MCWATTERS : (a) The Associations named have been accorded recognition by the Director-General, Posts and Telegraphs, but the correct designations of the first three Associations are (i) The Postal Officers' Association, (ii) The All-India and Burma Postmasters' Association, and (iii) The All-India Union of Postmen and Lower Grade Staff.

(b) It is a fact that an Association called "The All-India (including Burma) Postal Accountants' Association" has applied to the Director-General for official recognition, as distinct from the All-India Postal and Railway Mail Service Union, but Government are not aware whether the members of this Association have ceased to be members of the All-India Postal and Railway Mail Service Union.

(c) Government have no information.

(d) and (e). Government understand that the Union is a widely representative one, concerned with many if not all classes of non-gazetted postal and Railway Mail Service officials. They do not propose to suggest any change in the name which it has borne for seven years.

(f) Government understand that the Director-General, Posts and Telegraphs, has received copies of three of the four resolutions referred to.

(g) Government have no information.

GENERAL DISCUSSION OF THE GENERAL BUDGET.

THE HONOURABLE THE PRESIDENT : The Council will now proceed to the general discussion of the Budget, Part II.

THE HONOURABLE SIR MANECKJI DADABHOY (Central Provinces : Nominated Non-Official) : Sir, I will begin by welcoming Sir George Schuster who is visiting this Council for the first time to-day. (Applause.) Sir George Schuster comes to India with a reputation not only made in Egypt but in England, and to my mind it is a happy augury of the times that India should have at this present critical juncture a Finance Minister with his wide capacity, his unrivalled experience and his knowledge of international finance. This Budget we have all read with considerable interest, and I may at once say that during 20 years of my public life I have never read before a more interesting and descriptive Budget or a Budget containing facts and figures set out with such simplicity and yet in such a convincing manner. This Budget certainly has no striking or amazing features. It is a matter-of-fact Budget. It conceals nothing and yet in a most illuminating and communicative manner it describes the policy which the Finance Member is about to follow in the future. On the whole, it may be regarded as the Budget of a cautious and sagacious financier. It is a sound and satisfactory presentation of a true state of affairs and of facts and figures. Sir, it is very unfortunate that this year's Budget is what may be regarded as a tight-fit Budget. The expenditure and the income are adjusted. In a technical sense it may be regarded as a deficit Budget, but happily on account of the funds available in the Revenue Reserve Fund, an overdraft of the sum of Rs. 90 lakhs has been made and the two ends of the Budget made to meet. This of course depletes the Revenue Reserve Fund and we shall have in future years only a small margin of Rs. 14 lakhs to fall back upon in case of any eventuality. Sir, this Budget discloses nothing very serious except certain outstanding features of the proposed policy of the Finance Minister, and I do not think it necessary to trouble the Council with the details of the receipts and expenditure and to discuss the same, and therefore in the limited time that is at my disposal I propose to confine myself to two or three broad features of this Budget.

Sir, the Finance Member has discussed the future policy of taxation with great ability and he seems in a short time to have acquired a full command over

the varied details of the most complicated financial problems. But there is a passage in the speech about new taxation which I feel I cannot allow to remain unnoticed, because it is the key-note to my mind of the policy which is in future to be observed by the Finance Department under the régime of Sir George Schuster. Sir George Schuster after discussing certain matters says :

"But I wish to leave Honourable Members in no misapprehension on this matter. If additional taxation proves to be necessary in the following year the need will have to be boldly faced. My present action is governed not by fear of doing this, but by the desire to defer taking any step until I am quite certain first that it is necessary, and, secondly, what is the best direction in which to take it."

Now, Sir, my submission is that this declaration is an extremely significant one, and I see in it a premonitory warning or rather a foretaste of what is coming next year; and I feel as a Member of this Council, as one who has been a party to the approval of the taxation which was imposed in the past by Sir Basil Blackett to the extent of 50 crores, as one who has acquiesced in that policy, I feel to-day that I cannot easily endorse what he has stated in this paragraph. Sir, the years 1918-19 to 1922-23 were lean years, years of revenue deficits. From 1923 to 1927 heavy taxation was imposed in this country to the tune of about Rs. 55 crores. When these taxations were made, Government pledged themselves—and I shall presently point out the pledges of Government—the Government definitely pledged themselves, immediately they could effect remission of provincial contributions, to take an early opportunity to make a generous reduction of the existing taxation. This year with a small deficit of Rs. 90 lakhs only, which had to be made good by withdrawal of a sum from the Revenue Reserve Fund, the Honourable the Finance Minister has become somewhat nervous over the matter and has given us a warning that he may have to resort to additional taxation in the following year. Sir, I will draw the Honourable the Finance Minister's attention—and I have no doubt he is perfectly aware of it—to the statement made by Sir Basil Blackett in 1927-28. The then Finance Member said :

"When our finances permit, we would aim at a gradual reduction of taxation to a level which will give some relief to the tax-payer and leave a larger margin available for Provincial Governments' needs."

This was not enough, Sir, but in his farewell speech Sir Basil Blackett made a most significant statement on the subject and I feel the temptation of quoting a passage from that speech, as I consider it of special value on this occasion. The Honourable Sir Basil Blackett in closing his remarks on the Budget of 1928-29 said :

"Intrinsically the financial position of the Government of India seems to me to be sound and prosperous. From 1929-30 onwards it will be the privilege of this House and of my friend and successor, Sir George Schuster, whose acceptance of the post is a matter of great personal satisfaction to me, to find no outside claimant to the recurring surpluses which I hope it will be his good fortune to enjoy in the coming years and they will be free to turn their minds on the one hand to new directions in which money can be usefully laid out for India's advancement and on the other hand to the readjustment of the burden of taxation and to those reductions of taxation so welcome to tax-gatherer and tax-payer alike, which, apart from some minor cases and with the one big exception of the cotton excise duty, have been beyond our reach in my term of office. I cannot more fittingly close my statement than with the prayer that no storm from without or from within may descend upon India to disturb the bright prospects of financial well-being to which she seems to-day to be justified in looking forward."

May I ask, in all humility, the Honourable the Finance Minister what storm has appeared on the horizon during the last twelve months for him to have indicated his apprehensions about the imposition of fresh taxation next year in this country? There are three or four most important points to be gathered from the passage which I have quoted. Sir Basil Blackett made it perfectly

[Sir Maneckji Dadabhoy.]

clear that the finances of the country were very sound and prosperous. He also made it perfectly clear that in new directions, if these prospects continued, his successor would be able to turn his mind and be able to adopt a policy of general reduction of taxation. Sir, I cannot see in my mind or at least the Honourable the Finance Minister has not indicated in his Budget speech any special reasons that may necessitate such a course. His contention is that the gap has not been closed by the remission of provincial contributions as expected, and therefore, if the present state of things continues, additional taxation may be necessary. On the other hand, the ground on which Sir Basil Blackett took his standpoint was that if provincial contributions were once out of our way we should be able to go in for a readjustment of the burden of taxation and to those reductions of taxation so welcome to all of us. My submission, therefore, is and I trust that the Government will carefully and seriously consider the situation before they should embark upon such a policy. I have shown that the Government has been pledged already to a general reduction of taxation. I will now only say that the Government should also keep a margin of reserves to meet emergencies. It is not in consonance with economic principles to tax the people up to the hilt. For the safety of finances, Government should reserve a margin of taxable capacity to meet emergencies and extreme financial crises. If money was required for some war or for some trouble in Afghanistan or Central Asia, I should not hesitate to vote for it, but if money is required, if additional taxation is required, for working the ordinary machinery of Government, I shall certainly protest and I shall certainly not lend my support to such a policy, after the assurances of Government, the pledges of Government and after the additional taxation of 55 crores which has been imposed upon the country during the last few years. Sir, if Government require additional money, they can obtain it by the readjustment of the present taxation. It is the duty of the Finance Member to find out whether adjustment of existing taxation may not be undertaken at an early date which will give the Government of India greater revenue than at present in a very economical way without resorting to additional taxation. Already there is a complaint that the import duty of 15 per cent. for general revenues is very heavy. Commercial communities in India are also groaning and complaining of the super-tax or what is known as the corporation tax placed on companies which was considered to be a war measure but is still retained despite the many protests in this Council. People are all round dissatisfied with the burdensome and the present heavy pressure of taxation. Some measure of relief to the public is necessary and I shall request the Finance Minister to give his most serious consideration to this matter. The country is eagerly looking forward to a general reduction of taxation.

Sir, I should like to say a few words on the question of the bank rate, and I want the Council and Government distinctly to understand that when I make these observations I am not speaking in my capacity as a Governor of the Imperial Bank, but I am expressing my personal views as an industrialist and as a large employer of labour. I do not commit my colleagues in any way and these are my own personal opinions. Sir, I base my arguments only on the statement made by the Honourable the Finance Minister in the other House on the 13th of February last when he defended his policy of raising interest on the emergency loan from 7 to 8 per cent. Sir, I propose to speak with great moderation and with precision on this subject. I consider it a disastrous policy to raise the bank rate from 7 to 8 per cent. which was dictated by Government who advised the Bank that all existing and future loans from currency until further notice would bear interest at 8 per cent. per annum.

As the Bank had at that stage borrowed 9 crores from currency, this was tantamount to an order to the Bank to raise their rate to 8 per cent., for obviously the Bank could not afford to borrow at 8 and lend money at 7 per cent. From this it is reasonable to surmise that the bank rate is a misnomer. If the Government can dictate and use pressure, then it is the Government's rate and not the Bank rate. And what is after all a bank rate? A bank rate is an indication or rather a barometer of the trade conditions for the time being. It is an indicator of the fluctuations in the trade market for the time being. And who would appear to be in greater touch with such market conditions? Not the Government of India which is isolated from big commercial centres like Bombay and Calcutta. It is the managing Governors of the Imperial Bank who are in daily touch with the local monetary markets and also with the international money markets and who are in the best position to judge of the position. But there is another aspect, and that is that in such a condition the bank rate to my mind is not a reflex of the financial position and trade conditions of the country. The grave danger presents itself of the interests of the whole country being subordinated to the Secretary of State's balances in London, and it would appear that this has happened in the instance under review. The public has been led to expect that before the country is afflicted with the trade-crippling rate of 8 per cent. the Imperial Bank should be allowed to borrow from currency 4 crores at 6 per cent. and a further 8 crores at 7 per cent. The public, in the busy season at least, watches the Imperial Bank borrowings from currency with close interest and were not apprehensive of a rise in the rate until the bombshell had exploded, seeing as I have said that only 9 crores had been borrowed. The Honourable the Finance Member takes his stand on four important grounds. He says that the cash position of the Imperial Bank is not a material factor. I am prepared to concede that. But even the speculation to which he refers and the increase in the bank rate which had taken place in England, due to the outflow of gold from England to America—those factors had not caused their influence or operation on the Indian money market when the bank rate was raised. Secondly, the Honourable Member says that he had to take into account that nearly $4\frac{1}{2}$ crores of currency in addition to 9 crores had been also expanded, one crore against sterling, one crore against created securities and 2·4 crores against the import of gold into this country. And he says that the actual expansion which had taken place was $13\frac{1}{2}$ crores and not 9 crores as was alleged. With all respect and deference to the Honourable the Finance Member, I say that when he brings into his argument the expansion of the currency against these *ad hoc* securities as well as against the import of gold he is straining the language of section 20 of the Indian Paper Currency Act, the sole object of which was to apply this fiduciary expansion of currency against trade bills and commercial bills only. It was not intended that it should cover expansion of currency made by Government as against their personal requirements or convenience or against any methods which may seem expedient to adopt for the purpose of maintaining the exchange or for the purpose of supporting the balances of the Secretary of State for India. I do not think, Sir, that was the intention and, even assuming that the language of the section justified such an interpretation, I submit that the original purpose and intention of Government when the Indian Paper Currency Act was amended—the clear intention of Government was to expand Currency and give facilities to the commercial communities of Calcutta and Bombay against trade bills only. I am also aware of his other contention that in order to maintain the equilibrium of exchange and to ensure that Indian prices moved *pari passu* with gold prices it was necessary to raise the level of money rates in India. I do not for a moment dispute his right to manipulate exchange. Every country has had

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to do it at times. Even when we, the members of the Currency Commission, recommended the establishment of a fixed rate of 1s. 6d. we did not for a moment imply that that rate was not liable to some extraordinary fluctuations. We contemplated beyond the fluctuations between the upper and lower gold points also other fluctuations in the market. That has been done by every civilised and big financial country in the world and I certainly do not blame the Honourable the Finance Member if he had to do it for a serious emergency. But what I feel is that an emergency on the present occasion had not arisen and we could have tided over our difficulties with the 7 per cent. bank rate. You can see its effect even in the course of a short time. From a statement published by the Imperial Bank only yesterday of their finances it appears that this policy has caused a decrease in trade demand to the extent of Rs. 2,20 lakhs. This is the inevitable result of this untimely inflation of the rate. The demand for money continues at this time of the year till the end of May practically, and this is not the time for a reduction in trade demand. This high rate of interest is killing all business and has caused a reduction to the extent of Rs. 2,20 lakhs in the business demand. The whole business is now practically at a standstill. I have taken pains to labour this point, Sir, because it is an important problem. It gives rise to a number of momentous financial and industrial considerations. It not only affects us to-day but will affect us in the future, and I would therefore, in all submission, request the Honourable the Finance Member to give his careful consideration to this matter. This is not our only problem. The Finance Member has said that in the next few months he proposes to float a loan of 18 crores. That loan is to be raised partly in India and partly in sterling. He also proposes to raise 5½ crores sterling for the purchase of the Southern Punjab Railway. If this programme is to be provided for, it is not this policy which will enable my Honourable friend, the Finance Member, to get the money. My friend seems to be too optimistic of securing this Rs. 18 crores in India. I take a different view. Unless the bank rate is immediately reduced and a good long interval of low monetary market and rate of interest prevails, it will be difficult to obtain this high loan, and it can only be done by payment of a higher rate of interest. What will be the effect of payment of a higher rate of interest? It will cause a slump in the existing securities, securities which are already mistrusted by the general public and which are not in favour with the financial institutions in the country. With their policy mistrusted by the investing public, with their last sterling loans at a discount of 2½ per cent., I personally can see little prospect ahead for a successful loan issue, either here or in London. The result will be rather a set-back to the financial go-ahead policy of the Government of India unless matters are very carefully looked into and thoroughly threshed out. I would therefore implore the Finance Member to get away from this artificial condition and revert to a rate that an untrammelled bank fixes and which would be dictated solely by the financial and trade conditions of the country.

Sir, I shall only refer in a few words to the military expenditure and I will then bring my remarks to a close. There are other important points and particularly regarding the borrowing policy of the Government of India which the Honourable the Finance Member has raised, in such a clear and masterly manner, but I regret that for want of time I am not in a position to discuss those questions here just at present. As regards the military expenditure, I am very pleased that His Excellency the Commander-in-Chief and the Finance Department have come to a satisfactory settlement, and I congratulate His

Excellency the Commander-in-Chief, who is an earnest friend of India, on the step which he has taken. He has agreed to provide from the 55 crores Rs. 10 crores over a period of four years for the modernisation of the equipment of the Army, Rs. 8 crores on the actual modernisation and Rs. 2 crores as subsidiary expenditure which is still undefined. He has agreed to do this from the standardised allotment. In the result, it works out to this, that the Government of India have deliberately limited the total military expenditure to Rs. 55 crores. Out of this, His Excellency the Commander-in-Chief has agreed now to spend Rs. 2½ crores annually in connection with this new expenditure. The meaning of this is this, that His Excellency the Commander-in-Chief has made a saving of Rs. 2½ crores in the Military Budget, and further, after the four years have run out, the result will be an automatic reduction of Rs. 2½ crores which will perhaps bring us as near as possible to the final figure of the Inchcape Committee who suggested that Rs. 50 crores should be our maximum military expenditure.

Sir, I shall now close my remarks. I will only allude to one thing. The Honourable the Finance Member has asked for the co-operation of the Indian Legislature in his policy and the steps he proposes to take in pursuance of that policy. I assure him that this House—and I know I am expressing the sentiments of the majority of my colleagues here when I say that this Council will give him, Sir, its full measure of co-operation. We shall do everything in our power to assist him and to help him in moulding the financial policy of this country which may not only bring prosperity to India but may also bring glory to himself. Sir, we shall do everything in our power to advise him. He made a statement yesterday in the other House that he would perhaps occasionally consult the Leaders of the House. I hope he will extend that courtesy to this House also. He will find in this House people with a larger stake and larger interests of the country at their heart, and the advice and assistance which he will receive from my colleagues will be of immeasurable benefit to the Government of India. (Applause.)

THE HONOURABLE MR. V. RAMADAS PANTULU (Madras: Non-Muham-madan): Sir, I may without any breach of propriety as a Congressman join my friend Sir Maneckji Dadabhoy in congratulating the Finance Member upon the refreshing candour and the lucidity with which he presented his Budget. As a layman I found it much more easy to study his Budget than his predecessor's. That was to me a test of his clarity. I do not propose to go into questions of high politics or intricate finance because all that has been done in the other House. I think I shall be putting the case of the popular side, to which no portion of this House will object, if I say that the general request to the Finance Department of the Government of India is *not to do two things but to do three other things*. The two things we do not want them to do are not to revive the provincial contributions and not to impose fresh taxation. I have been reading, Sir, some account, however brief it may be, of the memoranda of the various Provincial Governments to the Simon Commission—I have not boycotted reading; I only boycotted the Commission—and in every one of them the Provincial Governments have complained that they have not enough money to expand the development programmes in the provinces. In my own province, it has been pointed out that Rs. 7 crores will be necessary if an adequate policy of expanding education is pursued, whereas only Rs. 180 lakhs could be found for it in the next year's Budget. Therefore, I think the Government of India must finally and once for all make up its mind to wipe out these provincial contributions. Last year's budget speech promised to

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do it. I understand this year's speech also to adhere to it, and I hope nothing will induce Government to revise its promise in this behalf.

The next thing is not to impose additional taxation. My friend Sir Maneckji Dadabhoy said that on occasions of extraordinary emergency he was prepared to vote for additional taxation. That is a different matter altogether. We speak of normal conditions when we speak on the Budget. He said he would vote supplies for a war. There are other people in this country who will vote for peace and not for war. For instance, if the Government of India becomes national and nationalises the finances and taxes the rich people in order to relieve the poor, I shall vote for that. If the Finance Member taxes my friend Sir Maneckji three times as high as he is now doing and uses that money for relieving the people of the Central Provinces, I shall certainly vote for it. I say that, Sir, because the problem of poverty in this country is a serious menace. I tell you that it is not Public Safety Bills which will stop Communism but the nationalising of our resources and the using of them to relieve the miserable condition of the poor people, if necessary, by taxing the rich. There is a large body of opinion which will advocate that policy if and when the Government of India ever gets nationalised.

The three things which I want Government to achieve are, firstly, to see whether it cannot expand its resources before it asks the tax-payer to bear any additional burden. I think the tax-payer has a right to ask the Government of India to examine more closely its policy of expanding its resources. Ways of doing so have been suggested in the other House, and I do not wish to repeat anything which has been said in the other House. Review your railway conventions, revise your extravagant debt redemption scheme, re-adjust your exchange and currency policy and scrutinise your ways and means programme. By doing these things you will satisfy the general demand of the country that you should husband your resources to a larger extent than you had hitherto done. The second thing the country expects you to do is to subject your expenditure to a very close examination. There is a large volume of public opinion in this country that by a very much closer scrutiny and a genuine attempt at retrenchment you can curtail some extravagance of expenditure in the Army and in the Railways and Civil Services. I am glad once more to acknowledge that in both these matters there is a promise held out that the Finance Member will look into these matters and do what he can in the coming years. The third thing that I want you to do is to observe some continuity in the budget policy you pursue. My friend Sir Maneckji has referred to one deviation of policy in the announcement regarding future taxation. There, there is certainly a deviation from the policy announced last year by the predecessor of the present Finance Member. That was very clearly put by Sir Maneckji and I do not wish to repeat it. I can give one other example of a deviation by the present Finance Minister from the policy of his predecessor. In regard to the Revenue Reserve Fund which Sir Basil Blackett built up, he distinctly told us that it consisted of two parts, one of 101 lakhs which was I think left unallocated out of the realised surplus of 1926-27 and another item of 172 lakhs which was the expected revenue surplus of 1927-28. He said he would be putting them to two distinct uses, and said that the first item of 101 lakhs would be used to strengthen the new gold bullion standard and the Reserve Bank Scheme, and the other item to wipe out the provincial contributions. He has used the bulk of the second item for the purpose mentioned and altogether left over 104 lakhs as there was no occasion to use the first item.

The present Finance Minister in his turn says he proposes to use this balance of the fund :

"first, to correct the artificial disturbance in the normal course of receipts from the salt revenue and, secondly, to meet special claims of expenditure of a non-recurring nature."

That is certainly a deviation from his predecessor's policy. If I remember aright, this Revenue Reserve Fund which Sir Basil called a "nest egg", was created by means of a special supplementary grant in 1927. I do not quite know what the procedure will be, but if the utilization of 90 lakhs out of this will also be effected by means of a special grant in the Assembly, I hope the question of policy involved in the change will be raised in that House. It is on account of such deviations that I plead for a continuity of policy in other directions also.

Sir, with regard to the high financial policies of the Government of India I will say nothing more. I shall confine myself to a few matters connected with agricultural finance in which I am very deeply interested. I have listened to the general debate on the Budget in the other House for some time on both days, and it appeared to me that politics and finance and economics were indissolubly wedded to industrial concerns in that House. Everybody spoke, rightly of course, of trade in Bombay, the mills in Ahmedabad, commerce in Calcutta, and things of that kind. If reference was now and then made to agriculture by Members, it was by way of additional arguments to support their own respective theories in regard to the bearings of Government's currency and exchange policies. The question of financing agriculture itself was not *directly* attacked or pressed upon the Government. Therefore, I beg leave to take up a few minutes of this House to press the claims of agriculture to be financed on the Honourable the Finance Member. I have not had the pleasure and privilege of knowing him, but from reports I have heard, not only his mind is said to be responsive in this direction, he also seems to have a warm corner in his heart for the agriculturists of this country. If so, I hope what I say will commend itself to him at least in some degree. Hitherto our Budgets have been Budgets for politicians and industrialists and they have rarely interested the agriculturist, except very indirectly. He knew of course that the world money market conditions had some vague effect upon the price levels of the produce raised by him in his fields. Unlike the claims to capital and credit for urban industries, the question of financing agriculture as an industry had rarely arisen on the Government Budgets, and even now it does not arise to any extent. The reason is that finance for agriculture, for seasonal operations as well as for movement and marketing of crops by the small farmer, is obtained through the help of usurious moneylenders. They lend the necessary money at anything between 12 and 30 per cent. Therefore, it does not matter at all whether the bank rate is 4 or 8 per cent. All the money the agriculturist requires is obtained from a source which is quite unaffected by a rise of one or two per cent. in the bank rate. Therefore, the conditions of the American money market or the discount rate or the bullion reserve in the Bank of England or the borrowings of our Finance Member and the like, hardly ever affect the credit sources of the agriculturist, because the usurious rate of interest on his loans cannot be improved upon. But now things are changing a bit. Most of you are aware that through the medium of more regular financial agencies like the co-operative societies and peoples banks, a number of agriculturists are being financed, and any one who is familiar with the working of these societies will find that the financial policy of the Government of India directly reacts upon agricultural finance so far as credit through these societies is concerned. Perhaps I can give you a concrete example so that it may carry conviction to

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you, instead of theorising. In the last month, Co-operative Central Banks in the Presidency of Madras applied to me as President of the Provincial Bank for loans to the extent of 14 lakhs. We had only two resources at our command—either to overdraw from the Imperial Bank at 8 per cent., the current bank rate, or sell some of our Government securities, which could not be sold except at considerable capital loss. Therefore, I had to hold up temporarily for a short while the loan applications and immediately there were telegraphic enquiries asking “Why was not money disbursed from Provincial Bank as readily as it used to be?” We had then to tell Central banks who used to get money at 6 per cent. that money was very dear because the Imperial Bank charged 8 per cent., and that if we lent money at the usual rate it would involve the bank in heavy loss. I only give it as an illustration to show how, when once you finance the agriculturist on a sound and reasonable basis, charge them moderate rates of interest, the Government policy with regard to its bank rate, with regard to its borrowings in the open market and similar operations have very great reaction, which is immediately felt and instantly communicated to the poorest villager who applies for a loan to any rural credit society. We have got 88,000 societies in British India and the States with a working capital of Rs. 67 crores. Members of these societies now understand the reactions of financial policy of the Government of India and how it sometimes is responsible for their either not promptly getting the loans or if they get them for their getting them at a higher rate. Farmers also understand now better how their prices and profits are hit by your operations. Therefore, Sir, I beg to point out that your monetary policies and your Budgets are more and more scrutinised from the agriculturist point of view in this country, and it is for the Government to see that it so shapes its financial policy as to make sufficient money available to agriculturists at reasonable rates of interest and to strengthen the markets. There are very important recommendations of the Royal Commission on Agriculture which, if they are to be useful, ought to be carried out by the agriculturist himself. I quite agree that no Government in any country can largely finance agriculturists by directly borrowing from the public and lending to agriculturists. Facilities ought, however, to be created for the agriculturist to get his capital and credit increased if he is to carry out those programmes. It is very good to have a research branch; it is very good to attempt to bring the latest improvements in agriculture to the knowledge of the agriculturist, provided they permeate so far. But how is he to carry out the programme and how is he to utilise the knowledge imparted to him unless he is provided with capital? That should be the foremost consideration, and on that matter the Government of India, I think, cannot shirk their responsibility any more. These are not high politics and many people may think these are very small things which this Council is not intended to deal with. But I do not feel so. I feel that agriculture, as a national industry, has not received that attention from Government hitherto that it should have, and I hope at least hereafter it will receive proper attention. In this connection I may refer to the provision in the Budget of the lump grant of Rs. 25 lakhs and 7½ lakhs of annual recurring grant for working the Agricultural Research Institute. I think our thanks are due to Sir Muhammad Habibullah, whose department it is for having brought about a welcome change in the Commission's recommendation. A Rs. 50 lakhs endowment grant is not of much use; I think the change made by the Government of India is really welcome and an endowment of Rs. 25 lakhs and the Rs. 7½ lakhs of annual grant ought to go a great way to bring about the beneficent results which the Royal Commission intended and which the Government of India want. I know it will hardly be enough. But

Provincial Governments who are greatly concerned ought to supplement the grant. I therefore heartily welcome that portion of the Budget which allocates Rs. 25 lakhs as a lump grant and Rs. 7½ lakhs as an annual grant. The provision with regard to the development of roads is also one which will affect the agriculturist beneficially. There is, for instance, this additional taxation of Rs. 90 lakhs on motor spirit which has been cheerfully agreed to and there has not been one word of comment, because this is going to develop communications which is a very important factor in agricultural prosperity, because no ryot can realise his profits unless he has got good communications. On these two points, therefore, I congratulate Government on having done something for the agriculturist.

There are other important reasons for emphasising this matter of agricultural finance at such length. The Finance Member's speech itself shows that even in the hereditary occupation of husbandry the poor ryot of this country is called upon to face foreign competition. Speaking only of one article like rice, what I find in the speech of the Honourable the Finance Member is this :

“Exports of rice, however, have gone down by as much as 7 crores as a result mainly of Japan's temporary prohibition of imports of the commodity into that country and of the increasing competition of the rice-producing countries on the Mediterranean sea-board”.

It is the same thing about wheat, sugar and various other agricultural products in this country. The ryot being poor, he is not able to raise the proper kind of article ; not being educated, he is not able to grade and market them properly, and the result is that he either gets unremunerative prices or in some cases his articles are driven out of the world's markets. Indeed rice and other foodstuffs are now imported into India from abroad. These are very serious forebodings which the Government of India ought to take very careful note of in shaping their financial policies. I am glad that the Economic Conference which meets under the auspices of the League of Nations has shown what an indissoluble connection there is between industry and agriculture and that no industrialist can successfully carry on his industry unless agriculture is prosperous, specially in a country like India. In a country like this, where the bulk of the revenue is derived from land, and where the people live on the produce raised on their own land, it is the duty of the Government to see that the soil is not impoverished, that the ryot is not economically crippled and ultimately made to succumb to competition in the field of agriculture as he did in the field of industries. Therefore, Sir, I make no apology for so insistently pressing this point.

Then, you may ask me : “It is all right. You say we have failed to do some things. Have you any remedies to propose by way of any concrete suggestions ?” Yes ; I shall make two or three suggestions by way of concrete proposals. The first thing that I will suggest is, to consider when you next take up this question of banking, whether you cannot co-ordinate agricultural finance with the existing system of banking in the country. I speak with practical experience for years of a man running co-operative banks. I find that credit facilities are wanting to ryots in many directions. Even if we have the good intention of financing agriculturists, banking facilities are woefully wanting. Naturally no commercial bank will ever agree to dissipate its resources by way of small loans to hundreds and thousands of agriculturists. That is not possible. Therefore, there must be other organisations which will be financed by these commercial banks on commercial terms. Co-operative banks can ordinarily borrow on occasions to supplement their own money from commercial banks and return it in nine months or one year and then cut

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it up into small loans to agriculturists. But what facilities have these co-operative and agricultural banks to offer that kind of accommodation? Hardly any. Of course I am thankful to the Imperial Bank for the overdraft they allow to our banks. In Madras we enjoy Rs. 60 lakhs of overdraft; but it is hardly enough and the terms are hardly suitable for the increasing demands of agricultural finance by the ryots. Therefore, I want the Finance Member to examine the system which prevails in New Zealand, Australia and South Africa especially, how they have co-ordinated agricultural banking with the ordinary commercial banking, and how the State banks themselves have rural credit departments and how in other ways agricultural finance has been supplemented very largely by the State and commercial banking concerns. We want short term credit for financing agriculturists for seasonal operations and marketing and movement of crops; we want intermediate credit for four or five years for ordinary works of improvement, for buying cattle, sinking wells, etc., and long term credit for redemption of old debts, for making permanent improvements and the like. In all these matters there is a great deal that the Government of India can do even without direct lending to co-operative banks. I will press one recommendation of the Royal Commission on Agriculture on the Finance Member in this connection. The Royal Commission has realised the necessity for providing to agriculturists long term credit on a sound basis, and for that they consider that land mortgage banks are the only suitable agencies. Each province should have a provincial land mortgage bank and Government ought to guarantee interest on the debentures floated by these land mortgage banks and they should be added to the list of trustee securities. These are matters which the Finance Member should consider and carefully examine, and if he does that and helps the formation of land mortgage banks to dispense long term credit, I assure him that with 80,000 or 90,000 societies working in India to dispense short and intermediate credit, agricultural finance can be made really an effective factor in our nation building. Government cannot be expected to borrow large sums and lend them to the ryots. The two Acts, the Agriculturist Loans Act and the Land Improvement Loans Act, have not done much by way of financial relief to agriculturists. Any Member of this House who has revenue administrative experience will know that these two Acts, though beneficial in intent, have not touched the fringe of the problem of agricultural finance. Therefore, it is only in this way that you can really finance agriculture, that is, by organising and popularising special types of rural credit institutions and linking them up with the State and commercial banks. Therefore, I ask the Government to consider in what

12 NOON. way the agricultural banks can be effectively financed by the commercial banks and by the State so as not only to finance agricultural production but also to help in the marketing and movement of crops. All this is being attempted now by co-operators but on a very small scale for want of resources. There is another direction in which you can do something. With regard to these co-operative banks we are now suffering under some disabilities. You treat us just as you treat moneylenders. I should like to bring to the notice of the Finance Member that on the interest on Government securities we hold we are taxed although we are making no profits. Everybody knows the word "profits" is a heresy to a co-operative concern. We do not make any profits because our members distribute the surpluses among themselves, and the surpluses really represent the extra charges levied for services rendered to them by way of caution. It is true that on what are inappropriately termed "profits of business" no income-tax is charged. Interest on Government securities should then be placed under the

same category of "profits of business". I hope something will be done to see that the co-operative banks are not charged income-tax on any account. There is one other help which I would ask. It was suggested by the Government of Madras in the Agricultural Department and was pressed upon this House on other occasions; it is with regard to some of the manurial articles; the Government of India ought to do something to prohibit their export. Oil-seeds are a great factor in the production of oil-cake manure and there are other things like bones and fish manure that are largely exported to other countries to the detriment of Indian agriculturists. The Madras Government lodged a very strong protest against these things of great value to cultivators being exported and asked the Government of India to discourage their export. But the Government of India took shelter under the plea that the Fiscal Commission did not recommend this. I am sorry that the Royal Agricultural Commission has also taken a very, very narrow view of this matter and stated that it did not see its way to accept the very reasonable request of preserving the benefits of these articles to the Indian ryot. I hope something will be done to reconsider this question in its fresh aspects.

I have just one more suggestion to make. It is about subsidiary occupations to peasants. The agriculturist does not spend all his time on agriculture, and the Royal Commission on Agriculture very carefully went into the question of how to supplement his slender income from the land and they have stated that he had sufficient time if only means were found to engage him in some forms of productive subsidiary occupations. The Agricultural Commission has referred to the fact that there are various occupations which could engage him, such as hand-spinning, hand-weaving and a few other cottage industries; but they all require finance, either on a co-operative basis or some other basis, and also they require expert advice. There is no technical advice available to them as to how to find a market. Many co-operative weavers whom I consulted said that there were excellent facilities for turning out hand-woven cloth but nobody would tell the producers where it could be sold readily. Therefore, the Industrial Departments of Governments have got to give technical advice to them and also provide finances for these subsidiary occupations on some systematised method. There are ways in which the agriculturist can be practically helped by means of a regulated system of finance and expert advice to earn additional income. I hope the Finance Member will do something to give a lead to the agriculturist. Lest my points about rural credit and agricultural reform be lost in other things, I purposely refrain from referring to more matters arising out of the Budget. I only want to say that if the agriculturist is organised and financed, India will have a different story to tell. But if you continue to neglect agriculture, it will continue to be a land of waste and want. I therefore press on the Finance Member very strongly that he should see his way to do something during his term of office, to do something really tangible, to prop agriculture up in this country and to help the establishment of land mortgage and other types of agricultural banks through which we can dispense capital and credit to the cultivator. I have kept you long over this matter, but I thought it was my duty to press as fully as I can this aspect of finance upon the Honourable the Finance Member.

There is a passage in his speech which I welcome for its reality. He says with regard to improving the economic condition of the people:

"I would say that the only way in which that can be done is by the constant and combined effort of Government and all those who can influence public opinion, directed to the extension of education and credit facilities, to the encouragement of hard work and thrift, and to an increase in real wealth by the introduction of improved methods of cultivation and communications. Anything else is no more than a quack remedy."

[Mr. V. Ramadas Pantulu.]

I entirely endorse and heartily support every word of that sentence and I have as much grievance against my own countrymen, for having hitherto neglected these rural problems and activities, as I have against the Government, perhaps more. But I hope that this exhortation of the Finance Member to the Government and the people that improved production and agricultural prosperity can be brought about by the combined efforts of the Government and the public will be taken to heart and that something will be done by the people and the State to reconstruct our fast decaying rural economy.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS (Punjab : Non-Muhammadan) : Sir, I beg to congratulate the Honourable the Finance Member on his presenting us with a plain and unvarnished statement of fact, disguising none of the difficulties and exaggerating none of the favourable features. This, Sir, is a very happy sign, and I welcome the sincerity which has prompted him to say so. I might mention, Sir, that in the last Budget adequate provision was made for the various Railways and other works ; but a couple of months back a number of works in progress on the North-Western Railway were stopped. It cannot be understood, when the expenditure was duly provided for in the Budget, what was the reason which led to the sudden stoppage. If I mistake not, the amount thus saved was over 5 crores of rupees, and I think, in case those works were allowed to be completed, that the Budget would have shown a further deficit. From the figures before us, Sir, I find that the Military Budget is put down at just over 55 crores. In this, Sir, I find that the loss on strategic railways, which amount to one crore and 78 and a half lakhs, has not been included and also 2·75 crores on Frontier Watch and Ward have also not been included. The Police and other civil establishments in the Frontier Province have been provided for separately, and, Sir, if I mistake not, this Frontier Watch and Ward ought to be part and parcel of the military expenditure. In this way, Sir, the total bill of the defence of our country in the Military Budget comes to 62·12½ crores of rupees and not 55 crores as shown. This amount, as I have already said, is a very big charge on a poor country like India.....

THE HONOURABLE COLONEL NAWAB SIR UMAR HAYAT KHAN : Why don't you bring in the police of the other provinces also ?

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS : I cannot understand why my friend wants it. The Police in other provinces is a provincial matter, and I do not think it will be within the cognizance of this House to consider it. However, I find, Sir, that our share of Indians in the Indian Army has not yet been brought to a decent figure. If we look to the personnel of the Indian officers in the Army, if we take the figures before us, we find that in 1928 we had 3,498 officers, 1,33,886 soldiers, 35,715 reservists and 21,335 followers. In the year 1929 we find, Sir, that there are 3,417 officers, 1,30,948 soldiers, 35,119 reservists and 20,498 followers, which shows, Sir, that under each head there has been a fall. What do we find, Sir, in the case of the British personnel ? In 1928, there were 4,133 officers and 56,074 soldiers. In 1929 there are 4,145 officers and 46,134 soldiers. There too, we find that the personnel is on the increase. If we take the Staff Officers, in 1928, there were 357 officers and 503 soldiers, while in 1929, there were 572 officers and 511 soldiers, as far as the British personnel is concerned. As far as the Indian personnel under Staff Officers is concerned, in 1928 we had 11 officers and 131 soldiers, while in 1929 we had 7 officers and 113 soldiers. This shows, Sir, that

the Indian element is being progressively decreased, and this is an example of the reverse of Indianisation. We pay to the British War Office 1·87 crores for raising and training in England British troops. In this connection, Sir, I want to say that the British troops in India are an Imperial asset and so their training ought not to be debited to India, particularly when the British units which are posted to India are liable to transfer to other Dominions and to other countries.

In the Military Budget, Sir, no figures are given of the Indians employed in the various workshops and factories. This ought to be clearly shown. Another point, Sir, which I want to bring to the notice of His Excellency the Commander-in-Chief is about the recruitment of Indians to the Army. At present the recruitment is confined to the so-called martial classes. My own opinion in the matter is that any class, in case it is properly trained, can be a martial class. There have been many instances in which people of other than the present so-called martial classes have proved a great success in leading armies in India and abroad, and I would solicit His Excellency to give consideration to this vital matter. As far as the British officers in the Indian Army are concerned, they do not come from the martial classes. Most of them, I believe, come from the trading classes, and when they are doing well, there is no reason why other classes in India should not do equally well. Now-a-days, Sir, most of the military arms are mechanical. Mechanical art and intellect are now needed more than physique. Therefore, Sir, I think that this is the right time to throw the Army open to all fit classes. As far as the compulsory training or ordinary training of students is concerned, I find that in India the total number of students who are being given military training in the University Training Corps is 4,314. In this connection, Sir, I might also say that the total number of Indian territorials is only 11 in one lakh in India as compared with 12,000 in one lakh in Australia, and 811 in one lakh in England. The Indian Auxiliary Force of Anglo-Indians and Europeans, however, is 12,000 in one lakh. I beg His Excellency the Commander-in-Chief to be kind enough to take more students for military training. Our population in India is 32 crores, and 11 in one lakh is quite a negligible number. I would welcome the time when compulsory military training is enforced in India whereby all boys of ripe age will have to undergo military training as is being done in other civilised countries. That will be a great asset to the British Empire, and India will be able to render greater service to the Crown than she has hitherto done in time of need.

As regards the Post Office, Sir, I find that there is a deficit of Rs. 29 lakhs in the present year. This is mostly due to the reduction in the rate for foreign telegrams. The Post Office is a Department which is being run purely on commercial lines. There are a number of post offices which are closed every year owing to their not being a paying proposition. But, Sir, notwithstanding the loss in the foreign telegraphic traffic, I think the reduction in rates ought to be done away with and the former rates restored. In India some time back we had a four-anna telegram. Because it was not a paying proposition the rate was raised to eight annas and then to 12 annas. This is a similar case, and the reduction should be done away with now.

I am glad, Sir, that the Honourable the Finance Member has promised an inquiry into banking facilities. At present the country is passing through great financial difficulty owing to deflation of Currency and the exchange policy of Government. Most of the trading class and merchants are tied up for want of money, and the increase in the bank rate, as Sir Maneckji has said, will have a very disastrous effect on trade. I need not dwell at length on the bank rate question as Sir Maneckji has fully dealt with it. I might explain to the Finance Member that in the Punjab, and particularly in the trade centres,

[Lala Ram Saran Das.]

the traders find it very difficult to raise money even against three times the value in security given in house property. This high bank rate has always stood in the way of development of trade and commerce, and in the present time of economic trouble the bank rate ought to be kept as low as possible. In my own experience I have never known the bank rate to stand at 8 per cent. at this season at any time. The present conditions are compelling Indian banks to pay smaller dividends, and the reason is that Government is coming into the market for short term loans on high rates. Sir, I do not know how far these short term loans will benefit India as a whole. I must say that they have given a great set-back to indigenous banking. I find from the report of the Finance Member that he has had recourse to the liquid resources of Government and has included them in the current Budget. In this connection I want to say that the 37 crores from Post Office cash certificates and Post Office savings bank deposits and 19½ crores from other savings deposits and 5 crores from the provident funds of Railways, will be a heavy liability for us to meet in the near future. In the present economic condition of the people I think that the Finance Member will not be able to raise all the future loans in India to the extent which he may desire. The fall of about 50 lakhs in the income-tax receipts shows that Indians in the last year have become poorer, and the present trade and agricultural conditions are such that there is no hope of a large revival in the coming year. Therefore, Sir, I beg the Finance Member to note that a point has been reached when India will not be able to bear any further taxation, of which the Finance Member has thrown out a hint in his present Budget. The economic condition of this country is such that any more taxation will break them. Therefore, some other means ought to be considered by which the future deficit should be avoided. We see that from 1930 onwards for five or six years heavy liabilities with regard to the payment of loans will fall upon us. The picture of the next year is rather a gloomy one, and so I request that some other suitable method be considered to get out of the coming difficulties. One more point, Sir, I want to lay before the House, and that is that our resources ought to be kept in India to enable us to get a better return on them. That will help us a great deal and compensate for the deficits which are anticipated to a certain extent. Tenders for all stores ought to be called for on a rupee basis, and that will also bring in some eventual savings to Government. I do not want, Sir, to dilate on the Budget at any length, and I wish the points that I have raised before the House to be fully considered by the Finance Member.

HIS EXCELLENCY THE COMMANDER-IN-CHIEF: I should like to express my grateful thanks to my Honourable friend Sir Maneckji Dadabhoi for what I consider to be the really encouraging way in which he spoke about the Military Budget. But he concluded his remarks with a statement about which I should like to say a few words, because it is one which has so often been misunderstood and wrongly quoted. He finished up by saying that he trusted that in time to come the Military Budget might be reduced to 50 crores as recommended by the Inchcape Committee. It is a matter which I have thought over very carefully for it has been brought to my notice conspicuously during the last two or three years, and therefore I remember the figures well. The fact is this. When the Inchcape Committee came out here in 1922-23 they found the Military Budget standing at 65½ crores. They went in detail into all parts of the Budget; they went into every part carefully; they examined every object in it and having done that, they came to a definite conclusion, worked out scientifically that the Military Budget for the following

year should stand at 57½ crores. They recommended that in future years after that that it should stand at 57 crores. Those, I say, were the definite, reasoned, recommendations of that Committee, worked out scientifically upon the actual detailed accounts of the Army. The Committee went later on to suggest, what I might almost call, a pious hope that in future years in time to come the Military Budget might be reduced to 50 crores. But they made a proviso, which was, provided that there was a considerable drop in prices. Now, as a matter of fact, Sir, no substantial or general fall in prices such as the Committee had in mind has taken place since those years ; and furthermore, as my Honourable friend Sir George Schuster pointed out a day or two ago, the Army Budget has been saddled with expenditure which was then not foreseen. Among other things, there were the passage concessions granted by the Lee Commission ; and improvement of services in the Army, which has been due for many years, had to be added to our normal expenditure. In addition to that, as Sir George Schuster also mentioned, a sum of about 1 crore was transferred to the Military Budget which in previous years had been borne by other Departments of Government, such as, import duty upon all military articles of equipment imported into this country. Sir Basil Blackett started a scheme by which he proposed to commercialise all Government Departments ; and as part of that scheme, so that the public might realise what was the total expenditure on the Army, he decided that import duty on articles imported for the Army should in future be borne by the Army, and that those articles should not be exempt from import duties, as was formerly the case. The total as mentioned by the Finance Member amounting to about one crore. I might add also that in addition to what I mentioned as expenditure over the Lee Commission's Report and over the improvement in service, we have during this last year been able to add two squadrons to the Royal Air Force, and yet in spite of that, in spite of unforeseen expenditure, in spite of the Army being saddled to the extent to which they were not saddled in previous years, our Budget stands at 55 crores, that is to say, 2 crores less than the definite, reasoned recommendation of the Inchcape Committee. I trust that, having said that, Honourable Members will believe that that really is the case. I have stated this before and I have been faced with this question : "Why does not your Military Budget stand at 50 crores, because that is the recommendation of the Inchcape Committee ?" That was, as I say, not a reasoned recommendation, it was a pious hope expressed that, if prices fell, our Budget should not exceed 50 crores.

I should like to thank Honourable Members who have already spoken on the way in which they have mentioned the Army generally. There has been no question raised, no innuendo made upon the military authorities, I would rather say the Defence Force authorities, because it is very often not remembered that your Military Budget includes not only the Army but the Royal Air Force and the Royal Indian Marine. They all take their share in the Army Budget. Very often I hear remarks made as if we, responsible authorities for the Defence Force, were spend-thrifts, as if we had no real interest in the welfare of the country as regards looking after its expenditure. I should like to assure you that everyone of us in all branches of our Defence Forces, regard ourselves first and foremost as citizens of the Empire. We, like all of you here, like all the civilian population of India, are first and foremost citizens of the Empire, and as such it is our earnest wish, and our whole minds are occupied in doing what we can for the benefit of the Empire. We are all tax-payers. None of us have any ambition to pay higher taxes than are necessary, and we realise that the Military Budget must not be inflated, because such must entail unnecessary expenditure. But in addition to being members of this Empire, we have also the burden placed upon us of the responsibility for its safety and

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well-being. It is up to us to see that every citizen of the Empire—merchants, zemindars and others—is able to go about on his lawful occasions without let or hindrance to anyone; and if the military forces or air forces were reduced it would not be the case that citizens of the Empire would be able to go about their avocations in peace and comfort. It would be very easy for me, as responsible military adviser to the Government, to court cheap popularity by recommending a large reduction in our forces and consequently in expenditure. I personally regard that responsibility laid upon me as the chief military adviser of Government very heavily indeed. I regard my duty with the utmost seriousness and I realise that I should be absolutely wanting, I should be *nimak haram*, if I were to recommend to Government a reduction in military forces which would entail expenditure lower than what I feel to be essential for the safety of the country, both externally and internally. I should like especially to thank Sir Maneckji Dadabhoy again for the reference he made to the arrangement under which the Military Budget would be carried out in the future. It practically amounts to stabilisation of the Budget at 55 crores for the next three years. Sir Maneckji so distinctly informed the House of what he considered to be the advantages of this that it is hardly necessary for me to refer to it. As I think the House probably knows, every Member realises in former years under previous arrangement any sums not spent by the Defence Forces before the end of the financial year lapsed to Government; that often resulted in some waste. You might have big works, big contracts going on—contractors would be rushed to carry through their work with undue haste; work would be scamped possibly owing to the necessity of completing it before the 31st March, knowing that anything not spent before that date would lapse. On the other hand, works which were urgently required to be carried out, would probably have to be deferred owing to one realising that they could not be completed by the end of the financial year. The present arrangement, by which these sums do not lapse, but can be carried to a suspense account, will undoubtedly result in economy. I should like the House to know how very whole-heartedly the whole Army is joining in a campaign of trying to save waste and reduce expenditure. I was very grateful to my Honourable friend Sir George Schuster for his remarks on the subject the other day when he stated how whole-heartedly the Army were co-operating. Honourable Members cannot realise the fact that in my inspections I go round and have meetings with all officers in all cantonments that I inspect, and I explain the situation as it presents itself. The House will know that for some years after the war we had in hand considerable surplus stores, rifles, ammunition, etc. It was not possible to anticipate exact requirements. They had to be ordered in advance. We have those to go on with. Those supplies have naturally gradually been eaten up, leaving no surplus now. We naturally have to take stock of how we stand from time to time, and we naturally inform the Home Government as to how we stand in that respect; and it was after going thoroughly into these that we came to the conclusion that it would be necessary to spend a sum, as my friend Sir George Schuster mentioned, something like 10 crores to put ourselves in a real state of efficiency. I realised, both in my capacity as military adviser to Government and as a Member of the Government, that it must at present be hopeless to ask for an increase in the existing Military Budget. The Finance Department thoroughly realised the situation and the Government of India were prepared to agree that if we could make actual savings ourselves by our internal economy, we should be permitted, as my friend Sir George Schuster stated, to spend that sum up to 55 crores. In going round, as I said, and seeing officers and explaining the situation, I do wish Honourable

Members to realise the keenness of officers to help us whole-heartedly. One officer will come and ask, "Can't you do something to quicken up the issue of remounts? We are getting in undue proportion of old horses; can't we cast them quicker?" Another officer will say, "Can't you expedite the issue of more machine-guns?" All sorts of details they bring up and on every occasion I have been able to say: "Do you realise the situation in regard to the Military Budget? It is up to everyone of us to save Government money when we possibly can." It is quite possible Honourable Members will say to me that it should not be necessary to appeal to officers to save Government money. Does not every one know that it is his duty to save Government money? He of course does, but I think we all of us here who know the words, will realise that the main thing in the world is the human factor. We are none of us machines. Machines are not going to win the Empire for us or keep the Empire for us. It is the human factor that will do that. Here by appealing to the human factor in the Army one has been able to say to them: if you one and all will do your best to help we shall be able to go forward with your machine-guns or whatever it may be. Sir, every Member of this House will realise another fact, that, with the present modernisation of armies all over the world, it is quite impossible to say, with any definite degree of accuracy, what the state of the Army will be in a few years' time, or to say with accuracy that the money we are now spending will provide us with everything essential. Therefore, it is never possible for me, as Commander-in-Chief, to give a definite promise that when the three years are over, the Army will not want another penny. But I can say this that I feel confident that, when this money has been spent, the Army will be in a greater state of efficiency than it has ever been before, and also, as Sir George Schuster has told you, it is possible to foresee that there will then be a considerable reduction in the Army figure. I assure the House that it is our intention that the Military Budget shall not be one penny more than it should.

Before I sit down, I would like to say some words about a matter which I believe has appealed to the imagination and absorbed the interest of, I think, the whole people of India during the last few months, and that is, the evacuation that has been carried out lately from Afghanistan.

The situation which arose in Afghanistan on the 17th December, when the British Legation was definitely cut off from communication with the outside world—a situation fraught with deep anxiety for the safety of our countrymen, British and Indian, and of other foreign residents in Kabul—has happily been relieved by the successful evacuations from Kabul, which were completed on the 25th February by the Royal Air Force. I wish particularly to refer to this unique achievement, because, in my view, it is one of historical importance.

This new arm of our Service has already proved its value in all forms of operations of war, but hitherto it has never been afforded an opportunity in peace such as arose during the recent events in Afghanistan. From the first day up to the conclusion of the evacuations, the Royal Air Force has, in a most efficient manner, competed with the various stages of the situation. I would draw attention to the fact that this operation of the Royal Air Force was, from every point of view, a task of peace; involving risks willingly undertaken for purely humanitarian purposes, and carried out with the consent and co-operation of the Afghan authorities at a time when they were involved in a difficult and dangerous situation. From the very first day to the last our pilots went up to Kabul without a single weapon of any sort. The machines employed were Service machines, but everything in the nature of offensive

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weapons was stripped off; and the same applied to the pilots themselves, who carried no arms whatever—not even pistols.

I am glad of this opportunity to be able to convey to the Air Ministry and to the Air authorities in Iraq our grateful thanks for the promptitude with which they at once and unhesitatingly sent their heavy transport machines—Victorias such as Honourable Members saw at the Air Force display in Delhi the year before last—to our assistance: indeed, the speed and punctuality with which these were despatched and arrived at Karachi is an outstanding feature of these evacuations. Later on, one of these machines was forced to land in very hilly country in Afghanistan during the process of evacuation. Fortunately, it was on its outward journey to Kabul and carried only its crew, Flight Lieutenant Chapman and Flying Officer Davis. They landed under most difficult conditions in a very mountainous area, and although the machine became unserviceable, these two officers were subsequently rescued by the Royal Air Force.

During the period from the 18th to the 23rd December, our machines were constantly fired on by the tribesmen and struck by bullets; in fact, the first machine that arrived was shot down, but fortunately made a successful landing on Sherpur aerodrome. The pilot, Flying Officer Trusk, who later rendered valuable assistance in the evacuations and remained throughout with the British Legation at Kabul, was assisted on landing in these difficult circumstances by the Afghan and Russian pilots located at Kabul, whose friendly co-operation I am glad to take this opportunity of acknowledging.

I would draw attention to the three chief aspects of these remarkable events.

The first phase, which lasted from the 18th to the 22nd December, was the period of the opening up of communications by the lighter type of machines with which the Royal Air Force is equipped. I have already stated that these operations were carried out under tribal fire; and during this period a total of 11 machines was used. They flew 3,630 miles.

The second phase consisted of the evacuation period, which started on the 23rd December and continued until the 25th February. During this period, both light and heavy transport machines were used. In all they made 86 journeys from Peshawar to Kabul and back, and flew a distance of 28,000 miles. These evacuations were carried out at a height of 10,000 feet under every conceivable climatic difficulty in one of the severest winters on record. When the final evacuation took place on the Sherpur aerodrome, there was a depth of 17 inches of snow on the ground.

The third aspect of these events was that connected with the rescue of Flight Lieutenant Chapman and Flying Officer Davis, whose Victoria machine, as I have already mentioned, was unfortunately compelled to make a forced landing. These officers were throughout treated well, not only by the villagers in whose area they landed, but also by Ali Ahmed Jan, who did everything possible to facilitate their onward progress to Jalalabad. They were received by the Naqib of Charbagh, who gave them every facility and hospitality. Due to his good offices and the active assistance of the British Consul at Jalalabad, and also to the fact that these two young officers once they landed used their brains and discovered an area of ground on which our machines could land, messages were sent to Air Group Headquarters, Peshawar, stating that, provided machines were sent on a certain day to a certain place at a certain time, these officers would be permitted to return to India by air. Flying

Officer Hancock, of No. 20 Squadron, was the officer selected to carry out this evacuation. At the first attempt, his machine, in landing, hit a boulder and wrecked the undercarriage, rendering the machine unserviceable. This did not in any way deter the three young and keen officers—Chapman, Davis, and Hancock. They set at once to repair the damage, and in about three days' time, Flying Officer Hancock arrived at Peshawar with Flying Officer Davis. There still remained Flight Lieutenant Chapman, and Flying Officer Hancock returned on a certain date and brought him away by air.

Thus the Royal Air Force not only completed the evacuation of men, women, and children from Kabul, to a total of 586 souls, but also evacuated their own pilots who had been unfortunately compelled to land. The House will realize in what an entirely impartial spirit the evacuation was carried out when I mention that the British, French, and Italian Legations were safely brought away; and the numbers included 343 Indians, 57 Germans, 49 Turks, 25 Persians, 23 French, 23 British, and 19 Italians. The nations concerned have tendered their grateful thanks for the care and help given to their Legations. The story of these evacuations is indeed unique. Except for the one machine that was forced to land, the Royal Air Force have carried out these evacuations without any loss of material. In referring to the successful completion of the evacuations, I must say how deeply grateful we all are to Sir Francis Humphrys for the part he took during those troubled and anxious days at Kabul. (Applause). Had it not been for his personality, insight, tact, and diplomacy, which made it possible for the machines of the Royal Air Force to land at Sherpur, these evacuations could hardly have taken place.

It is, perhaps, invidious to mention names when all who took part did so well. I often wonder if, when one hears of successful operations carried out like this, one realizes the extent of the efficiency which must necessarily be involved—in this case from the Air Officer Commanding down to the latest joined mechanic. A single weak link in the chain—a single error or neglect on the part of an officer or workman—might well have resulted in disaster and heavy casualties. And though, as I say, it may seem invidious to mention names, yet I feel I must take this opportunity of conveying to Air-Vice-Marshal Sir Geoffrey Salmond the grateful thanks of the Government of India for all that the Air Force has accomplished. (Applause). Also, I cannot refrain from paying tribute to Group Captain Mills; to Squadron Leader Maxwell, who commanded the Victorias from No. 70 Squadron; to Flight Lieutenant Anderson, who was in charge of the great Hinaidi transport machine; to Flight Lieutenants Prendergast and Smetham, who took a notable part in the opening up of communications; to Flying Officer Trusk, who, with Leading Air Craftsman Donaldson, was shot down and did such good work in Kabul; and to Flight Lieutenant Chapman and Flying Officers Hancock and Davis, to whom I have already referred.

As a matter of interest, I might mention that a Pathan accompanied each machine as interpreter, one of these being a Barrister who gave up his practice temporarily for this work. (Applause).

The grand total of journeys carried out by the Royal Air Force on this great errand of mercy is 107, and they flew in all 33,930 miles, making a grand total of 57,430 miles including the mileage flown by the Victorias on their journey from Iraq to Risalpur. I think I may say without fear of contradiction that the Royal Air Force undertook a great task on the 18th December, and that they have done it well.

I feel confident that I shall have the whole House with me when I emphasize that the by no means least important aspect of this achievement,

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culminating as it did in the withdrawal of the British Legation, was the practical demonstration to the world of the policy of scrupulous non-intervention in Afghanistan which Government have set steadfastly before them from the outset, and have consistently maintained. (Applause.)

THE HONOURABLE MR. G. A. NATESAN (Madras : Nominated Non-Official) : Sir, I think it is a matter for satisfaction that though threatened with a deficit Budget, the new Finance Member has been able to find some money for some of the nation-building departments. I may particularly refer to the grant of Rs. 15 lakhs for agricultural research, and I trust ere long he will be able to find the full amount recommended by the Agricultural Commission. Being interested in university education, I am happy to note that a grant of Rs. 5 lakhs has been given to the Benares University, and I was glad particularly to hear of the assurance that if the Aligarh University authorities will soon have a smooth working of their institution, the case for a grant to them will also be very favourably considered. I am equally very happy to find the grant of Rs. 2 lakhs to the Bose Research Institute. I had the privilege of visiting this institution in Calcutta last December, and I really felt proud of the great achievements of this distinguished Indian who has won a reputation all the world over ; and when I find that a grant of Rs. 2 lakhs has been given to it, I feel it is a grant very well made, and I trust that, in future, this institution and similar institutions which might grow up hereafter will receive help from the Central Government. I lay stress upon this point because there is a general inclination at least in some Departments to say "No" to requests of this kind on the plea that it is a provincial subject. In this connection I must note with satisfaction, that the Department presided over by my Honourable friend, Sir Muhammad Habibullah, the Leader of this House, has had a good share of the grants. I trust that in normal times he will be able to persuade the new Finance Minister to give more and more for nation-building departments. I must express my regret, however, to find no mention of the Technological Institute about which I myself and my colleagues here and elsewhere have for years been agitating. I think it is a great want in this country. Students of Indian Universities have to go to other countries to equip themselves for their technological training at a heavy cost, and I hope it will not be long before some steps are taken for starting a really well-equipped Technological Institute.

In answer to an interpellation of my Honourable friend Sir Phiroze Sethna, the Honourable Sir Muhammad Habibullah, the Leader of the House, said that he would not undertake to say anything about the question of mass education till the Report of the Simon Commission was out. If one could understand from the nature of the answer given by Lord Burnham, one of the Members of the Commission, it may be some years before their Report is published. But whether it is published early or late, I do think that a solemn responsibility rests on the Government of India to see that a proper and well-organised system of mass education is organised in this country, and among other things, the Honourable Member who is in charge of Education will certainly have a claim to boast that during his tenure of office he has done something at least to carry through a scheme for mass education on a solid and substantial basis. For, nowhere else in any part of the world are only 8 per cent. of the people literate, and this glaring defect in our present system is noticed, not only by ourselves but is also flung at us when we put forward our case for our political future.

Having been connected with a municipality for over 20 years, I welcome with pleasure the grant of Rs. 6 lakhs for Delhi. The Finance Minister has said

that this is intended for general measures for the improvement of the conditions of the poorer population of Delhi. Nowhere is the condition of the city so bad as in old Delhi, and I am glad that 6 lakhs have been promised for it, and I venture to suggest that the Government of India should not rest content merely with the grant of this amount. I speak in no disparagement of the Delhi Municipality or of any other municipality or local self-governing body in this country, but I trust that a small select body, something like a small Improvement Trust, is appointed to see that these 6 lakhs are devoted to the purpose for which they are intended.

I wish also to say in connection with the Fund to be created for the development of roads that the Government should take good care to see that the Provincial Governments, who are given a grant from time to time from that Fund, use it only for that purpose and for no other, because, when funds are collected for one beneficent object, it sometimes happens, either through lack of care or supervision, that they are diverted to objects for which they were not intended.

I am glad that the debate to-day began with a protest from my Honourable friend Sir Maneckji Dadabhoy against any proposal for fresh taxation. There is already discontent in many ways. The burden of taxation is already complained of very seriously, and I think the Honourable the Finance Member will be making one of the serious mistakes of his life if he were in the near future, or even before the end of his term of office, to contemplate any fresh taxation.

On the other hand I trust he will be in the fortunate position of bringing out a surplus Budget next year. If there is a surplus—and here I join issue with Sir Maneckji Dadabhoy—it should be devoted to the relief of taxation which touches the poor people—the salt tax and the tax on kerosene oil, and other taxes of that kind which are felt greatly by the poor. I trust that that will be the first consideration of the Government; they are hampered to-day by a good deal of public discontent, and I trust they will bear this in mind. I was very glad to note, not only in the speech of the Honourable the Finance Minister, but also from the proceedings in another place, that he welcomed the idea thrown out that every effort should be made to retrench expenditure. If there is any field in which the Finance Minister can usefully occupy himself it is in this field of retrenchment. It was one of the great financiers of England, Gladstone, who remarked, "Economy is itself a great source of revenue". I will not dilate upon that but will only point out that in the "Life of Lord Rawlinson", our late Commander-in-Chief, whose premature death we all deplore, there is a very significant passage which I might bring to the notice of the Council. It says:

"After two years' experience of Indian Government, I have come to the conclusion that it is one of the most uneconomical in the world to-day. In general method and in detail, it is out of date. The state and display which the Moguls introduced into India on a lavish scale two hundred and odd years ago, still surrounds the Viceroy, the Governors of Provinces, and the Indian States."

In 1921 a proposal was made in the Central Legislature that it was high time that the Government of India looked to the finances and appointed a retrenchment committee. In a short time the Incheape Committee was organised and with great thoroughness they went into the whole thing and brought about a considerable reduction in expenditure. I venture to think that though similar criticisms of extravagance may not apply now, the Finance Minister should not be deterred from the path which he should pursue in the direction of economy. I think a committee of officials and non-officials would certainly be able to give him that help which he is entitled to. More than anything else, the association of non-officials in a committee with the Finance Minister sitting together,

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would be a valuable help. They would be able to show on which side expenditure could be cut down, and on which side not. In other ways it would be valuable, for many non-officials who criticise policies might be shown that their criticisms are unfounded. In short, it would be found that the time of the committee would not be spent in vain. I think that is a step which Government ought to welcome. It will be very useful. As this question of the separation of railways from general finance is to be considered, I should like to ask what is the reason for the accumulation of this large sum of nearly 25 crores as a reserve fund. Is there to be any limit to it? And, if so, what amount? It is all very well to have a reserve fund for a prudent man as for a prudent Government. You will find amongst your friends some who say they are hard up immediately after they have received their pay. They say, I have invested so much in this and given so much to that fund and done this or that, or purchased property and am in consequence hard up! But I think so far as the finances of the State are concerned, it is high time that a limit should be put on the incentive to accumulate these reserves. Because, what is intended as a prudential measure may in the end operate as an obstacle to the promotion by the executive of schemes and plans which are absolutely necessary for the well-being of the State.

THE HONOURABLE SIR MANECKJI DADABHOY: It is an accumulation on paper. It is all spent.

THE HONOURABLE MR. G. A. NATESAN: I think the testimony of Sir Maneckji in this matter should be welcomed. I am sure that having regard to the source from which it comes the authorities will give it that consideration which it so rightly deserves.

Then I come to the question of military expenditure. I was very interested to hear the speech of His Excellency the Commander-in-Chief. It is not my intention nor the intention of friends here and elsewhere when they say anything against military expenditure to make any suggestion that there is any waste or extravagance in the management of that Department. Our contention has been for years that it is the system which is radically wrong. It is a system which unfortunately we have inherited. It has been the protest of politicians for years, and notably of my friend present here to-day who has for half a century protested against a system the net effect of which is to throw the burden on India. There is no use disguising that fact. If I say here what I have said on a previous occasion it is in the hope that the new Finance Minister will take it in the spirit in which it is offered. Our case is that the Army is in excess of the requirements: that really you are maintaining a large army for the purposes of the Empire, and the observations with which His Excellency the Commander-in-Chief closed his speech just now give support to the view we have been urging for years, namely, that you are making India pay for the maintenance of an Army the cost of a considerable portion of which ought to be borne by the British exchequer. That is a very old grievance, but you must remember that having regard to the past administration and having regard to the relations in which India stands to Great Britain, we really have a grievance. The interests of India are being subordinated to the interests of Great Britain. It was years ago that the Simla Army Commission sat and they stated very vehemently that the Army in India should be organised and administered with regard to the interests of the people of India and not for the purpose of supplying the defects in the system of Home defence, and above all that it should not be made the means of obtaining at the cost of India advantages for the Army at Home.

That policy has not been given effect to, and I regret to say that I find in 1922, when the Government of India suggested to the War Office considerable reductions in the British Army in India, the War Office turned down the proposal and the reply given in the House of Commons by Colonel Guinness was :

“ If the War Office agreed to the Government of India's making excessive decreases, it would eventually mean further cost being thrown on the British budget.”

After that I do not think any one would suggest we are stating the case unfairly to the authorities when we say that Indian interests are being subordinated to British interests in the matter of Army expenditure. We also remember that the Indian Legislative Assembly which met after the Montagu-Chelmsford Reforms protested against the remark made by the Esher Committee that the Indian Army should be considered as part of the army forces of the British Empire. There is no use forgetting the fact that the proportion of British soldiers is greater than is absolutely necessary. There is no use forgetting the fact that every British soldier costs five times more than an Indian soldier. I think we also pay dearly in the shape of capitation charges and also for the introduction of the short service system. I have spoken somewhat strongly in this House in regard to this matter in the past and also now, because I feel that I am in the presence of one of the most expert financiers, who for over 40 years has drawn attention to these things and nothing has happened in all these years to enable us to say that the unfair policy has been deviated from to any satisfactory extent. It would certainly be some consolation and some compensation if a portion of this heavy military expenditure was devoted to the real purposes of national defence. I have been connected with the Madras University for 21 years and I have been on the Syndicate of the University for the last 10 years, and the question of the University Training Corps comes up constantly before us. Allow me to state as a matter of humiliation that we have been obliged to refuse admission to many boys for joining the University Training Corps because we have no funds. I am very glad that my Honourable friend Lala Ram Saran Das drew attention to the fact that for the whole of British India with so many colleges, with so many young men studying in our universities, there are only about 4,000 students in the University Training Corps. The smallness of number is solely due to the fact that you do not provide funds. It will be some consolation if out of this heavy military expenditure you spend a crore or two every year in this direction of promoting the University Training Corps. I would like to point out what has been said by others more competent and by those who have taken a larger interest in the public life of the country, that when we talk of all this, when we complain that there are only 88 Indians in a whole Army service of nearly 6,808 officers, we are not doing it simply for the love of it or from a selfish view of power in order to get offices for the unemployed. It is galling to one's self-respect, and believe me when I say that the present military policy pursued by the Government of India in not giving us facilities for a large number of our people to be really trained for the defence of our country, is one which is not consistent with the declaration made in the House of Commons that responsible government is to be our goal. I think no serious step has been taken in this connection. The whole question of military organisation, if I may say so, should be looked at only from one point of view, and that is the standpoint of India, the standpoint of Indian nationalism and the standpoint of Great Britain's pledge to India of responsible government being the goal.

And this brings me to the last word, and that is with regard to the present political situation. Taking advantage of the indulgence which you, Sir, have been pleased to give us, to say a word or two about the subject, I should like to point out that there has been unfortunately a feeling of suspicion that Great

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Britain does not intend seriously to stand by its pledge and pledged word of "responsible government". I am not stating this from my own imagination. You will perhaps be surprised if I say that I found in the very excellent life of Lord Rawlinson written by Major-General Sir Frederick Maurice, which I had the privilege of reading the other day for purposes of writing a review of it, a very significant sentence. It is from his own recorded statements, from his own diary. It is this :

"The fact is that the Home Government, having introduced the Reform schemes, are now afraid they are going too fast. They are trying to put on the brake, and the machine is inclined to run away from them. But we must either trust the Indian or not trust him. The schemes have got to be carried out honestly in their entirety, with a view to eventual Dominion self-government, or else we must return to the old method of ruling India with the sword. There is no half-way house."

It was therefore with very great pleasure that not only myself but the member^s of the Party to which I belong read the other day a passage from the very interesting speech which His Excellency the Viceroy delivered in opening the Legislative Assembly ; and that passage is worth quoting, for it will enable a few who have not heard it to satisfy themselves that the highest authority in this country is alive to its grievances and he at least is no party to go back upon the pledge. The passage is as follows :

"I tell this Assembly, and through them India, that the Declaration of 1917 stands and will stand for all time, as the solemn pledge of the British people to do all that can be done by one people to assist another to attain full national political stature, and that the pledge so given will never be dishonoured, and as actions are commonly held more powerful than words, I will add that I should not be standing before you to-day here as the Governor General, if I believed that the British people had withdrawn their hand from that strong covenant."

Noble words, these, and I am sure that the message of hope which it has inspired in many of us will, if I may say so, diffuse further and that ere long his mission to England will bear fruit and will make all of us feel that in the British Commonwealth we shall get a status which is equal, which is honourable, and which, we could say as self-respecting Indians, is one of which we are really proud.

THE HONOURABLE COLONEL NAWAB SIR UMAR HAYAT KHAN (Punjab : Nominated Non-Official) : Sir, when I came here I had no mind to speak ; but I all along had in mind that if any one attacked the Army I would say a word or two. Sir, in the last war, supposing India had not sent troops to help the Empire and anything had happened, say, if the Germans had won, would not India have suffered ? Or, if there was an attack on the coasts of India and we wanted a Navy, would we not be asking for the Navy from England ? If the Empire is helping us in that way and if we help the Empire with our resources and our Army, would there be anything wrong ?

Reference, Sir, has been made to the Territorial Forces. I happen to be the President of the Advisory Committee. The men in most of the Territorial units do not readily come forward and the battalions are under strength. I happened to inspect the University Training Corps. A good many of the boys there were wearing eye-glasses and when they began to shoot, those who were wearing glasses were worse off and they missed. The Punjab, I think, is the province from where most of the Army is drawn and the health of the people there is strong. I found many men in the University Training Corps who should not have been there. If they were asked to carry their full kit in the route march, they would be unable to do so, and I think they were the pick of the University.

THE HONOURABLE SIR MANECKJI DADABHOY : Is this our Budget ?

THE HONOURABLE COLONEL NAWAB SIR UMAR HAYAT KHAN : I am speaking on what my friend the Honourable Rai Bahadur Lala Ram Saran Das has said and it is on the Budget also, because money is spent.....

THE HONOURABLE THE PRESIDENT : Will the Honourable Member address the Chair ?

THE HONOURABLE COLONEL NAWAB SIR UMAR HAYAT KHAN : I beg your pardon, Sir. It is in order for the reason that in such matters money is spent in one way or another. Then, Sir, about the suggestion that other classes should be taken into the Army instead of the martial classes, I would say that during the Great War we tried our very best to get any one that we could into the Army and it was only the martial classes that came forward; the others did not, though they were given every opportunity. Then, how, Sir, are we going to ask the non-martial classes to enlist any further? Perhaps they may come forward when there is no danger, but when there is danger they would not. As to the money which is spent on the Frontier Police being debited to the Army, as pointed out by my Honourable friend Lala Ram Saran Das, if that police did not exist in the Frontier Province, the chances are that there would be war: and when a war is declared imagine how much money would be spent, and, as my friend Sir Maneckji said, then we would have to vote for that money. Now, we are only voting for a small number of police which is keeping the Frontier intact.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS : I said nothing about the police, Sir.

THE HONOURABLE COLONEL NAWAB SIR UMAR HAYAT KHAN : My friend wanted to add that money also to the Military Budget. If we see, many of our countrymen who go into the Army are absolutely illiterate and are all taught to read and write in the Army and when they come out almost all of them are more or less educated. The money spent in this way ought really to be debited to the civil estimates for Education. This money ought to have come from the civil side, as the civil ought to have helped the Army for the education of the soldiers. But the Army is doing the work of education for the civil, and I think some of that money which is now included in the Army Budget ought to be debited to the civil.

It has been said, Sir, that the officers in the Army have increased. The method of fighting in these days is so different from what it used to be that one does require brains and for that the educated officers from England have to be increased in number because it has been seen in the last war that, whenever the officers in a unit were killed, that unit ceased to function. It did not know what to do further or how to go forward in a particular attack. So it is a necessity to have the requisite number of officers. Then the Honourable Lala Ram Saran Das wants to have officers of any class. How this is impracticable I will give you an illustration. There has been an abduction case in a part of the country where the men of a non-martial class ran away with someone's relation. I think there were 55 of them, and there were three men of the other party not really belonging to a martial class but they came from that part. These three men had sticks as well as the 55 men of the aggressive party. And these three men beat the 55 and took away their relation. And then another man of the real military class ran after these three men and

[Colonel Nawab Sir Umar Hayat Khan.]

caught all three of them, i.e., one man of the martial class caught those three men who had beaten 55 men of the non-martial class out of whom one is still an officer in the army. So these are the differences, both in breeds of animals and of men. So I think, Sir, when the Army has to spend money, well, why not spend it on the proved material, because if they want to use this money on material which is not fit it will happen that one day when the fighting is at its height they will give way and the whole line will be broken and spell disaster for the very country for which the Army is kept.

I will now join Sir Maneckji in welcoming the Finance Member to our House and also offer thanks to my friend Mr. Ramadas for helping the agriculturists. I think he was quite right in asking that there should be banking facilities for the agriculturists. When I was on the Reserve Bank Bill Committee, we, the agriculturists, did our very best to try and ask the Government that there should be some agriculturists on the Board, and it was not conceded. Of course afterwards the Bill was thrown out, but if ever there is a chance of the Bill coming up again for reconsideration, I hope the agriculturists will be given a chance. I personally know that there are hundreds of acres of land of very great value which are now with the moneylenders for small amounts of money and if there were mortgage banks for giving money to the agriculturists to get their mortgaged lands back it would be a great boon to them. If all these lands went away from the hands of the agriculturists they would have no other occupation, and they may in warlike provinces turn to mischief and trouble.

These, Sir, are the remarks I would like to offer.

THE HONOURABLE RAJA SIR RAMPAL SINGH (United Provinces Central: Non-Muhammadian): Sir, let me at the outset confess that I am not in a position nor have I got sufficient capacity to deal with the technical points with which the Budget deals. I leave that matter for the experts. I want only to speak on the general features of the Budget. There is no doubt that this document has been prepared with lucidity, and the frankness and sincerity with which the details have been worked out really deserve our appreciation. From it even a layman can find out what is the financial position of the country, and our Honourable Finance Member is certainly entitled to our grateful thanks for the manner in which he has prepared it. Sir, it is a matter of gratification that he has provided for a grant of five lakhs of rupees to the Hindu University which is badly in need of such help. Of course, that will not suffice to meet all the wants of the University, but something is better than nothing. I wish that my *alma mater*, the Aligarh University, may also have been treated in a similar manner. The Finance Member has only imposed a duty on petrol which is in the right direction because it is going to be applied to an object which is quite commendable. This is the credit side of the Budget. But there is also a debit side. In my opinion the Budget is a depressing document. The Finance Member has not only to touch the Revenue Reserve Fund, but also to deplete it in order to make both ends meet. It is a matter of grave concern that our finances are not in a position in which they ought to be. And the warning that has been sounded by the Finance Member is the cause of great uneasiness to us as well as to the country. I may point out that the country is already seething with discontent on account of political and economic reasons, and if the Government of India will launch upon new and fresh taxation I am sure that will further stimulate the discontent that at present exists. I would therefore most humbly beseech the Finance Member that at least for some years to come he should not have recourse to any fresh taxation.

Sir, there are two great redeeming features in the speech of the Honourable the Finance Member. The first is the observation which he has made in the very beginning of his speech that he will try to do his best in the best interests of the country. I am sure if he will carry out this intention of his and he will not succumb to the mandates of Whitehall, the country will surely appreciate his labours and will thank him whole-heartedly for all that he will do during the term in which he may serve. There is another feature, namely, that he has promised that he will first scrutinise the expenditure. That is a hope-inspiring promise. I am sure he will cut down the expenditure that may properly be cut down in order that no fresh taxation may be launched upon.

With these words, Sir, I again thank the Finance Member and hope that his aspirations and ambitions will be fulfilled.

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

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

THE HONOURABLE SRIJUT LOKENATH MUKHERJEE (West Bengal : Non-Muhammadan) : Sir, if I rise to intervene at this annual ritual, it is to express my dissent from the principle and policy of the Budget which has been presented to us a few days before. This is Sir George Schuster's first Budget and even a hurried glance at the mass of figures would show that the new Finance Member is not as fortunate as his predecessor. The income and expenditure estimated for the next official year have produced what is called a deficit Budget. Sir, the next year's Budget is devoid of any striking feature. But there are of course certain features which every patriotic Indian will regret. Now, Sir, coming to the speech itself of the Finance Member, I should say that those who had the privilege of listening to him were sure to be favourably impressed with the modest sincerity and the high tone with which Sir George approached and handled his difficult task and I congratulate him on the excellent maiden Budget speech he delivered in introducing the Budget. Sir, the Finance Member has not committed himself to any definite financial policy for the future. He has thought fit to wait and see. No doubt he has acted like a wise man in this respect. At the beginning of his speech he depends for his success entirely upon the favour of Providence, but in the end he allows political stability to take the place of the Almighty Providence, probably because he judged his second thoughts to be far better. Sir, we are really glad to hear from him that it is his firm conviction that the financial position of this country is fundamentally sound and that there can be no country in the world which has better security to offer for its loans. No doubt it is highly gratifying to have this opinion of a financial expert like our present Finance Member. But, Sir, I submit that the angles of vision of the Government and the governed are not always the same. They do sometimes differ. High taxation and manipulation of the currency and exchange may strengthen the financial position of the Government for a time. But if it is not based on the increasing prosperity of the people and is dependent on a policy of exploitation, then the crash is bound to come, be it sooner or later.

Now, Sir, coming to the details, one does not find any change in the traditional financial policy of the Government of India. The revised figures of revenue and expenditure for 1928-29 and the budget estimates for 1929-30 do not warrant a spirit of optimism. They are in fact rather depressing. The net result for 1929-30 is expected to be Rs. 120 lakhs worse than for 1928-29. It is really a mercy that at least for the present the Finance Member does not

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propose any additional taxation for revenue purposes, but has attempted to meet the deficit by drawing on the Revenue Reserve Fund. The danger is not however all past. Not only has the Finance Member held out no hope of reduction of taxation next year, but he has on the other hand said something which indicates that, if the necessity arose, he would not hesitate to propose additional taxation. Sir, I need not quote his remarks in this connection as they have already been quoted by my Honourable friend Sir Maneckji Dadabhoi. Sir, that statement of the Finance Member is a highly significant one and it should prepare the country for additional burdens of taxation. The necessity for it can be obviated only if substantial reduction is made in the bloated military expenditure. The Finance Member has made it clear that until 1931-32 at least there is no hope of relief from this direction. Sir, as we all know, the Military Department has as usual swallowed the bulk of the revenue, leaving little for measures really beneficial to the country. The Finance Member has assured us that the Government are trying to effect as much economy as possible in the standing military charges, but as the savings are to be utilised in modernising the army equipments there cannot be any reduction under this head for the present. Sir, this will be a very poor consolation for the Indian people, on whose breast the Army has been sitting like an excessively heavy burden and which they ought not to be compelled to bear and which does much to increase their poverty. Sir, I am not complaining of the maintenance of such an army as may be really necessary for the defence of the country. But the Indian Army, I submit, is kept at a strength much beyond what any possible defence of the country requires. Year after year India is made to spend about 40 per cent. of her central revenues, if not for any other reason, at least for having the doubtful honour of maintaining this vast army for Imperial needs. India has to pay for the training of British troops who come here for a certain number of years and after they have finished their training they are sent back home to be replaced by fresh batches. Sir, India is thus made a sort of general rendezvous and training camp for the Empire, from which soldiers may at any time be drawn for service in distant lands. Sir, the net military expenditure for the next year has been estimated at 55 crores. We expected some sort of sympathetic gesture from the Finance Member, but we have got instead his defence of the wasteful methods of the Army Department.

Sir George has quoted the recommendations of the Inchcape Committee in this connection simply to give them the usual and convenient go-by on the excuse that the conditions that the Committee envisaged have not materialised. The recommendation of this Committee was only conditional upon a fall in prices and the Committee we all know reported in 1922-23. May I now ask the Honourable the Finance Member "Has not the general level of prices fallen since?"—Sir, His Excellency the Army Member has told us that prices have not gone down at all. Sir George, on the other hand, has said that there has not been a substantial fall. Sir, the term substantial is highly misleading, and in order to fully justify his contention the Finance Member should have given us figures. Sir, our contention is that prices have indeed come down and accordingly the Army estimates should have been brought down to 50 crores as suggested by the Inchcape Committee. Sir, we do not agree with His Excellency the Commander-in-Chief when he says that reduction of military expenditure to 50 crores was merely a pious hope of the Committee. There is nothing in the Report to justify his contention. Sir, if we turn to Britain, the mother country of the Honourable the Finance Member, we find the military estimates there have been progressively reduced and presumably without sacrifice of efficiency.

Sir, we fail to understand why similar reductions cannot be effected in the Army estimates here in India. We have protested and once more strongly protest against the militarist policy of the Government with the full knowledge though that our cry will be in the wilderness. The whole military policy of the Government is based on that of domination and distrust of Indians. The only and the easiest way to reduce the military expenditure is the Indianisation of the Army. Sir, it has been urged that the British element is necessary if for no other reason at least for maintaining the efficiency of Army in high order. Sir, this talk of British efficiency is a very old one and is to be found everywhere under the Government of India. But in spite of saying that the less said of British efficiency the better, I should say that there are abundant proofs of the inefficiency of Indian soldiers. No Englishman of the last generation knew India better than did Lord Curzon, and he characterised the Indian Army as "one of the finest fighting forces in the world". Then again, speaking of Indian soldiers and British soldiers in the same campaigns, General Hamilton declares that "in nearly every kind of fighting and service the Indian troops are actually superior to the British"; and he confesses that the British officers among themselves recognise this, but they try to keep it secret only whispering it with bated breath. Sir Valentine Chirol in his book "India" writes to say that "The Indian Army has a fine record for gallantry, and is a great fighting engine." Sir, he also tells us of a remark once made by the German Kaiser, that the Sikhs of India were the only foreign troops against whom he feared to pit his own German infantry. Sir, in the face of these testimonies why our demand in this behalf is being treated with contempt we cannot understand. There must be some deeper reason underneath this. It is not for maintaining the high order of efficiency that the British element is there, the real object is to keep the increased strength of the British Army under the name of India and at the expense of India. Similar was the object behind the creation of the Royal Indian Navy. Sir, before I leave this part of the Budget, I would only say that the maintenance of British troops and British officers of the Army causes a heavy drain of the public revenue, and a bold and comprehensive scheme of Indianisation would be a definite step towards economies; and so long as the Government do not go in for it they will be accused of robbing the Indian Peter to pay the British Paul.

Sir, I shall now come to consider the other aspects of the Budget, and in doing so I shall take up the question of the Indianisation of the higher services. Sir, our demand in this respect is a long-standing one. But what do we find? We find that no substantial progress has been made in this direction. During the pre-reform days the Indian Civil Service was not only an administration but it was also a Government. The present reforms, which were forced upon India without her consent, did nothing more than expose this Government of alien bureaucrats to the criticism and censure of the elected representatives of the people of India without power of appointment, dismissal or even reduction of their salaries. Three out of six ordinary Members of the Governor General's Executive Council represent the Civil Service, the permanent Secretaries of all Departments are members of the Civil Service, and the Civil Service commands a majority of posts in the judiciary. Again, even among the members of the Civil Service, Government make racial discrimination. Sir, this is the reason why we do not find more than half a dozen Indians in the higher posts under the Government of India. What is the excuse of the bureaucracy against this gross inequality of treatment and grave injustice? The bureaucracy trumps up their old excuse of "efficiency" saying that Englishmen are more efficient than Indians. Sir, I shall in reply quote a small passage from a carefully written, self-respecting and manful reply of an important Association of Indian

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officials to the following insulting question addressed to them by the Royal Commission on Public Services :

"To what extent do you consider that the European personnel in the Indian Civil Service must be retained in order to insure the efficiency of the Service and the safety of India ?"

Sir, the following was the reply of the Association :

"No self-respecting Indian", they declared, "can agree to these humiliating suggestions. We deny that, from the standpoint of efficiency, a European element is necessary in any part of the service. Knowing as we do the work of the European officials at close quarters, and possessing exceptional opportunities for comparing their work with our own, it has been a matter of painful surprise to us that it should be taken for granted by Englishmen that we lack certain qualities, administrative and other, which Europeans are supposed to possess. We do not want to sing our own praises ; we only desire to call attention to the fact that the people who assert this inferiority on our part are those and only those who, setting themselves up as a superior race, are unwilling to admit us to any position of equality whatever with themselves. While we welcome Europeans as our colleagues in the various departments of the service, we most emphatically repudiate any claim that the European as such is superior to the Indian either in efficiency or character."

Sir, this is the view of the Indian officials under the Government of India and truly represents the new spirit which is beginning to appear everywhere in India. If we now reject the excuse of "British efficiency", the next question that naturally arises is—why are not Indians recruited to higher posts ? Sir, my reply is, firstly, it is the deep distrust of the Government of India of those officers, and secondly, it is the sense of hatred and jealousy among Englishmen of their educated Indian subordinates that are among others the main reasons for ousting Indians from the higher posts. Sir, I may be challenged in putting forward my second reason, but, Sir, I have the authority of no less a person than Sir Henry Cotton to corroborate my view when he says :

"The very thought of equality rankles in the Englishmen's minds ; the more intelligent, cultured or intellectual the Indians are the more they are disliked. The sense of jealousy becomes greater. Englishmen are actually ready to encourage the natives who speak broken English more than those who speak good English. They are more pleased with the backward Hindu than with his advanced compatriot, because the former has made no attempt to attain equality with themselves."

Sir, before I leave this subject I should only say that it is this treatment as inferiors and slaves that is gall and wormwood to Indians, treatment which is all the more disgraceful and discreditable after British protestations of "equality" and "partnership." Sir, if this proposition is put to any Englishman that Indians or Germans can govern and administer Great Britain better than them, how will he treat the suggestion ? Certainly he will, and he ought to treat it with the derision it deserves. I suppose he will go a step further and declare that even if they could that is no reason why they should. Now is the time for a change in the attitude of the Government. If such a change is not soon forthcoming the consequences are sure to be terrible.

Sir, before I finish, I shall very briefly discuss the educational policy of the Government and say at once that the present educational policy of the Government in India trains men into docile tools of an external authority, it does not help them to become self-respecting citizens of a free nation. Indian history is taught to impress on us the one lesson that "India has failed." The aim of true education should be to keep alive the spark of national pride and self-respect. But, Sir, in our unfortunate country, it is the other way. Dr. Besant thus describes the weakening, denationalizing and degrading influence of this

kind of education as she has observed it in India for more than thirty years :

"The stunting of the Indian race under British rule begins with the education of the children. The schools (which are under British control) differentiate between British and Indian teachers ; the colleges do the same. The students see first-class Indian teachers superseded by young and third-rate foreigners ; the principals or presidents of colleges must be foreigners ; foreign history is more important than Indian ; to have written on English villages is a qualification for teaching economics in India... The whole education of the country is planned on foreign models, and its object is to serve foreign rather than native ends, to make docile Government servants, rather than patriotic citizens... Pride in country, patriotism, ambition, are looked upon as dangerous. English instead of Indian ideals are exalted ; the blessings of a foreign rule and the incapacity of Indians are constantly inculcated."

The truth in the above statement becomes all the more manifest when we find that after almost a century and a half of British rule, India is still without a national system of education, is still without a national system of training colleges for teachers, is still without a national system of schools for children, and, lastly, is still without free and compulsory education. Sir, in 1870, England by Act of Parliament recognised that education formed the foundation stone of national life and national greatness, that education was the birthright of every child, poor or rich, and that the first duty of the State was to provide a school place for every child, male or female. Scotland had a national system of education long before England, and yet England and Scotland in their governance of India have failed all these precious years to provide the facilities for the most elementary knowledge, for lack of which the silent masses of India perish.

Sir, it has been more than once said that the British Government of India could not give universal education to the Indian people because the population of India is so great and the country is so poor. To this our reply is that the true fact is that the Government of India has never lacked money for education ; it has only lacked will. It always has plenty of money for its own militaristic and imperialistic ends, for maintaining a great army to hold the country in subjection ; to maintain a State Christian church in India, for the support of which Hindus and Muhammadans are taxed, to pay high salaries and pensions of Englishmen, to give the Government of India the luxury of spending seven months every summer in the mountains ; to hold from time to time great and gorgeous "durbars". And, Sir, if even a quarter part of the vast sums of money spent upon these and similar other things were devoted to schools, India could not only equal but surpass any other country in education. And who can doubt that it would have done so, if India had been a free nation like other free nations of the world. But now there is none left in her national exchequer to educate her poor children.

Sir, before I conclude I would only say that truly the moral burden of the white man in India is heavy, and his sense of trusteeship past finding out. Truly is financial justice impossible in India under British rule. I leave to my English friends here the disagreeable task of assessing the moral damage done to Christianity and British justice by this.

THE HONOURABLE RAO SAHIB DR. U. RAMA RAU (Madras : Non-Muhammadan) : Sir, this Budget has a peculiar significance in that it is the first Budget that has been presented by a new Member. The Honourable Sir George Schuster is welcome in our midst, and I hope during his régime he will so shape his financial policy as to bring prosperity and contentment to the people of India. He is fresh from England and free from bias and a bureaucratic temperament.

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Sir, I must take this opportunity of congratulating Sir George Schuster on his sincere endeavours to make the best of a very bad situation. His frank and bold analysis of the whole financial situation and his clear statement of the true state of affairs has enhanced to a great degree his reputation for integrity and sincerity of purpose. But the Budget on the whole belies all the optimistic forecasts of his predecessor, Sir Basil Blackett, and betrays a gloomy prospect for the future. But the new Finance Member cannot be held responsible for this state of affairs. Sir, though the Finance Member has been able to balance his Budget, it is clear from the figures that he has quoted that the country is heading towards ruin and bankruptcy. The purchasing power of the people has diminished, trade and commerce are virtually at a standstill, the revenue from customs shows a deficit of 20 lakhs, the returns from income-tax show a fall of 50 lakhs, the revenue from salt shows no increase, and the sale of postal securities has gone down. These figures indicate nothing but the increasing poverty of the people.

Sir, Sir Basil Blackett has no doubt fortified the finances of the Government of India. He has established India's credit in the world market. He has reared up a contented service by his exchange policy. He has tried to reduce the dead-weight debt of India. He has helped the aristocrats of the land by reducing taxation on motor cars, motor oil, tea, precious stones, saccharine and the like. But the poor Indian agriculturist alone has been left by him in the lurch. But, Sir, the new Finance Member could not look forward to the prospect of relief to the tax-payer. On the contrary, his speech indicated that, if things do not improve, we ought to be prepared for further taxation. This is rather a gloomy prospect for the new Finance Member.

Sir, the first and foremost task of the Honourable the Finance Member is to undo some things which Sir Basil Blackett had done. The first and foremost is the abolition of the 1s. 6d. ratio and the restoration of the old 1s. 4d. However much the stabilisation of exchange may have helped to stabilise the financial position of the Government of India to-day, however much it may have contributed to the strengthening of the resources of its employees, the undeniable fact remains that it has made the poor agriculturist poorer still. I have read in a paper some time ago, of a civilian employee of the Government gloating over a gain of Rs. 2,000 or so in exchange alone last year. That shows the actual drain of the wealth of India. Secondly, Sir, the new Finance Member must look to the reduction of taxation which is indeed a hard nut to crack. It is estimated that nearly 50 crores a year represents the source of income derived from additional taxation after the war and this amount is still maintained in spite of annual surpluses. I submit, Sir, that the maintaining of such a high level of taxation, especially after the purpose for which it has been raised has ceased to exist, is nothing short of criminal.

Sir, I note from the speech of the Finance Member that the exports of rice have gone down by as much as 7 crores, as a result mainly of Japan's temporary prohibition of imports of the commodity into that country and of increasing competition of the rice-growing countries on the Mediterranean sea-board. Though I am sorry from the financial point of view, yet I am glad that so much rice is left in the country for consumption of the poor. Sir, rice is one of the prime necessities of life to the teeming millions of India. The export of rice to foreign countries is becoming more on the increase now than it was two or three decades ago. Time was when rice was sold in Southern India at 6 measures per rupee, and boiled rice, which the poor people largely

consume, at 8 measures. But now, Sir, it has come to 3 and 4 measures respectively, and this has almost become stationary. Of course, during famine times and bad monsoons, it goes still lower down. All that is due, Sir, to the indiscriminate export of rice to foreign countries for purposes of manufacturing wine and beer. The poor people are thus robbed of their bread for the benefit of the rich, who revel in such luxuries as wine and beer. A prohibitive export duty is therefore necessary in order that the poor people of India may be sure of at least their one meal a day. The Taxation Enquiry Committee had not recommended any change, but they desired a close scrutiny by the Tariff Board. An investigation with regard to this ought to be instituted forthwith by the Tariff Board or by a Special Committee, and I trust the Honourable the Finance Member will look into this matter with an open mind and do the needful at an early date.

Salt is another necessary of life which has been taxed to the utmost limit. This is really a tax on the poor man's breakfast, and no enlightened Government will stoop to levy this tax. India is able to produce not only for her consumption but also for export purposes salt at a small nominal cost of 2 to 3 annas per maund. But with the duty of Rs. 1-4 it is ultimately available to the consumer in the rural parts at a cost of Rs. 3 to Rs. 3-8 a maund. It will surely redound to the credit of the Honourable the Finance Member if he would try to reduce this duty to the lowest possible limit, if not altogether abolish it, so that its burden may not be felt heavily by the poor.

Then again, there is another topic more intimately connected with the agricultural population, i.e., the drink evil. Sir, there is a cry for prohibition raised in all the provincial Legislative Councils and the day of a dry India is eagerly looked for. But the Central Government stands as a barrier in the way of the Provincial Governments attaining their object. The complaint has been that if the Provincial Governments controlled the consumption of country liquor by giving out less or making it more costly, they found that the imported wines and liquor were increasing in consumption. This is a direction, Sir, in which the Central Government owed duty to the Provinces and they should help them.

Allied to this is the drug evil in India, which the Government of India tries to perpetuate in some form or other. Opium may make an exit in a few years but morphia has stepped into its shoes. I have completely gone through the able indictment of the Government of India's policy with regard to morphine manufacture by Mr. C. F. Andrews and the recent press communiqué by the Government in defence of their policy. The only conclusion I have formed is that the Government's plea is unconvincing and they are merely trying to replace one set of evil by another, so that they may gain on morphia what they are losing on opium. The figures given by Mr. Andrews are startling, and though the Government of India assert that their sole intention is to monopolize the London market for morphia, solely for medicinal purposes, it cannot be doubted or denied that the Government are running a race for world competition in this drug trade, in view of the rapid increase in production from 15 kilos in 1922 to nearly 2,000 kilos in 1926. While the Government of India are so free and unconcerned with regard to the propagation of this drug evil, they are awfully harsh in the restrictions they impose on medical men in India in regard to the possession and sale of opium or opium preparations. I have already brought this to the notice of the Government through a Resolution moved in the Council in 1927, but to no purpose. I should very much like to hear that the Government of India will take some definite action in the matter early and persuade the Provincial Governments to relax the rules which vary

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in various provinces and which are unduly severe in innocent and harmless Madras.

I now pass on to postal rates, especially the 6 pies card which affects the poor. Sir Basil Blackett was persistent, nay, even obstinate, to a degree, in refusing to reduce the rate for postcards from 6 pies to 3 pies. The Government used to characterize this demand as a hardy annual, but, Sir, it is a hard and indisputable fact that the poor people have been deprived of their chief means of communication and they are left helpless to correspond frequently with their near and dear ones. Recently an agitation has been set on foot in England to restore the penny postage. In a letter to the Premier, the signatories, who belong to the Chambers of Commerce, Federation of British Industries and other representative organisations, have pointed out that the Government's plea for the postponement of this reform on the ground that Post Office surpluses were required to meet the Exchequer needs was unjustifiable and submitted that the first call on Post Office revenue should be for the provision of a cheap and efficient service. Canada has also recently decided to restore the penny postage. It is not too much, therefore, if India should claim the restoration of the three-pie card. This is one of the tasks which the Honourable the Finance Member should set his heart upon.

There is lastly the land revenue policy of the Government of India. This is a question of very great importance that vitally affects the lives of the agriculturists. The economic condition of the agriculturist is already beyond repair. It is said, and rightly said, that he lives because he cannot die. The vision of the British revenue officials is often blurred, because they have been charged with the duty of looking more to the Government treasury than the pockets of the ryot. No doubt at the instance of a sympathetic Viceroy, a Royal Commission on Agriculture has been appointed, which has recently ended its labours. What is the sum and substance of its Report? Instead of helping them to solve their problems, the Commission asks the illiterate agriculturists to make use of recent scientific researches of the knowledge of which they are innocent, to use new agricultural implements to buy which they have not the wherewithal, and lastly, to raise their economic standard which is like asking them to fill a pitcher with its bottom entirely knocked out. One instance of their want of understanding of the pitiable position of the agriculturists can be cited here with advantage. We all know what a prominent part oil-cakes, bones, fish and other forms of manure play in connection with agricultural operations in India. But still oil-seeds, bones and other forms of manure are largely exported to foreign countries to the detriment of the interests of the poor Indian agriculturist. The majority of the Taxation Enquiry Committee have recommended the imposition of an export duty on oil-seeds, bones and other forms of manure. They further recommended that a part of the proceeds of this export duty should be applied towards educating the cultivators to make an increased use of these artificial manures and thus increase the productivity of the soil. I myself moved a Resolution in the Council on this subject on the 12th September, 1927, but time was against me then and the Agricultural Commission stood in the way of a definite pronouncement being made by the Government spokesmen in regard to that. And the Agricultural Commission have had their say and they are distinctly against the levy of an export duty. In other words, the Indian agriculturist must look to more costly scientific fertilizers than to fertilizers ready at hand but which he cannot avail himself of, for they are intended for export elsewhere.

To revert again to the land revenue policy, the Joint Parliamentary Committee have said in clear and unambiguous language that :

" the impositions of new burdens should be gradually brought more within the purview of the Legislature. And in particular, without expressing any judgment on the question, whether the land revenue is a rent or tax, they advise that the process of revising the land revenue assessment ought to be brought under closer regulation by Statute as soon as possible."

It is this recommendation of the Joint Parliamentary Committee that has been set at defiance by the Government of India, and though land revenue is a provincial subject, the sanction of the Government of India is required before any legislation is introduced in the provincial Legislatures. It is here, Sir, the sympathetic heart of Sir George Schuster is requisitioned so that he may help in the moulding of the destinies of the poverty-stricken people of India for the better. From a prohibitive duty on rice to the permanent settlement of land revenue, I have covered a range of subjects which must be tackled soon and sincerely with a view to promote the interests of the agricultural population in India, and I hope the Honourable the Finance Member will rise equal to the occasion and solve them ably and in a fitting manner.

I now come to the expenditure side. The military expenditure stands first in the list of India's burden. When India's revenue is 133 crores, her military expenditure is 55 crores, which is too high. The last word, I am afraid, has been said about it last year by Sir Basil Blackett and His Excellency the Commander-in-Chief to-day. Evidently the expenditure cannot be made to go below 55 and odd crores. But by economy and curtailment of expenditure, some savings could be effected. I pointed out in my Budget speech in 1927 items of leakage and wastage in the Military Stores Department, and if a small committee could go into the question of military stores expenditure, I am sure this leakage and wastage could be stopped, especially in supplies, transport and medicine, and some substantial reduction in the expenditure made. I also stressed on that occasion the point about the speedy recovery of certain War claims still pending with the War Office in England, and I was informed that negotiations still continue. Though we are in the year of grace 1929, no settlement has yet been arrived at. I hope the Honourable the Finance Member will not lose sight of this but will expedite it and make an early announcement to the House.

I am glad, Sir, the recommendations of the Indian Road Development Committee have been approved by the Government and the provision for the increase of the import and excise duty on motor spirit from 4 to 6 annas per gallon has been included in the Budget. The Indian Road Development Committee in its Report had recommended that an effort be made to induce the oil companies to co-operate with the Railway Administration in reducing the price of petrol in inland towns. I wish to draw the attention of the Government to this. Otherwise it will be a great hardship to motor owners in inland towns.

I wish the Government also to make necessary arrangements to constitute a Standing Committee of the Indian Legislature for Roads to advise the Governor General in Council on all matters relating to roads, before the termination of the present Session.

The recommendation of the Indian Road Development Committee that the Railway Administration should contribute towards the construction and maintenance of feeder roads and also that the military authorities should contribute from the Army Budget towards the cost of repairing damages done to

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roads by military transport must be given effect to by the Government at an early date.

Lastly, Sir, when the Government of India makes contributions to the Provincial Governments out of this Fund, they should communicate with the Local Governments to utilize the provincial revenues, which are till now being spent on main roads, to meet the requirements of motor transport more and more for the purpose of developing the much neglected village roads and also that the Local Government should not utilize the amount for any other purpose but improving the roads.

Sir, let me conclude with the remark that the Government of India are slow in their action with regard to medical relief and sanitation. In the provinces, though the Lee Commission recommended the constitution of a Civil Medical cadre, it has not been given effect to. A General Medical Council for India is a dire necessity, and I hope the Government will not unnecessarily postpone its inauguration. More grants should be doled out for sanitary purposes, so that the health of the people which is the greatest asset of every civilized Government might be secured. I trust during Sir George Schuster's time the beneficial services will receive greater attention, and conduce to the welfare of the dumb millions of India.

THE HONOURABLE SIR GEORGE GODFREY (Bengal Chamber of Commerce): Sir, I do not propose to keep the House long. I shall not attempt to vie with the eloquence of some of the Members who have spoken on the Budget to-day who have traversed all sorts of subjects connected with India and the policy of the British in India. I would rather confine myself to two or three points in the Budget which I think are of particular current interest. The truth of the matter is that the Budget presented by the Honourable the Finance Member shows such careful thought for India and such a degree of frankness to disarm possible critics that I have little but good to say about it. There are three points only to which I would briefly refer. I hope that in future the policy of the Government of India in regard to buying up the big guaranteed railway companies will be regulated in accordance with the financial expediency of the time. The rupee loan of nine or ten months ago can scarcely be described as having been a complete success, and yet in spite of that and in spite of the somewhat uncertain conditions which prevailed a few months ago in connection with the ways and means position, a decision was made to buy up the Burma Railways and the Southern Punjab Railway. I am confident that it would have been quite possible to have arranged to defer the purchase for a period of perhaps three or five years. The fact that the purchase of these two lines will give a very sound financial return to the Government of India is to my mind rather beside the point at a time when the financial resources of the country showed evidence of being strained for ready money. It has been suggested, at least I have heard it suggested, that a very considerable part of the money which may be paid in buying up the shares of these two companies will be reinvested in Government of India paper. But it seems to me that there is very little certainty about that; in fact, as by far the greater part will I believe be paid to shareholders in England, it is very unlikely that more than a small portion can return to India. I am quite aware that the decision on this matter was made at a time before Sir George Schuster arrived in India and took over charge of the finances of the country, but I have mentioned it in the hope that future policy in India in regard to these matters may be influenced by the

financial conditions prevailing at the time. As regards the increase in the bank rate, I associate myself with the remarks made by Sir Maneckji Dadabhoy, who dealt with the matter so fully and so clearly that I will not attempt to repeat his arguments. Government credit stands above and behind its cash resources and I cannot but feel that India's credit stands very high at the present time, and that perhaps the Honourable the Finance Member was somewhat unnecessarily cautious in forcing the rise upon the Imperial Bank. Perhaps he regarded the necessary further expansions of the currency as that deadly drug for sworn of Hippocrates and by himself, whereas to most of us it would seem merely to have been the stimulant or tonic that would have brought the sufferers round from convalescence to full health. The financial agreement regarding the Army Budget will commend itself to all who wish to live in peace and security in India. The smaller the army the more perfect it ought to be, and the best way to obtain possible reductions of expenditure in future years surely is to modernise equipment in the present. I congratulate His Excellency the Commander-in-Chief and the Honourable the Finance Member on the working convention which has been agreed upon in the matter of earmarking a sum of money in the Army Budget, in particular that of 10 crores spread over four years which is to be devoted to improving and bringing up-to-date the equipment of the Army. This system will avoid that very wasteful practice of forfeiting balances unspent at the end of the year. The tribute to the Royal Air Force paid by His Excellency the Commander-in-Chief must fill us all with pride. Most people when they think about the expenditure on the Army are too inclined to think that it is being to purposes suggestive of war and bloodshed. But here we have a case, a remarkable case, of a branch of the Army being used on a mission of mercy and rescue. Fifteen years ago, such an expedition, such an act of rescue, would have meant repeating history by means of an armed military force despatched into the country to effect the rescue, and would have been accompanied by a vast expenditure of life and money. But so changed are conditions that the valiant officers who have carried out this wonderful evacuation actually went unarmed and did not lose one life. Surely this wonderful service of the Royal Air Force is a strong argument in favour of the perfect mechanisation of our Army without unnecessary delay so that it may be small and yet bring with it peace and security to India. (Applause).

THE HONOURABLE SIR MANMOHANDAS RAMJI (Bombay : Non-Muhammadan) : Sir, I join with all my Honourable colleagues in congratulating the Finance Member, who has in the short time at his disposal grasped the real financial situation of this country in a most excellent manner. Sir, he has pointed out in his speech that the system of paying interests on cash certificates and treasury bills requires to be changed, so as to bring equilibrium in the annual Budget. Although there may be some defect on this account in the framing of the Budget, yet he has foreseen the difficulty and has tried to meet the situation. He deserves great credit for that one particular point. Another point which he has touched upon, and it is really important, is in regard to the items of non-recurring expenditure which is every year put into the Budget. Sometimes the amount may be small and sometimes it may be large, but it always goes to upset the Budget, as these sums are provided for from the ordinary revenues. Therefore, I would suggest that a proper inquiry should be made and a sum ascertained which should represent the average which should be spent for this purpose annually and earmarked for this purpose. We all know that whatever is provided for in the Budget is all necessary expenditure. But a commercial concern or even any private person can easily

[Sir Manmohandas Ramji.]

manage with the sum at their or his disposal from time to time ; the private person may not consider an ambitious return or an ambitious benefit that is going to be derived by spending large sums which would tell upon the balance of his budget.

Coming to paragraph 57 of his speech, he mentions about the capital development of this country. I think in this direction the Government have been acting during the last few years after the war at a very high pace. They are going on spending crores of rupees annually. Although the major portion of the amount that is spent on this particular object from year to year may be unable to give a return sufficient to justify the expenditure, as everybody knows. Our ambition may be as wide as anything, but there must be a limit to everything. Of course the resources at the disposal of the Government may be very great. The very good credit that we have, which enabled us to raise large sums of money does not necessarily mean that we can go on spending any amount that we think proper. I think we must try to cut our coat according to the cloth we have at our disposal. During the last six years, after the war, we have spent 120 crores in rupees and 49½ crores in sterling on this purpose. That is about 30 crores of rupees annually and we had to borrow this 30 crores from the public annually. Now, may I, Sir, point out that before the war, when money had to be borrowed, the Finance Department used to be very cautious to raise a loan of 1 or 2 crores ; they used to be very cautious and they were thinking of so many things before they thought of launching a loan of 1, 2 or even 3 crores. I think the Department thinks that it is easy, on account of the high credit, to raise 30 crores annually or even 50 crores annually and thus try to do good to the country. Of course I do not mean that spending these large sums is not beneficial. What I say is that the sums that we have spent during the last 6 or 7 years have deprived somebody of getting cheap monetary facilities, because Government were able to float their loans at a lower rate than any commercial body can, and therefore it comes in the way of borrowing of commercial concerns when Government come forward and borrow large amounts of money ; looking at the object for which these large sums are raised, I find that railways are responsible for a large amount. Sir, in the year 1913 the sums spent on productive assets railways amounted to 282 crores ; it was 295 crores and 98 lakhs in 1914. What do we find now ? A very large sum, about 698 crores, double the amount that was spent from the beginning till the year 1914, has been spent during the last six years. If this sum of 300 crores had not been spent, what would have been the effect on the money market and on the development of the industries of the country and also on the development of the agriculture of the country ? Railways alone cannot develop the country. They have to work side by side with the development of industries and agriculture and we should not try to develop railways alone at the speed that we have been doing now. Sir, the total debt in the year 1913 was 507 crores and it has gone up to nearly double that amount, 1,074 in six years. If there is anything against the management it is that large sums are spent faster than the requirements of the country ; I know, Sir, and I appreciate the foresight that the Finance Member has shown on the subject and he has promised to be very cautious and he has promised also to have a vigilant eye on this source of expenditure and therefore he deserves the greatest amount of congratulations from us. (Applause). I hope he will realise the situation and pause before he sanctions purchases or enters into any such ambitious schemes of railways in future.

Sir, he has also touched upon another important feature in his Budget speech and he has pointed out that, instead of raising loans to finance these public utility works, Government utilised the funds at their disposal which may be returning smaller returns. It is a very judicious policy and I think that they have done right in doing this sort of work. I may point out to him that if this system is continued and the public works are developed or undertaken from such reserves, there would be no complaint. But when they go into the market and raise a large amount of loans, then alone I think we will be giving ground to the commercial community to grumble, because it retards the progress of industries, it retards even agriculture. I think the development of industries, of agriculture, of railways and road communications ought to proceed side by side and simultaneously. Only there should not be one direction in which the Government should try to spend and increase the earning capacity of the country by developing railways only.

Sir, I am glad to hear that Government propose to launch on a banking inquiry. Of course, ordinarily it may be understood that a banking inquiry relates to joint stock banks and the expansion of the Imperial Bank, but when this inquiry is undertaken, an important branch of banking that exists to-day in this country, namely, the banking in small places, small towns and small villages by sowcars—and this system has been carried out successfully since a long time by them—should not be put to any inconvenience or embarrassment at the expense of trying to develop the banking system. I think due care should be taken to keep these institutions in existence and due facilities should also be provided to carry out their business unhampered. Now I do not want to detain the Council on several other topics, like the military expenditure and so many other things. I am glad to hear from the Finance Member that the question of exchange which is a settled question should not be brought before the eyes of the public so generally as some people do think every now and then about it. I think if people understood rightly the gravity of their suggestion of getting the ratio altered within a period of two years, they would hesitate to insist on the change. They forget the inherent loss or inherent mischief that it would mean by dislocating trade and commerce. Therefore, Sir, I would ask my friends who make this complaint about the exchange ratio, to pause and watch the progress for a certain time, and then if they are satisfied that it has done harm to the country, which I do not believe it has—it is all exaggeration—I think they will be well advised to bring this question of the ratio again before Government then.

THE HONOURABLE SIR JOHN THOMPSON (Delhi : Nominated Official) : On behalf of the province I represent, Sir, I should like to express satisfaction at certain of the grants which have been made to Delhi. It is satisfaction which is shared, I feel sure, not only by the inhabitants of the Delhi Province but also by a large number of periodical visitors among whom I hope I may reckon Members of this House. It is not so much the amount of the grants as the implication of a new policy towards the old City which seems to me to be a cause for congratulation. During the 16 years that have elapsed since the transfer of the capital, the energies of the Government of India so far as Delhi is concerned have naturally been concentrated on the construction of New Delhi, and so the new City has grown up. But there has always been, as those of us who have known Delhi have felt, a Lazarus lying at Dives' gate, a Lazarus long crying for the healing of his sores. And we feel now with this Budget before us that the era of doles to remedy Delhi's ills is over, and that we have now entered on the execution of a big scheme for rendering Delhi, the old City, a place more worthy of the position it occupies in this country.

[Sir John Thompson.]

It is true that the whole of the scheme which has been submitted cannot be initiated under the sanctions of the present Budget, but we shall, I hope, be able to start work on the construction of a new Joint Hospital, on the improvement of the Delhi water mains, and on the clearance of the Delhi slums. Some of these schemes, it is true, are not at first sight schemes for the sole benefit of old Delhi. For instance, the hospital which it is proposed to construct at a cost of 60 lakhs will be a Joint Hospital for the new City and for the old. But I claim, Sir, that anything which diminishes the perils to life and health in the old City is *pro tanto* strengthening the sanitary defences of the new City. And, Sir, all who are concerned with the administration of Delhi feel that the vision of a model city is now taking shape. We shall in future years, when prosperity enables the Finance Member to gild his Budgets a little more, we shall, I hope, be able to take up further schemes for additional dispensaries, for the extension of the conveniences of light, water and drainage to the new suburbs, for the improvement of the Delhi drainage system and other works including rural sanitation. But for the present I feel that we, all of us who live in Delhi, all of us who have occasion to visit Delhi, ought to feel a debt of gratitude to the Government of India for having brought within reasonable distance the attainment of the goal which we have set before us of making Delhi a model city in India and of making old Delhi a mother worthy of its daughter. (Applause).

THE HONOURABLE SIR DINSHAW WACHA : (Bombay : Nominated Non-Official) : Sir, at this late hour I do not wish to detain the Council for more than ten minutes. Even if I want to detain you long, under the injunction of my physician I cannot do that. Therefore, Sir, I will only confine myself to a few general observations. In the first place, I consider it the good fortune of India, and also of the Government of India, that we have in succession two very talented and able Finance Ministers. Sir George Schuster succeeds the talented Sir Basil Blackett. Sir Basil Blackett did wonderfully well. As I have said before in this Chamber—and I repeat it without fear of challenge—that his financial administration was really an epoch-making one for the reason that he laid radically new foundations of Indian finances. Other people may contradict me and take a different view. But I, Sir, am personally firmly convinced that when impartial history comes to record 50 years hence what Sir Basil Blackett did, its verdicts will be what I myself have said here before and what I say now. In the same way, I can say of Sir George Schuster, who has come here for the first time only four months ago. He has learned from the different speakers who have spoken before me from different points of view what are the requirements and needs and wishes of the people at large. Of course, some sentiments are extravagant, some, perhaps, come from ignorance. But all the same, he will be correctly instructed by the several speeches which have been made in this House to-day. My own belief is, knowing Sir George Schuster's talents and abilities and his experience and knowledge of finance, that his five years of financial administration will prove as brilliant and as substantial as that of his predecessor. (Hear, hear).

I think, Sir, I have said enough on Indian finance in the past, but let me say this to-day that I am very pleased that in this House we have heard very many sensible speeches, very reasonable speeches, from different points of view. My friend Sir Maneckji took the lead, and other friends have also given a good lead—my friend Sir George Godfrey and last of all, my friend, Sir Manmohandas Ramji. He has, I think, put very lucidly the whole crux of the financial statement in a nutshell, and I am quite sure that Sir George Schuster will be very much benefited by his sound financial criticism. I have known Sir

Manmohandas Ramji for a number of years, and I can confidently say that in the whole of Bombay there are not half a dozen Indians who are so very sound in financial matters and who can conscientiously point out the merits and demerits of the financial position. And when I speak so I am using, I believe, not a word of flattery or exaggeration. I am speaking the truth. He has really expressed what I myself would have expressed if I had risen earlier to speak. I agree with each and every word that has fallen from my Honourable friend. My other good friends who have spoken have given their own views, from their own point of view, on the subject. I dare say Sir George Schuster will be benefited by them. For the present I consider myself, when so many gentlemen have spoken on the subject already, that I am really a bankrupt as to what I should say now. I rather prefer to remain poor now, but perhaps next year, if I survive till that time, I may speak on our finances with greater amplitude. One word more I will say. I entirely agree with what my friend the Honourable Mr. Pantulu has said to-day in more reasonable, moderate and deliberate terms than he has ever done before, specially in reference to the agricultural condition of the country. For the last 40 years I have been writing and speaking from various platforms about the financial help which ought to be given to our poor agriculturists. It was Lord Cromer who established an Agricultural Bank in Egypt as far back as 1894. I was now and again in correspondence with him and his colleague Sir Elwin Palmer who were the founders of the Agricultural Bank in Egypt. Of course I know that the Agricultural Bank of Egypt is working under conditions somewhat different from Indian. But I do believe that were India to have in every province an Agricultural Bank with a private capital of 8 or 10 crores, assisted by Government by way of guarantee of interest, our agriculturists would greatly prosper in the future. Agriculturists are no doubt indebted. It is not their fault, it is not the fault of the Government. Government, I believe, have done for the Indian agriculturist any amount of good in the last 50 years. Look at the Tenancy Act of Bengal, of Bombay, of the Central Provinces, of the Punjab and others, and you will find in them ample evidence of the good intentions of Government, namely, to see that the agriculturists prosper and are relieved from the indebtedness and poverty which is staring them in the face so long. Circumstances are now entirely different from what they were before. The Government of India itself has changed its constitution. We are now a deliberative assembly, a "democratic" assembly, if you like. But, as Lord Bryce said so often, a democratic assembly, looking from the popular point of view, may say that for this, that and the other purposes funds are wanted. But where are the funds? After all, the resources of India are limited. They are not elastic. Therefore, it is not possible to satisfy every popular demand. But whenever there is a good democracy, it must, of course, be necessarily very expensive. Therefore, to say in one breath that this expenditure or that expenditure is extravagant and at the same time to say that there should be no taxation is illogical. I do not believe in that sort of logic. You cannot say in one breath "do not have taxation" and in the same breath shout that you should have this, that and the other thing done! How is it possible? I appeal to you all, gentlemen, to say whether logically that is possible. After all, the Government of India uses the money not for its own benefit, it is not putting anything in its own pocket, not a pie. Taxes are collected for the country and for its welfare. It may be that sometimes they commit mistakes, aye, "colossal" mistakes. But we must all admit the surpassing merits of the administration of British rule in India. At the same time, I must ask you to put yourself in their position. Supposing you had responsible self-government here, and one of us was Finance Minister: for instance, say, our friend Mr. Jamnadas Mehta or Sir Purshotamdas. What would they do?

[Sir Dinshaw Wacha.]

They would be subject to the very same heckling stringent criticism, the same sort of criticism that they are making to-day against the Finance Department. The fact is this. We are a responsible body and we must remember that when we criticise others, we are liable to meet with similar criticism when we happen to be in their position. All these points have to be considered. I am speaking as an old man and from my long experience. I have been studying the financial statements for the last 70 years, from 1860, when I was a student in college. And, speaking from my experience of all the distinguished experts, from the distinguished James Wilson down to Sir George Schuster, I can say that we are progressing from every point of view, economic, financial and every other. There have been mistakes, but all the same we have to thank British rule in India for all the incalculable benefits conferred on us. Those people are short-sighted who say that the British should be turned out bag and baggage and the whole system abolished! After hearing all that has been said to-day, I congratulate Sir George Schuster on his first balanced Budget and hope that his next year's Budget will be even better so as to meet with universal praise. (Applause.)

THE HONOURABLE SIR GEORGE SCHUSTER (Finance Member): Sir, I can hardly resist the opportunity which my Honourable friend Sir Dinshaw Wacha has given me for rising to close this debate; for, if I may say so, he has provided me with what the dramatist would call a most excellent curtain for its last scene. He has in fact made almost the whole of my speech for me much better than I could have made it myself. Sir, I have to thank all Honourable Members who have spoken to-day for the great courtesy which they have shown to me, even though they may have had criticisms to offer. At times when I have heard the criticisms I may perhaps have thought to myself how enviable is the position of each Honourable Member compared to that which I myself occupy. For I at times have felt that I sit here combining the role of a criminal in the dock and of a pilot who has to navigate a very important and valuable ship through most difficult waters. There is at sea a salutary rule that you may not speak to the man at the wheel, but I, Sir, have to come down into the arena and be spoken to for three days in succession. I, do not object, Sir, to criticism, and I must say after the three days that I have sat and listened to remarks both in this House and in another place, I have felt that helpful suggestion predominated over destructive criticism, and again I thank Honourable Members here to-day for the amount of helpful suggestions that they have given me. But there is always this, that Honourable Members, who, as they criticise, can deal with particular points, have an advantage over me, because I have to face realities and make both ends meet, whereas they can select for their criticism one end or the other and not consider how the things which they propose will affect the final balance which has to be arrived at. My Honourable friend Sir Dinshaw Wacha has expressed the sentiment in much more vigorous terms than I, that you cannot have helpful expenditure without some kind of revenue. Nor can you have economies and retrenchment without dismissing Government officials or without cutting down what may be very beneficial expenditure. Sir, among the critics who have spoken to-day I have listened with very great attention to the words which fell from my Honourable friend Sir Maneckji Dadabhoy. His speech was a powerful plea, if I may say so, for the avoidance of taxation in the abstract. But I am sure he will also permit me to say that it did not offer me very much assistance in the concrete. I valued it rather as a convincing picture of the difficulties which I have to face. My Honourable friend suggested that I was departing from the

policy of my predecessor and quoted expressions of hope from his past speeches. But, Sir, whoever holds the position of Finance Member in this country has to face realities and whether the hopes expressed in the past are my own or those of my predecessor, whichever of us was here, we should have to face those realities ; and I am quite certain that if my distinguished predecessor, to whom I have already paid sincere tribute which I would like to repeat, namely, that I feel that he has laid the soundest possible foundations for finance in this country and that he has done work, as my Honourable friend Sir Dinshaw Wacha has just said, which when it comes to be reviewed in its proper perspective will be pronounced to be of the greatest permanent value of any work done by any Finance Member in this country. I am quite certain, I say, that if he were here to-day his practical proposals would have been almost exactly the same as my own. Sir, I think we must look upon the progress of a nation not as something which takes place in any steady order. It is rather like the incoming of a tide. One wave comes forward and recedes again, but the next wave that comes on takes the tide a little higher. I think I am not unfair to my predecessor in saying that he came in at the lowest ebb and that he had the good fortune to live through five years of good monsoons and that he was carried forward on one of those waves of progress. That was his good fortune. His skill and his achievement, which has earned him or should earn him the gratitude of this country, was that he took the maximum advantage of that good fortune, and he has left the country in a far stronger position than that in which he found it. But, Sir, he left just at a time when that wave was spending its force, and now we see, as others will see who follow the course of nations, a slight reaction setting in, and our task is to peg ourselves down in the position we have reached and to be patient and cautious and to be ready to take advantage of the next wave of advance when it comes. That, Sir, is my view of the situation. I do not think it is a situation which need give anybody any ground for pessimism. But I have sought in my first statement on the finances of this country to paint the picture in its true colours and to make the country realize what was before us. You have on the one side people clamouring for the construction of railways and abusing the Government for putting the brake on in that direction. But, as many Honourable Members have pointed out to-day, you must not overstrain the credit of the country. If you do that you are damaging not only the Government itself but all the private interests and all private business as well. And if we have to call a halt, if it proves necessary to call a halt in the rapid advance which has taken place in the last few years, we should regard that action rather as a sign of strength than a sign of weakness. It has been said to me by many who have spoken on the Budget that I have presented a deficit Budget showing a deficit of 90 lakhs. I should like just to correct that impression. I tried in my Budget speech to show the realities of this year in comparison with the two previous years, and I would like to repeat the figures perhaps in a slightly different form. I think that one has to regard the three years 1927-28, 1928-29 and 1929-30 as a whole. It so happens that quite artificial influences have interfered with the normal distribution of revenue as between those three years. As our accounts show it, the year 1927-28 closed with a deficit of 222 lakhs which was made up out of the Revenue Reserve Fund. The year 1928-29 closed or is likely to close with a surplus of 30 lakhs, and the year 1929-30 is likely to close with a deficit of 90 lakhs to be met from the Revenue Reserve Fund. But if those artificial factors were eliminated — and

4 P.M. I allude only to artificial factors of major importance, because I could dress up the figures in a still more convincing way if I wished to do so—if we eliminate only the major artificial factors, we should have the following result. For 1927-28 a deficit of 182 lakhs, for 1928-29 a

[Sir George Schuster.]

deficit of 75 lakhs and for 1929-30 a deficit of 25 lakhs. Therefore corrected in this way the figures do show progressive improvement, and I think in all these matters it is the tendency which is important to watch, and not so much the static position of the moment. Therefore, I say even though we have to show what is technically a deficit on this year's estimates, I do not think the position gives ground for serious pessimism.

Now, Sir, my Honourable friend Sir Maneckji Dadabhoy has criticised my proposals, but I do not know really what he would have had me do. Would he have had me deliberately overestimating revenue so as not to show a deficit? I am sure that was not present in his mind. Or would he have had me refuse all those demands for constructive expenditure, beneficial expenditure which have been mentioned by various Members in the course of this debate—to whose appreciation I gladly pay a tribute of gratitude, because these things are often forgotten and the black spots called attention to—would he have had me refuse a grant for agricultural research or a grant to the Benares University or a grant to the Bose Research Institute or the small start which we have given to the work of improving the conditions in old Delhi? I am sure that if he had been in my place he would not have taken that line. Then, Sir, he has helped me very much in one direction by saying that he entirely approves of the programme of military expenditure. I am grateful to him for his statement on that matter; but, at least it closes up one other avenue for retrenchment. Therefore, I think I am justified in making the bold assertion that if my Honourable friend had been sitting in my place, or indeed if my distinguished predecessor had been sitting in my place, his proposals and my predecessor's proposals would on the present occasion have been practically identical with my own. Sir, he has criticised me for holding out the prospect of new taxation. Perhaps it would have been more politically wise to have said nothing about that. But the whole object of the way in which I presented the case this time was to present it exactly as I saw it, and I wished to withhold nothing. I saw the possibility of new taxation and I thought it right to say so. I am sure no Honourable Member here will blame me for that. But is this question of new taxation such an evil as has been generally represented? There have been, Sir, some very interesting passages in the debate to which we have listened. Almost every speaker who has referred to the proposed tax on petrol has referred to it in terms of admiration and appreciation. Therefore, here we have some kind of new taxation which at least is regarded as beneficial to the country. Why? Because it falls on the classes who can afford to pay for it and because its proceeds are going to be applied for objects which are beneficial to the country. Now, Sir, when I put that reference in my speech to the possibilities of new taxation I had in mind the responsibility of this Government for carrying out just that kind of expenditure which is beneficial to the country, and I would like to read a passage from my speech which illustrates what I had in mind. I said:

“The future efforts of Government to provide money for beneficial and constructive purposes, such as I have specially mentioned, must of course depend on the financial position, but I should like to take this opportunity to emphasise my own view that it would be unworthy of this country if Government did not take steps to provide themselves with revenue to meet obligations of this nature.”

Sir, that is an opinion to which I adhere and of which I am not ashamed, and if it should be necessary to impose new taxation—I hope most sincerely that it will not be necessary and with ordinary good fortune it will not be necessary—but if it should be necessary, then the line of taxation which I should

choose will be one which will fall least hardly on the poorer classes of this country and which would only be imposed for the sake of enabling the Government to discharge its responsibility in the directions to which I have referred.

Sir, it would perhaps be well for me to make some reference to various speeches that have been made, though I have covered most of the important points which have been brought up, and if I do not refer to any individual speaker it will not be because I failed to take note of all that has been said to-day. My Honourable friend, Mr. Natesan, paid special attention to the question of agricultural development and to some assistance from the Government in the way of developing co-operative credit. Others also have referred to the importance of this line of work. There I have only to say that I hope, as a result of the banking enquiry which we are now shortly to start, that we shall get some light on the main features in the problem and what are the main defects in the present system which it lies in the power of the Government to remedy. That is a subject in which I shall always be greatly interested, and I hope I shall have other opportunities of discussing it with Honourable Members here who are interested in it. My Honourable friend Sir George Godfrey referred to the question of buying up of Railways, and that perhaps is the only remark which has directly borne on the capital expenditure programme of the Government. I was grateful to him for his remarks and I think they were helpful, and he will see that I have dealt very fully with that whole question in my original Budget speech. There is no doubt that the capital expenditure programme of the Government must be regulated according to the credit and resources of the Government, and moreover the needs of the Railways must be considered in competition with the other demands and proper adjustment made between all those which have claims on the Government's resources. My Honourable friend Sir Manmohandas Ramji made what appeared to me to be very useful suggestions about dealing with non-recurring expenditure; I have duly taken note of those and it is a matter which will have my attention. In dealing with the banking enquiry he asked me specially to give due consideration to the old traditional banking system which exists throughout the country-side and to do nothing which might embarrass or interfere with that. Sir, I know quite well that it would be impossible for the Government—or at least the most unwise thing that the Government could do—to endeavour to impose some artificial system on top of that which has grown up as the natural course of ages to suit the needs of the country. All that we can do, if we are wise, is to endeavour to assist and reinforce the natural system and to adapt our plans to those forms of organisation to which the country is already accustomed. I fully appreciate the point that has been made. Then, Sir, there was one reference to the grant to the Benares University and to the effect that no similar grant had been made to the Aligarh University. I had the opportunity of explaining the Government's position on that matter yesterday in another place. I should like to repeat what I said there, that the Government fully recognise that in giving this assistance to the Benares University they have created a precedent which will apply also to the case of Aligarh University, and the only reason why no similar grant was made at the same time was that no plan has yet been worked out. The question of what is to be done in future with the Aligarh University is, as I understand it, now under consideration, and as soon as definite proposals are put forward, the Government is ready to give the most favourable consideration to any application for assistance.

Sir, I have no more to say. I should only like in conclusion to repeat my thanks to all Honourable Members for the great courtesy which they have shown me to-day.

STATEMENT OF BUSINESS.

THE HONOURABLE KHAN BAHADUR SIR MUHAMMAD HABIBULLAH (Leader of the House) : Sir, as there is no official business next week, I have to announce that the only meeting of the Council will be on Tuesday, the 12th, for the transaction of non-official business.

THE HONOURABLE THE PRESIDENT : For Tuesday, the 12th, one Resolution only was balloted for, and I have just received notice from the Honourable Member in whose name that Resolution stood that he does not intend to move it. That will therefore leave no business for the 12th but nevertheless it is necessary for the Council to meet on a day early in the week in order that any Bills which may be passed in another place this week may be laid on the table here, so that they may come up for consideration next week. I have been considering if there is any way that I can meet the convenience of the Council in this matter. I do not desire to ask the Council to meet when there is no business for it to transact. I have observed that on the 18th of March, which has been allotted for non-official business, no fewer than five Resolutions have been balloted for, which in the ordinary course are rather more than a day's work for the Council, and examining those, as the result of certain inquiries I have made, I find that the Honourable Rai Bahadur Lala Ram Saran Das has a Resolution standing in his name regarding the Income-tax Act. Notice of that Resolution was received on the 13th February so that statutory notice will have expired by the 12th of March. I understand also that the Member of the Government in charge of that subject does not object to the Resolution coming up on the 12th instead of the 18th. I think therefore it will suit the convenience of the Council if I exercise the power that the Standing Orders give me to interfere to a small extent with the ballot and bring back the Resolution standing in the name of the Honourable Rai Bahadur Lala Ram Saran Das from the 18th and direct that it should be taken up on the 12th.

The Council then adjourned till Eleven of the Clock on Tuesday, the 12th March, 1929.