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**LEGISLATIVE ASSEMBLY DEBATES**  
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*(22nd February to 14th March, 1927)*

**FIRST SESSION**  
OF THE  
**THIRD LEGISLATIVE ASSEMBLY, 1927**

*Chamber of Deputies 18/1X/23*



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## LEGISLATIVE A6

Thursday, 3rd March, 1927.

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

### QUESTIONS AND ANSWERS.

#### ADMISSION OF THE UNITED STATES OF AMERICA TO THE PERMANENT COURT OF INTERNATIONAL JUSTICE AT THE HAGUE.

688. **\*Mr. Gaya Prasad Singh:** (a) Has the attention of Government been drawn to a Press telegram from Geneva, published in the *Hindustan Times*, dated the 15th February, 1927, in which it is stated that "Lord Birkenhead has informed Sir Eric Drummond, the Secretary General of the League of Nations, that arrangements have been made to inform the United States' Government that India associates herself with the terms of the British Note on the subject of American Reservations with regard to her admission to the permanent Court of International Justice at the Hague"?

(b) Will Government kindly state if they propose to make a statement on this subject, and lay on the table a copy of the British Note, and the American Reservations referred to above?

(c) Was the Central Legislature in India consulted on the subject of India's association with the terms of the British Note, and will there be any financial burden cast upon Indian revenues as a result of the arrangement referred to in (a) above? If so, to what extent?

**Mr. L. Graham:** (a) Government have seen the telegram.

(b) The proposal of the Government of the United States of America to adhere to the Statute of the Permanent Court of International Justice subject to certain reservations was conveyed separately to each member of the League including India. At the suggestion of the Secretary General of the League the proposal was discussed in a conference held at Geneva on the 1st September, 1926, and following days immediately before the meeting of the Assembly of the League. The Conference was attended by representatives of forty members of the League including India and Great Britain. The conclusions of the Conference were embodied in a document entitled the Final Act of the Conference; and each member who signed the Final Act agreed to reply in the terms of that Act. A copy of the Final Act and of the report of India's delegates to the Conference has been placed in the Library.

(c) No. No charge on Indian revenues is involved.

**Mr. Gaya Prasad Singh:** Who represented India on the occasion to which reference is made in part (b) of the answer?

**Mr. L. Graham:** Two of the delegates who subsequently represented India in the Assembly of the League, namely, Sir William Vincent and Sir Edward Chamier.

#### GRANT OF GUN LICENCES TO NON-CO-OPERATORS.

689. **\*Kumar Ganganand Sinha:** (a) Will Government be pleased to state if any instructions have been given to the district authorities not to grant licences for guns to the non-co-operators or to their relations?

(b) If the answer to (a) be in the negative, are Government prepared to inquire if it is a fact that one Moulvi Wasi Ahmad of village Daudnagar, Police Station Lalganj, in the District of Mozaffarpore, in the Province of Bihar and Orissa was refused a licence for a gun on the ground that the said Moulvi Wasi Ahmad was the brother of Moulana Mohammad Shafee Daudi, M.L.A., in spite of the fact that the local police officers had nothing to say against him?

(c) If the answer to (b) is in the affirmative, do Government propose to take action against the district authorities of Muzaffarpore; and if so, what?

**The Honourable Sir Alexander Muddiman:** (a) The reply is in the negative.

(b) No. The matter is one for the Local Government to dispose of.

(c) Does not arise.

#### LOCAL ADVISORY COMMITTEES ON THE BENGAL NAGPUR RAILWAY.

690. **\*Mr. B. Das:** (a) With reference to starred question No. 178 of Khan Bahadur Sarfaraz Hussain Khan of 26th January, 1926, on the creation of Local Advisory Committees on the Bengal Nagpur Railway and the reply of the Honourable Mr. G. G. Sim that steps are being taken by the Bengal Nagpur Railway to create Advisory Committees at Nagpur, Adra, Calcutta and Vizagapatam, will Government be pleased to state why no Committees have so far been appointed for Nagpur and Vizagapatam?

(b) Will Government be pleased to lay a statement on the table giving names of members of the Local Advisory Committees for the Bengal Nagpur Railway for Adra and Calcutta?

**Mr. A. A. L. Parsons:** (a) Committees have not so far been appointed for Nagpur and Vizagapatam but they are now in the process of formation.

(b) The names of members of the Calcutta Local Advisory Committee will be found in the Bengal Nagpur Railway Time Table. The Adra or Ranchi Committee has only recently been formed; the names of the members are not at present known, but they will appear in subsequent issues of the Time Table.

#### NUMBER OF ORIYAS APPOINTED TO THE LOCAL ADVISORY COMMITTEES ON THE BENGAL NAGPUR RAILWAY.

691. **\*Mr. B. Das:** With reference to my starred question No. 484 of 28th January, 1926, and the reply of the Honourable Mr. G. G. Sim that "the question of allotment of a certain number of seats to Oriyas on the Advisory Committees was brought to the knowledge of the Agent, Bengal

Nagpur Railway", will Government be pleased to state the number of seats allotted to the Oriyas in each of the four Local Advisory Committees of the Bengal Nagpur Railway, namely, at Nagpur, Adra, Vizagapatam and Calcutta?

**Mr. A. A. L. Parsons:** The Committees of the Bengal Nagpur Railway will be constituted as follows:

Calcutta—of members resident in Bengal.

. Nagpur—of members resident in the Central Provinces.

Adra or Ranchi—of members resident in Bihar and Orissa.

Vizagapatam—of members resident in the Madras Presidency.

It is not known how many of these members are or will be Oriyas.

# CENSORING OF TELEGRAMS TO MEMBERS OF THE LEGISLATURE REGARDING THE RECENT SITUATION AT KHARGPUR.

692. \***Mr. K. O. Neogy:** Will Government be pleased to state how many telegrams addressed to Members of the Legislature on the subject of the recent situation at Khargpur were intercepted or censored by the Postal authorities, and the grounds of such action?

**The Honourable Sir Bhupendra Nath Mitra:** One multiple telegram tendered on the 14th February, 1927, was stopped by Kharagpur Workshops Combined Office under orders of the District Magistrate.

# OPENING OF A DEAD LETTER OFFICE AT PATNA.

693. \***Mr. Gaya Prasad Singh:** (a) Is it a fact that there is no Dead Letter Office at Patna for the Province of Bihar and Orissa, but that the Calcutta Dead Letter Office is the combined office for Bengal, Assam, and the Province of Bihar and Orissa?

(b) Are Government aware of the inconvenience and delay due to there being no separate Dead Letter office for the Province of Bihar and Orissa; and do Government propose to take steps to open a Dead Letter office at Patna? If so, when?

**The Honourable Sir Bhupendra Nath Mitra:** (a) The position is as stated in the reply given by Mr. Sams to parts (a) and (b) of Khan Bahadur Sarfaraz Hussain Khan's question No. 1992 in the Legislative Assembly on the 3rd September, 1924.

(b) Government have no information regarding the alleged inconvenience and delay. The answer to the second part of (b) is in the negative.

**Mr. K. Ahmed:** Is it not a fact, Sir, that the people of the province of Bihar and Orissa have a very limited amount of correspondence that passes through the Post Office, that the Calcutta Dead Letter Office is most centrally situated between Bihar and Orissa, and if the Dead Letter Office was situated at Patna, the people of Orissa would have suffered greater inconveniences?

## MESSAGE FROM THE COUNCIL OF STATE.

**Secretary of the Assembly:** The following message has been received from the Secretary of the Council of State:

"I am directed to inform you that the Council of State have, at their meeting held on the 1st March, 1927, agreed without any amendments to the Bill to provide for the continuance of the protection of the steel industry in British India which was passed by the Legislative Assembly on the 21st February, 1927."

### PETITIONS RELATING TO THE CURRENCY BILL.

**Secretary of the Assembly:** Sir, under Standing Order 78, I have to report that 124 petitions signed by 1,617 persons as per statement laid on the table have been received relating to the Bill further to amend the Indian Coinage Act, 1906, and the Indian Paper Currency Act, 1923, for certain purposes, and to lay upon the Governor General in Council certain obligations in regard to the purchase of gold and the sale of gold exchange, which was introduced in the Legislative Assembly on the 25th January, 1927.

#### *Statement.*

Petitions received relating to the Bill further to amend the Indian Coinage Act, 1906, and the Indian Paper Currency Act, 1923, for certain purposes, and to lay upon the Governor General in Council certain obligations in regard to the purchase of gold and the sale of gold exchange, which was introduced in the Legislative Assembly on the 25th January 1927.

Number of signatories.	District or town.	Province.
96 . . . . .	Kaira . . . . .	Bombay.
138 . . . . .	Broach . . . . .	Do.
1,383 . . . . .	Ahmedabad . . . . .	Do.

### STATEMENT OF BUSINESS.

**The Honourable Sir Alexander Muddiman** (Leader of the House): With your permission, Sir, I propose to make a statement in regard to the probable course of Government business during next week.

On Monday, the 7th, a motion will be made to take into consideration the Indian Currency Bill and, if that motion is passed, a motion will thereafter be made to pass the Bill. It is proposed to reserve the whole of Monday, the 7th, and Tuesday, the 8th, for the discussion of this Bill.

Wednesday, the 9th, Thursday, the 10th, and Friday, the 11th, have, as Honourable Members are aware, been allotted for the discussion of the Demands for Grants.

On Saturday, the 12th, it is proposed to continue with the Currency Bill, if it has not been disposed of on the 8th, and thereafter to take up the following business:

- (1) Motions will be made for the election of panels for Advisory Committees for the Industry and Commerce Departments and for the Advisory Publicity Committee.

- (2) A motion will be made for leave to introduce a Bill further to amend the Indian Mines Act, 1923, in order to provide for the regulation of work in Mines under a system of shifts.
- (3) A motion will be made for the reference of the Indian Lighthouse Bill to a Joint Committee of both Chambers.
- (4) Motions will be made to take into consideration and to pass the Madras Salt (Amendment) Bill, the Provident Funds (Amendment) Bill, the Indian Forest Bill and the Bengal and the Bengal Tenancy (Amendment) Bill, all of which have already been passed by the Council of State.
- (5) A motion will also be made to take into consideration and, if that motion is accepted, to pass the Insolvency (Amendment) Bill.

Finally, it is proposed to present to the House an estimate for certain Supplementary Grants for railway expenditure.

I would point out, Sir, that this list by no means exhausts the business which Government desires to complete during the current Session. Apart from the time which will be taken up by the Finance Bill and a Resolution which will be moved in connection with the proposed removal of the export duty on tea, it is desired to propose two Resolutions, one relating to the recent strengthening of the Judicial Committee of His Majesty's Privy Council for the purpose of hearing Indian appeals and another regarding the recommendation of the International Labour Conference for the Inspection of emigrants; and motions are to be made for the reference to Committee of the Gold Standard and Reserve Bank of India Bill and the Imperial Bank of India (Amendment) Bill. In the circumstances, and in view of the state of Government business, I am not able at the moment definitely to undertake to request His Excellency the Governor General to allot a day for non-official Bills, but I hope it may later be possible to obtain an allotment of Friday, the 25th. for that purpose.

#### APPOINTMENT OF THE COMMITTEE ON PUBLIC PETITIONS.

**Mr. President:** Under Standing Order 80 of the Legislative Assembly Standing Orders, I have to appoint a Committee on Public Petitions. I have therefore to announce that the following Honourable Members will form the Committee:

Mr. K. C. Neogy,

Mr. Jamnadas M. Mehta,

Lieut.-Colonel. H. A. J. Gidney, and

Mr. C. Duraiswamy Aiyangar.

According to the provisions of the Standing Orders, the Deputy President, Maulvi Muhammad Yakub, will be the President of the Committee.

#### GENERAL DISCUSSION OF THE BUDGET—PART II.

##### FIRST STAGE.

**Mr. President:** The House will now proceed with the general discussion of the Budget. I may inform all Honourable Members that I propose to fix 20 minutes as the time limit for speeches to-day.

**Mr. A. Rangaswami Iyengar** (Tanjore *cum* Trichinopoly: Non-Muhammadan Rural): Sir, in the closing sentences of the Honourable the Finance Member's speech he affirmed "the belief that by the acceptance of this Budget, Members of this House have it in their power to promote the health and happiness of millions of the masses of India," and he commended the Government's budget proposals on that account to the House and to the country. If I felt, Sir, that I could share this belief to any degree, I should have been foremost in my congratulations, not in the customary and conventional way, but in a very real sense. On the other hand, Sir, the Budget leaves me cold and depressed, in spite of the Financial Member's work in the introduction of sound financial canons and methods. The central fact of these Budgets, Sir, in relation to the finances of this country, is this, that the House has repeatedly felt itself powerless in its attempts to assert itself. Such appearances of power as it possessed have been overborne by the exercise of autocratic powers, by the restoration of budget cuts and by the certification of taxation Bills. These are no doubt familiar to the House and it is not my purpose to-day to detail them and narrate them. They are a black record and when the Statutory Commission comes out, I hope, when the people press their national demand, this record will not be forgotten. But while these are quite familiar to the House, I would refer to-day to what I consider to-be the more insidious process of the emasculation of the powers of this House which the Government, whether with or without the Finance Member's assent, are accomplishing in the so-called process of "the gradual realisation of responsible government" in India. The Government's activities in the curtailment of the vestiges of power left in this House under the Reforms scheme are well known. Their method of repeatedly altering the Indian Legislative Rules so as to curtail our power is equally well known. But, Sir, a more subtle process for the destruction of popular control is being enacted through the clamour of the services and the bureaucracy and also on behalf of the claims of the privileges of the autocratic heads of administration. Sir, I refer in particular to what has been done in the way of withdrawing from this House heads of account consisting of several lakhs of rupees which were till last year, "voted," and which have now been transferred silently, without even a word of regret, to the heads of non-voted items . . .

**Mr. K. Ahmed** (Rajshahi Division: Muhammadan Rural): It is a mistake.

**Mr. A. Rangaswami Aiyangar**: I am coming to the mistakes; I know what mistakes you are committing every day. Sir, Honourable Members are aware that the Lee Commission started this process. Previously, the Government contented itself by making use unconstitutionally and improperly of its powers of rule-making under the Government of India Act to curtail our powers. Then the Lee Commission found that, in spite of their proposals for increasing the emoluments and allowances of the services, this process would not be sufficient. In fact, they proposed a barefaced act of misinterpretation of the Government of India Act and proposed to this Government seriously that the payments made for passages should be treated as part of the pay given to officers in this country. This was so barefaced a misapplication of the provisions of the Government of India Act, that the Government itself did not think it right to do it. Therefore they proposed that the Government of India Act itself should be altered so as to deprive this House of the powers, which it had till then possessed, of voting upon such grants for allowances and other things which under the

original Government of India Act were wholly votable. Sir, the only things that the Lee Commission recommended should be placed beyond the voting powers of the House at that time were this payment of passage moneys, which were put into the hands of the Accountant General, and the contributions made to the Provident Funds of these civil services, which were till then votable in this House. Those were the only two items which the Lee Commission wanted to be placed beyond the mercies of a popular House on behalf of the bureaucracy. But, Sir, when the Government of India sent up their proposals for legislation to the Secretary of State, there were other things that they thought of, and the Act that was finally passed in December 1925 was one by which the Government, at one fell swoop, took away every power that we had to deal with any payments made to any officer of the superior civil services in this country. The original section in the Government of India Act made non-votable, "salaries and pensions of persons appointed by or with the approval of His Majesty or by the Secretary of State in Council and salaries of chief commissioners and judicial commissioners." Now, Sir, salaries and pensions were the only things rendered non-votable because it was thought civilians wanted that protection. But the new Act puts it in this way:

"Salaries and pensions paid to or to the dependants of persons appointed by or with the approval of His Majesty or by the Secretary of State in Council,"

and

"sums payable to any person who is or has been in the civil service of the Crown in India."

And then comes a significant section:

"For the purpose of this sub-section, the expression 'salaries and pensions' includes remuneration, allowances, gratuities, any contributions (whether by way of interest or otherwise) out of the revenues of India to any provident fund or family pension fund, and any other payments or emoluments payable to or on account of a person in respect of his office."

**Mr. K. Ahmed:** Why did you and your party draw Rs. 20 a day as halting allowance after you had walked out of the Assembly on the 8th of March last year?

**Mr. A. Rangaswami Iyengar:** Sir, I desire to remind you that the effect of this clause was very far-reaching on behalf of the services, and yet silently and secretly this process of burrowing into the powers of the Legislative Assembly has gone on. The result of it is seen in an interesting statement which, at the instance of the Public Accounts Committee, the Finance Member has supplied to this House, a statement showing the additions and reductions sanctioned by the Governor General in Council in the non-voted grants for the year ending 31st March 1927. Sir, I have taken the trouble to examine what the whole of this thing meant and I find that, although the Government of India Act was passed in December, 1925, when the Honourable the Finance Member introduced his Budget last March, he did not say a word about the effect which the passing of this Act would produce on the powers of voting grants or demands in this Assembly. Sir, one year has passed and in this year of grace also the Finance Member has kept discreetly silent on this process by which the powers of this House have been deliberately and surreptitiously withdrawn. Sir, in the Budget of 1926-27 we find that three different kinds of items—I have tried to classify them—have been declared non-votable. There are items which have been described in this statement as non-voted because of the effect of the Statute itself. There are items which have been declared



[Mr. A. Rangaswami Iyengar.]

non-voted as the result of some declaration of which this House has no knowledge; and then there are certain other items which have been simply taken over from the voted to the non-voted heads without any expression of opinion. Whether there has been expression of opinion secretly or not I do not know, but even the declaration that they have been declared non-votable does not appear under these heads. This declaration as to what is and what is not a non-votable item is one of those things by which the bureaucracy can further secure power, because under section 67-A, clause 4, it is provided that "if any question arises as to whether any proposed appropriation of revenue or monies does or does not relate to the above heads, the decision of the Governor General on the question shall be final". Now, Sir, I can understand that a question of doubt on a matter of this kind can arise as between the Assembly and the Executive Government. The Assembly may claim that they have the power while the Executive Government may claim that they have not the power in any particular case, but I cannot understand how declarations under this section can be made merely because the Executive Government choose to raise some doubt and resolve it themselves at their own sweet will and pleasure. I consider that declarations made in pursuance of clause 4 of section 67-A ought to be such that this House should have had its say before the Governor General can seek to declare an item non-votable which on the face of it appears to be votable.

Now, Sir, the position is this. There are a large number of allowances, travelling allowances and various other things, which the bureaucracy till now have enjoyed but which were subject to the vote of this House. All of that has been taken away from the cognizance of this House and also from the cognizance of the provincial Legislatures. I have tried to total up all these allowances so far as the administrations under the Central Government are concerned and I find on a very rough calculation that they come to over 32 lakhs. Allowances to the extent of 32 lakhs for the Civil Services have thus been withdrawn from the control of this House. That is one item and one has only to go through this Statement, which is a very illuminating statement, to see how sweepingly the Government have clutched at its powers to withdraw things from the cognizance of this House. Then, Sir, there are other items upon which the Government have said that they have been "declared non-votable." I find they amount from 9 to 10 lakhs and they mainly refer to the provision for Cemeteries. Sir, I do not understand how Cemeteries from being voted items have become non-votable items. That is a matter, Sir, on which this House is entitled to have an explanation.

**Mr. C. Duraiswami Aiyangar** (Madras ceded districts and Chittoor: Non-Muhammadan Rural): Because they are beyond the reach of the living.

**Mr. A. Rangaswami Iyengar**: And of the House, if this is a living Assembly! Then, Sir, there is a third group of cases and these I think, with all due respect, are matters which surely have reduced the application of this rule to an utter absurdity. I find, Sir, that under Demand No. 27—Staff, Household and other Expenses of the Governor General—the most startling things stated. In the year 1925-26, the sumptuary allowances of the Governor General amounting to Rs. 40,000 were voted; in the budget estimate of 1926-1927 they were put down as a votable item. In

the course of the year they have made this rule and now it appears in the revised estimates Rs. 40,000 as a non-votable item; and in the present budget estimate it is put down as non-votable. Why the sumptuary allowances of the Governor General should be put down as a non-votable item passes my understanding completely; and if this is the way in which the rule is to be applied I say it is an entirely absurd thing. Then, Sir, there is this item—Expenditure from Contract Allowances. It was voted during the years 1925-26 and 1926-27. It has now been transferred to the non-votable. The third item—Rs. 1,41,600—is even more interesting. That is “State Conveyances and Motor Cars”—motor cars which are intended for the use of the Governor General or of the Governors as the case may be. Those were voted by this House and now they are to be made non-votable. That is to say, the Executive Government and the Governor General are to be the sole masters in determining what motor cars should be used and paid for.

**Mr. K. Ahmed:** If they used bullock carts that would be votable!

**Mr. A. Rangaswami Iyengar:** Surely these nonsensical interruptions do no good. I think you had better . . . . .

**Mr. Dharendra Kanta Lahiri Chaudhury** (Bengal: Landholders): On a point of order, Sir. Is the Honourable Member entitled to say this direct or through the Chair?

**Mr. A. Rangaswami Iyengar:** Then, Sir, there is another item. There is the item for Special trains, haulage of saloons, steamers, etc., which amounted to 4 lakhs. In 1925-26 they were voted by this House; this year they are non-votable. What I am now telling the House is this—that under this rule every Indian in the Governor's household, his butlers, his clerks, his steno-typists, his Registrar, should have his salary voted; whereas his motor cars, State carriages and sumptuary arrangements, crockery or electricity or whatever other amenities are required are non-votable. The protection they think fit to extend to inanimate things they do not think necessary to extend to the animate bodies of their poor Indian clerks and dependents. While we are quite competent to deal with votes in respect of clerks and Registrars and various other people belonging to the provincial service who may be employed in Government House, why should we be deprived of the power of voting His Excellency's motor cars or His Excellency's carpet (as in the Bengal Legislative Council the year before last); why is it that they think we are not fit to deal with the question of the carpets in Government House, Bengal, or of State carriages in Viceregal Lodge here, while we are quite competent to deal with the salaries of Registrars and Assistant Secretaries who belong to the provincial service? Sir, this seems to me to be a most absurd arrangement and the manner in which Government have thought fit to clutch power and to say that everything the Viceroy wants, so long as he wants it, shall become non-votable and the only things votable are the salaries of poor clerks and poor subordinates belonging to this country seems to me to be a very sad commentary upon the mentality of the whole of the Services. I say this makes it perfectly clear that the Government do not mean to give any real power to us. If they think that this House cannot be trusted to deal with the allowances which are given for Government Houses or other things which are provided for in respect of travelling allowances to the Services, what is the meaning of pretending, as the Finance Member pretends, that this House has “the power of promoting the welfare and happiness of

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millions of the masses of this country"? It is obviously a travesty of the truth; and I feel, Sir, that in this matter the Finance Member has not treated this House fairly. He ought to have drawn the attention of this House to the effect of the Government of India (Amendment) Act on this matter and he ought to have told the House by what process lakhs and lakhs of our money have been taken away. It is about 50 or 60 lakhs in this Budget; it may be very much more in the next Budget and in the provincial Budgets it may amount to crores upon crores. Therefore, Sir, I think the House should know the extent to which the Government has gone on crippling the powers of the Assembly.

Then, Sir, on the main Budget I do not propose to detain the House with any lengthy comments because I am sure we are going to deal with it thrice over again in connection with the Budget Demands, in connection with the Currency Bill and in connection with the Finance Bill. I do not want to take up the time of the House now by referring in detail to the proposals that have been made, to the window-dressing that has been accomplished with such skill by the Honourable the Finance Member. The position stares us in the face that these realised surpluses of the Finance Member are due to the constant process of over-estimating expenditure and under-estimating revenue. That has been the bane of the Indian Budgets since the days when the late Mr. Gokhale protested in the then Imperial Council against it. I say, Sir, that whatever that may be, we have come to the stage in which the Finance Member, having regard to the situation in this country, should have put in the forefront proposals for the remission of taxation rather than carry out schemes which, however sound in themselves—and I am the first to acknowledge the soundness of proposals for the creation of the Provincial Loans Fund or the Debt Redemption Fund and various other proposals—I say that the claim of the tax-payer is foremost and I think the Honourable the Finance Member ought to have put that in the forefront; if he had put that in the forefront and if his estimates had been more accurate, this House would have found itself in a position to remit a good deal more of the people's burdens than it has been able hitherto to do under the elusive process which the Honourable the Finance Member has adopted in the presentation of the Budget during the past three or four years.

Sir, there are one or two other questions on which I just want to make a passing reference, but as they will be coming up for discussion later on I do not want to say more than a few words. The Finance Member has thought fit to propose the repeal of the export duty on hides. Sir, that, he says, is a proposal which was made by the Indian Taxation Committee. I have here a telegram from the people who are the foremost merchants in the hides and skins trade—the Madras Hides and Skins Merchants Association; they have sent a strong protest against the proposal to take away the export duty on hides. Honourable Members are aware that this Government is committed to a policy of protection. Sir, in my own province we have no steel upon which we could ask for bounties or levy protection duties; in my province trade is not so booming as in other provinces; but in my province the most important trade is the trade in skins and hides and the manufacture of goods from skins and hides. The Madras tanning industry has long been struggling to obtain a foothold and I submit that the protection that could be given to the leather industry in this country is one of the matters which ought to have been put before the Indian Tariff Board

for proposals with a view to grant them protection, whether by the levy of an export duty or by the levy of an import duty on manufactured goods. That is a proposal which ought to have gone before the Indian Tariff Board, and I submit the Finance Member has been premature in acting on the recommendations of the Taxation Committee in order to settle this question.

There is only one other matter upon which I say the House has been not properly treated. Honourable Members are aware that the Honourable Sir Charles Innes, when he proposed the amendment to the Indian Tariff Act levying a specific duty on sugar in place of the *ad valorem* duty, told the House that the amendment was necessary because otherwise they would lose revenue. As a matter of fact, we find, Sir, that the imposition of this duty has put us in the position of having received more than Rs. 80 lakhs in the shape of extra duty from sugar. That is not, I say, a fair way of treating this House. If the Honourable the Commerce Member's expectation of a falling revenue was so great as was represented to us at the time when we were in the Select Committee on the amendment of the Tariff Act, then this excess of 80 lakhs of extra revenue ought not to have occurred. I say, Sir, that either the estimating was faulty or we were misled by somebody or other. Therefore, in these circumstances, I think the Finance Member's budget proposals require very careful examination.

**Mr. Ghanashyam Das Birla** (Benares and Gorakhpur Divisions: Non-Muhammadan Rural): Sir, the Honourable the Finance Member when introducing his Budget announced with no little jubilation, amidst cheers from the Treasury Benches, that he was in a position to put before the House the fourth surplus Budget in succession. Sir, I wish I could have joined my friends on the Treasury Benches in swelling the chorus of congratulation to the Finance Member for the result which he has shown us. But, Sir, my difficulty is that I cannot help feeling although we have had the fourth surplus Budget in succession we did not have it without resorting to enormously increased taxation which was all the time concealed from this House. Sir, if we look at the figures for 1924-25, we find that the net expenditure in the year amounted to Rs. 132 crores which if calculated at the rate of exchange prevailing at that time and converted into gold would come to about £80 millions. Now, Sir, for 1927-28, although the total budgeted expenditure is apparently Rs. 7 crores less, it amounts in terms of gold to £93 millions which is £13 millions more than 1924-25. Between 1925 and 1927 in this manner by means of manipulation of currency and exchange the Honourable the Finance Member will have been able to exact from the tax-payer nearly £40 millions or about Rs. 60 crores more than in 1924-25. I hope, Sir, that as the Honourable the Finance Member himself remarked towards the conclusion of his speech that money represents nothing more than the power to command goods and services, he will agree that the rupee represents a larger amount of gold, goods and services than it did in 1924-25 and that, therefore, he cannot claim any credit for the surplus Budget which has been made possible by the exaction of about Rs. 60 crores as concealed taxation during these three or four years. I strongly protest against this sort of manipulation and I hope that when the proper time comes this House will also lodge its strong protest against it.

Sir, in order to justify this manipulation the Honourable Mr. Brayne has circulated a note on the effect which 1s. 4d. is likely to have on the finances of the Government of India. The Honourable Mr. Brayne estimates that if we were to revert from 1s. 6d. to 1s. 4d. the probable loss to

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the finances of the Government of India will amount to nearly Rs. 5 crores (*The Honourable Sir Basil Blackett*: "Over")—to over Rs. 5 crores as the Honourable the Finance Member points out. Sir, Mr. McWatters of the Finance Department was asked by the Currency Commission to submit a note showing the effect which 1s. 4d. was likely to have on the finances of the Government of India and he was good enough to put up two notes which appear as appendices to the Report of the Commission. We find on comparing these two notes with the present note of the Honourable Mr. Brayne that Mr. McWatters did not estimate the same amount of loss to the finances of the Government of India, from a reversion to 1s. 4d. as Mr. Brayne in his note has done. I must presume that Mr. McWatters' note was prepared in consultation with the Finance Department. The accuracy of his estimate was not disputed by the Honourable the Finance Member then, and it is rather surprising, Sir, that the Finance Department should at this stage come forward with a new story and endeavour to put a new complexion on the whole matter. Sir, I do not wish to go into the details of this note having regard to the short time which is at my disposal, nor do I desire to address myself to a discussion of the merits or demerits of the one or the other ratio, but I submit, Sir, that this note is a document abounding in gross exaggerations and misstatements which can be proved to be such by facts and figures.

**The Honourable Sir Basil Blackett** (Finance Member): Will the Honourable Member prove them by figures?

**Mr. Ghanshyam Das Birla**: Yes, I am coming to that. I agree with the note so far as it states that on account of the reversion to 1s. 4d. the Home charges will be increased. I admit that, but so far as the Customs and Income-tax receipts are concerned, I do not agree. Mr. McWatters in his note which he put before the Currency Commission estimated, of course on the assumption that the volume of imports will not decrease, that the net gain in revenue from Customs would be about 2 crores 62 lakhs, while Mr. Brayne estimates that we are going to lose one crore of rupees under Customs receipts.

**The Honourable Sir Basil Blackett**: Is that with immediate effect?

**Mr. Ghanshyam Das Birla**: No. But I wish to point out that it might be contended by the Honourable the Finance Member that if the prices of imports rose, probably the volume of the imports might contract or shrink, but, Sir, that has not been our experience in the past. I shall put before the House the figures from 1904 to 1925, and Honourable Members will find that whenever we had a prosperous year in this country and an easy money market, there was a rise in prices and we had had more exports and imports; and whenever there was a fall in prices, we had less imports and exports. I do not propose to take up the time of the House by quoting figures, but still I cannot resist the temptation of citing them, because it is very necessary to do so. Sir, in 1904 the index figure for the imported articles stood at 93, while the imports were £69 millions sterling. In the next year the index figure rose to 96, and the imports rose to 74. In 1906-07 the index rose to 105 and the imports rose to £78 millions. In 1907-08, the index had a further rise to 116, and along with that, the imports rose to £91 millions sterling. In the next year 1908-

1909, the prices of imported articles fell, and what did we find? There was no increase in imports, there was rather a decrease,—for from £91 millions it came down to 85, and in the subsequent year 1909, when there was a further drop in the index number, the imports registered a fall to £81 millions sterling. From 1910 to 1911 there was a continuous rise in the imported articles; and we find that in almost every year, with the exception of one year 1915-16 during war time,—in almost every year from 1904-05 to 1925-26, whenever there was a rise in prices of imported articles, there was an increase in the imports, and whenever there was a fall in the prices, there was a decrease. Therefore, if we are to base our calculations on past experience, I hope the Honourable the Finance Member will admit that the rise in prices has tended to increase the imports, while the fall in prices has tended to reduce the same, and if we are to base our calculations on the figures, we must come to the conclusion that there is no possibility of our revenue receipts from Customs dropping. On the other hand, we expect, Sir, if we revert to 1s. 4d. the receipts from Customs will be very much larger than what they are at present.

Another most amusing statement which has been made by the Finance Department is that on account of the dislocation of trade which might be caused by a reversion to 1s. 4d., it might be difficult to collect a portion of the income-tax receipts. This is really amusing, Sir, because what we businessmen have experienced in the past is that whenever there has been prosperity in the country, and whenever there was an easy money market, there have always been increased receipts from the Income-tax Department. It is impossible for us to accept the theory of the Finance Department that under 1s. 4d. there is a likelihood of a fall in the receipts from income-tax, as the figures of the past four years in respect of receipts from income-tax do not prove the contention of the Finance Department. Sir, in 1923-24 when exchange was about 1s. 4d. the receipts from Income-tax amounted to 17 crores 60 lakhs. To-day, Sir, we have got exchange at 1s. 6d. but what do we find? The revenue from income-tax has fallen from 17 crores 60 lakhs to about 15 crores and odd, that is, there is a loss of 2 crores 38 lakhs. This is the tale which the figures tell us. I am sorry, Sir, that the Finance Department should have thought fit to put before this House a document so exaggerative and misleading. Whatever might be the personal views of the officials of the Finance Department, we, Sir, expect them to supply us with correct facts and figures and not wrong information, or a biased version of things.

Now, Sir, I again protest that a true picture of the situation has not been presented to us. While the Finance Department has thought it fit to point out problematic losses which are likely to be incurred on account of reversion to 1s. 4d. they have concealed from this House the fact that in attempting to maintain exchange at 1s. 6d. the Government had to forego receipts in the shape of interest to the extent of over one crore of rupees which they used to realise from investment in sterling securities in England. Now, Sir, what is the guarantee that Government will not have to resort to heavier borrowings in England in order to maintain exchange at 1s. 6d. What is the guarantee that they will not have to borrow a very large amount in England in order to maintain exchange at this artificial ratio, and if they did that, who was going to pay all that interest? Will it not be the tax-payer who will be heavily burdened on account of this extra interest which he will have to pay on account of borrowings in

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England? Therefore, Sir, I maintain that while this so called loss is problematic, we have already incurred a loss of 2½ crores under income-taxes and of more than one crore under interest receipts on account of the exchange being maintained at the artificial rate of 1s. 6d. I do not wish to say, Sir, anything about the provincial contributions. I have got full sympathy for this remission; in fact I feel that they are already overdue. I wish that the Finance Member with the 60 crores realised during the last four years without the knowledge and consent of this House, had remitted the provincial contributions long ago. But I hope, Sir, that the House will easily understand that the Finance Member is now trying to throw this bait to the provinces in order to catch votes for 1s. 6d. and I trust that the House will not be so easily misled by his note and by this talk of provincial contributions. What I maintain is that the remission of provincial contributions is more practicable under 1s. 4d. than under 1s. 6d. and I wish to point out that if this House will be firm and tell Government that we are not going to be misled in this manner, I am sure they will be able to get both 1s. 4d. and the remission of provincial contributions at the same time. With these few words, Sir, I bring my remarks to a close.

**Mr. Amar Nath Dutt** (Burdwan Division: Non-Muhammadan Rural): Sir, I look upon the Budget not as a mere official statement of the revenue and expenditure of the Empire, but as a measure of the standard by which to judge the devotion of the rulers to the interests of the ruled, and in the few observations that I am going to make, I shall keep this fundamental principle in view. It is our privilege and function to be the interpreters between our countrymen and the Government, and we should be failing in our duty, if we did not attempt to express, according to our own feeble lights, our views on the Budget, upon which depend the happiness and prosperity of one-sixth of the human race. Sir, I believe that there are many in this House, who, like myself, felt bewildered when, in addition to the 15 pages of the printed foolscap speech of the Honourable the Finance Member, we were supplied with some volumes of thickly printed information, requiring to be digested within two days, in order to enable us to evolve constructive proposals instead of barren contributions in the shape of destructive criticisms. I had a shrewd suspicion that the Government wanted neither, and I shall beg to be excused if I do not attempt the former, and avoid the latter as much as possible, confining my remarks to the general policy underlying the Budget.

Sir, I feel the humiliation of being asked to discuss the Military Budget, without being allowed to vote on the same. It may be said that I am a mere lawyer, who never set a squadron in the field, but surely I am entitled to form an opinion on questions of military policy without presumption? Indeed, in some respects I am likely to form a sounder view, as I am free from the dominion of those idols of the den and the market, which are so apt to cloud our vision; and I may be permitted to quote the views with regard to war in India of Cardinal Newman, who wrote in the *Nineteenth Century* thus:

“When practical views suggest one plan of action and military views suggest another, then war must yield to the statesman's craft, for what the soldier feels may be natural but what the statesman does is just.”

Following the dictum, I protest against our heavy military expenditure, which absorbs nearly half of our revenues and even the poor man's salt



has to be taxed to contribute to the maintenance of mountain batteries, ready to take the field, in any part of the world.

So long ago as 1879, the Army Commission thus defined the functions of the Indian Army:

"The purposes for which the Army of India must be maintained may be stated to be:

- (a) preventing and repelling attacks or threatened aggressions, from foreign enemies beyond our border,
- (b) making successful armed disturbance or rebellion, whether in British India or Feudatory States, impossible, and
- (c) watching and overawing the armies of Feudatory Native States."

With the growth of Imperialism these fundamental principles have given place to another very distressing theory, that the Indian Army must be a main factor in the maintenance of the balance of power, not only in Asia but in the whole world. Mr. Ramsay Macdonald in his book "The Government of India" has said:

"A large part of the army in India, certainly one half is an Imperial army, which England requires for other than purely Indian purposes, and its cost therefore should be met from Imperial and not Indian funds."

The North West Frontier from the Pamirs to the sea is the most important land frontier of the British Empire and its defence and maintenance should not be saddled upon the Indian tax-payer alone; we can justly claim to be freed from at least a major part of this burden, and I commend this to the very serious consideration of His Excellency the Commander-in-Chief, the Government of India, and the Home Government. The Escher Committee's Report has laid down that so far as the question of Imperial defence is concerned, the military policy of the Government of India must be in consonance with the military policy of Imperial defence. If this view of the Committee is correct, then are we not justified in demanding that the Imperial Government must share the military burden with us? It is said that the ideal which is kept in view about military expenditure is an army in India, not larger than is essential in India's interests, adequately equipped and fully trained, so that India might obtain the maximum service from a fully efficient force at the minimum cost. Sir, this is an ideal, no doubt, and we know that ideals have no place in the practical affairs of the world. The Brussels Conference has laid it down with the full concurrence of the Government of India and the representatives of the India Office, that the military expenditure should in no case exceed 20 per cent. of the revenues of a country, and I ask you to apply this test to the military expenditure of the country. But at the present moment when there is perfect calm in the atmosphere of the country and its frontiers, and the political horizon is free from clouds, the military expenditure of the country does not indicate any appreciable diminution. Even the goal of 50 crores prescribed by the Retrenchment Committee is yet far off. Sir, I assert with a sense of full responsibility for my statement that, had there been any honest and sincere endeavour on the part of the Government, they could have brought down the military expenditure to 15 crores, at which the figure stood in 1899-1900, making due allowance for the rise in prices, by the simple process of replacing the British element in the army by the Indian. The Inchcape Committee has pointed out that the cost of a British soldier is more than Rs. 200 a month, while an



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Indian soldier costs about Rs. 35 a month, and is there any reason to have the British element, unless it be for the same reason for which we are compelled to maintain a pampered civil service, *viz.*, to keep the Indians ever in subjection for the benefit of Englishmen? Sir, if India had a voice in her Budget, she would not have imported such costly materials from abroad for her civil administration or military defence, allowing her own children to be cast adrift, asking for little crumbs of the bread of which the foreigners get so much. An examination of the causes of this system of high salaries will at once disclose the real reasons for which you stand in our way of getting Swaraj. You want employment for men for whom England cannot provide, you want a market for your goods, which you cannot sell elsewhere, you want cheap raw materials for your factories, and last but not least, you want to dominate over the world with the help of an Indian army.

Our plain demand is to fix the salaries of the civil and military officers according to the average standard of living of Indians in all branches of the services, and if the Britisher wishes to serve in India, he must also accept that standard. Unless this is done, there is no hope of reduction in the expenditure of the Government so as to afford any relief to the Indian tax-payer, the majority of whom live in far-off villages and do not know what it is to have a full meal a day. Sir, when I think that the poor man's rice is converted into powder and shell to guard the frontiers, I am tempted to say: Let the invader come in, he will go away of his own accord, when he will find that we have nothing to be robbed of, having been robbed of everything by a process of exploitation which you have been carrying on from year to year. A Mahmud of Ghazni, a Tamerlane or a Nadir Shah, at intervals could not have worked such ruin as your slow and systematic drain has done. At the present moment, when we are at peace with the Amir of Afghanistan, and the bogey of a Russian invasion is no longer in existence, there is hardly any necessity of having a huge army as you have. With the robust optimism of the Honourable the Finance Member, as disclosed in his opening speech, drawing up a vision of the future on the approaching completion of the first ten years of Reforms, I have no quarrel, but I cannot join with him when he asks us to share his views in the face of such gloomy facts and has not a word of hope about reducing the military expenditure in the near future. Besides the broad questions, there are certain other minor matters which have unconsciously come out from his lips and which indicate the very rottenness of the whole system, as when he speaks of the increased expenditure of 70 lakhs for the purchase and manufacture of ordnance and other stores, which will henceforth be a recurrent expenditure although we were given to understand last year that His Excellency the Commander-in-Chief instituted an expert inquiry into the whole question of ordnance equipment with a view to ensuring that the real facts may be brought into clearer light and that reasons for ordnance-shortage which ought not to have occurred, if the system of control had been working properly, may be disclosed. There is no mention in the budget speech of the Honourable the Finance Member, either of this inquiry or its result.

**The Honourable Sir Basil Blackett:** May I tell the Honourable Member that the results are given in the budget speech, an increase of 70 to 80 lakhs?

**Mr. Amar Nath Dutt:** But I forget that with a new Assembly in this new and spacious council hall in New Delhi, he had no inclination to brood overmuch over the past.

It has been said that only the sternest economy and the strictest vigilance can now prevent our Military Budget from showing a tendency to rise, rather than to fall, and the present level of expenditure is the very minimum, absolutely essential to maintain in a state of full efficiency an army of the strength at present authorised.

**The Honourable Sir Basil Blackett:** If the Honourable Member is quoting me may I ask him to quote me correctly?

**Mr. Amar Nath Dutt:** These are very significant words (Laughter) and the plain implication of it is that we have no hope of further reduction of our military expenditure. But, Sir, it is useless to waste the time of this House in pressing our views upon the Government, for we are painfully aware of their persistent—nay, callous—disregard of public opinion.

Indian publicists have cried themselves hoarse—and for years together—for the reduction of the enormous military expenditure. No wonder, if it leads one to explain that India exists for the army and not the army for India. How long this system will continue, and where it will ultimately lead us, passes my comprehension. I can do no better than remind the Government in the words of the late Lord Ripon, when he says:

“My study of history has led me to the conclusion that it is not by the force of her arms, or the might of her soldiery that a great Empire is permanently maintained, but it is by the righteousness of her laws and her respect for the principles of justice.”

I can only hope that when there is time yet, the Government may take the warning.

Sir, the Honourable the Finance Member, in his first budget speech, gave us to understand that he came to the land of his birth to serve India, and he deemed it a privilege to be able to fulfil an old dream of his life. I leave it to him to judge whether his dream of service to India has been fulfilled to the extent of the service rendered by his venerable sire in a far higher and nobler sphere of activity for which a grateful posterity adores his name.

**The Honourable Sir Basil Blackett:** Thank you.

**Mr. Amar Nath Dutt:** I admit that he has tried his best to swim across the ocean of sordid materialism and selfishness with his hands and feet tied with a bureaucratic rope of rules and conventions, and ideas of Imperialism and trusteeship. No wonder he has failed in his endeavour to bring any relief to the country which he and his ancestors loved so much.

Sir, so long the constitution for the Government of India continues to be what it is, it will not be possible for any Finance Minister to bring succour to the famished millions of India. Sir, we have been told that India is on the first step towards becoming a creditor nation in the world. However alluring the phrase “creditor nation” may appear to persons belonging to countries endowed with all the comforts and necessities of life, to us it has only one meaning, namely, that the barest necessities of life are exchanged for metals, however glittering, which can neither feed the hungry nor clothe the naked.

Sir, there is a proposal for the abolition of the export duty on tea, by substituting income-tax on 50 per cent. in place of 25 per cent. as the basis of non-agricultural profits. This would mean a rise in the price of

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tea for Indian consumers and cheapening of the price of tea exported to foreign countries benefiting the foreign consumers of Indian tea. Then again, there is the high postal rate which we have been told cannot be reduced. The salt tax remains where it was while duties on motor cars, etc., have been reduced on the plea of development of motor transport in India. A careful perusal of the speech of the Honourable the Finance Member will convince every one that the poor man's cause was brushed aside by the Honourable the Finance Member in the belief that the charge of being heartless and inhuman was mere sentiment and sentiment can have no place in figures. Yet, in the same breath he has held up before us a vision of the romance that lies behind the figures which will widen the opportunities for a good life for many crores of the people of India, and we have been asked to accept the Budget in the hope of promoting the health and happiness of the masses of India.

Sir, while I do not lack in my appreciation of the Honourable the Finance Member's sympathy for the masses of India, I must yet condemn the Budget which overlooks our real needs and aspirations and is not responsive to our demands which we have made so often in this House.

I may be permitted in this connection to bring to the notice of the Honourable the Finance Member the universal discontent that exists owing to the unjust and tyrannical way in which the income-tax is levied. In addition to the serious defects in the Income-tax Act, the eagerness of the Income-tax officers to show an increase every year is notorious and it is high time that the Government should make a thorough and sifting inquiry into their methods and put down the same by curtailing the enormous powers of the Income-tax officers, which are so often abused, and by providing better facilities of appeal to law courts.

Besides the taxes on income, the revenues derived from salt and opium are universally condemned, the former for the great hardship it inflicts upon the poor and the latter for the moral degeneracy it brings in its train.

One other achievement of the Honourable the Finance Member is the improvement of the exchange but when we realise that the great peril to which Indian finance is exposed lies not so much in exchange as in increasing expenditure, we can hardly congratulate him.

In this infant Parliament we are powerless even to bring our grievances to the notice of the Government by the constitutional method of refusal of supplies. For the prerogatives of the representatives of the people must yield to the prerogatives of the bureaucracy and vested interests.

Sir, in years past we have been accused of fixing our attention on political questions and overlooking the steady advance towards the goal of constitutional self-government, which is being registered day by day in administration and finance. Sir, if retention of barbarous laws on the Statute-book in spite of Bills to repeal the same is an index of steady advance towards the goal of constitutional self-government, if detention without trial of the flower of the youth of a province under a lawless law and savage Ordinance is an index of the steady advance towards the goal of constitutional self-government, if refusal to sit at a round table with the representatives of the people to devise means of framing a constitution for the government of the country is an index of steady advance towards the goal of constitutional self-government, if depriving the half-fed and ill-clad

peasants and labourers of a little salt with which to take a few morsels of rice or bread by taxing the same is an index of steady advance towards the goal of constitutional self-government, if setting one community against another by devising means of communal interests is an index of steady advance towards constitutional self-government, if subjection and slavery of the 300 millions of people and reducing them to the position of mere hewers of wood and drawers of water in their own country is an index of steady advance towards the goal of constitutional self-government, then certainly you have achieved it by the impoverishment and enslavement of one-sixth of the human race. Sir . . . .

**Mr. C. Duraiswamy Aiyangar:** I hope your remarks are not addressed to the Chair.

**Mr. Amar Nath Dutt:** The Chair is the visible symbol of the bureaucracy.

Sir, so long as this system continues, so long as we are not given real power over the Budget, our attitude will be one of uncompromising opposition to the vicious system which denies us our birth-right of self-determination and we shall continue this struggle for freedom with undying faith in the righteousness of our cause . . . .

**Mr. Jamnadas M. Mehta** (Bombay City: Non-Muhammadan Urban): May I rise to a point of order, Sir? Is the Honourable Member in order in stating that the Chair is the visible symbol of the bureaucracy?

**Mr. President** (Addressing Mr. Amar Nath Dutt): Will the Honourable Member resume his seat? (To Mr. Jamnadas Mehta) What is the point of order?

**Mr. Jamnadas M. Mehta:** Is my Honourable friend in order in referring to the Chair as the visible symbol of the bureaucracy?

**Mr. President:** The Honourable Member has earned the gravest displeasure of the Chair by the use of such expression; but what is the Honourable Member's party doing?

**Mr. Amar Nath Dutt:** So long as . . . .

**Mr. President:** Is the Honourable Member prepared to withdraw those words?

**Mr. Amar Nath Dutt:** Yes.

So long as this system continues, so long as we are not given real power over the Budget, our attitude will be one of uncompromising opposition to the vicious system which denies us our birth-right of self-determination and we shall continue this struggle for freedom with undying faith in the righteousness of our cause, which will one day lead us to the Promised Land for

"Freedom's battle once begun,  
Bequeathed from bleeding sire to son,  
Though baffled oft, is ever won."

**Sir Victor Sassoon** (Bombay Millowners' Association: Indian Commerce): I propose, as I did in the Railway Budget, to deal with the statement on the effects of 1s. 4d. and to restrict myself to that subject during the short time at my disposal. Before, however, doing so, I wish to be allowed to refer to a remark which fell from the lips of the Honourable the Finance Member in reference to the amount of revenue which has been foregone by the remission of the cotton excise duty. I sensed a note of disappointment in that the mill industry has not expressed, shall I say, a sufficiently lively spirit of gratitude for the relief afforded to it.

**The Honourable Sir Basil Blackett:** Has he evincéd any?

**Sir Victor Sassoon:** And I do feel that some explanation is due to the House and to the Honourable Member for any such lapse. It may be that any lack of warmth is due to the fact that though the remission of the duty relieved us of  $3\frac{1}{2}$  per cent. of the cost of our product the exchange policy of the Government has penalised us to-day by over  $5\frac{1}{2}$  per cent. In other words, we have been given what is sometimes called an Irishman's rise. I wonder whether to-day, if it were announced that the Members on the front Treasury Benches were to receive an increment of Rs. 600 a month to their salaries, provided that the monthly rent of the comfortable houses that are put at their disposal by a beneficent Government was to be increased by Rs. 1,000, we should see tears of joy coursing down their cheeks. I doubt it and that is my reason, my excuse for any lack of warmth in the expression of gratitude on the part of the mill industry.

Now, let me turn to the statement. As to paragraph 2 I will content myself with saying that as the fall in the cost of living has been negligible during the rise from 1s. 4d. gold to 1s. 6d. gold I see no reason to anticipate a readjustment of an adjustment to a ratio which has never taken place. As regards paragraph 3 (a) I accept the statement that there will be an extra expenditure of rupees necessary for sterling obligations but I cannot accept the statement in paragraph 3 (b) that there would be a  $7\frac{1}{2}$  per cent. increase in the cost of local produce. Experience has shown that the prices of local produce have not adjusted themselves in the aggregate except to a trifling degree to the 1s. 6d. ratio and so I would suggest dividing the estimate by about 4 and allowing, say, Rs. 30 lakhs instead of Rs. 112 lakhs. I now pass to 4 (c). Here the author of the statement trots out the bogey of general dislocation of trade. (*An Honourable Member:* "Bogey?") Yes, here are two bogeys, sudden rise in prices, and financial effect of a sudden drop in exchange. I think I have previously shown to the House how little the cost of living has dropped through the rise in exchange and how little it is likely to rise during the proposed exchange readjustment. That disposes of the bogey of high prices as far as the consumer is concerned. Now for the bogey of a sudden drop to 1s. 4d. causing an acute crisis, I ask how? To-day the importers have, I am credibly assured, covered all their forward commitments. They have learnt the lesson of not trusting in Government assurances and of not gambling in exchange. A drop in exchange, therefore, would not hurt them, but would, on the contrary, engender confidence in a body of merchants who have been having a very thin time during the last few years and by stimulating business would offer an opportunity to the large class of unemployed clerks of finding new situations, thus being in a position again to earn their daily bread. I therefore see no reason for estimating a deficit of a crore of rupees in income-tax receipts due to dislocation of trade.

**The Honourable Sir Basil Blackett:** Where does the crore come from?

**Sir Victor Sassoon:** I do not know. It is put down, loss of a crore in collection of income-tax. (*An Honourable Member:* "That is Customs".) I beg your pardon. It merely says it would be appreciable. Then I will allow nothing for the "appreciable loss in collecting taxes" due to this cause.

As regards Messrs. Hardy and Tottenham's minute, I do not think I need waste much time, for as my Honourable friend, Mr. Birla, has shown us, although these gentlemen anticipate a loss of Rs. 126 lakhs, Mr. McWatters in his note to the Currency Commission anticipated a

profit of Rs. 262 lakhs by the return to 1s. 4d. but admittedly Mr. McWatters did not allow for any diminution in imports. The authors of this minute through this alleged diminution consider that there will be a loss of Rs. 126 lakhs from a profit of Rs. 262 lakhs. I will only say that if a 11 per cent. rise in c.i.f. prices, not retail prices, is going to effect imports to such an extent by having so great an influence on consumption, a drop all round in import duties should increase the net return to Government very appreciably even under the 1s. 6d. rate. Of course, the real reason is this. In prosperous times a slight rise in the cost of certain products does not check consumption whereas depressed times even despite a fall in commodity values are liable to restrict consumption and therefore imports of commodities.

Now, let me deal with Mr. Brayne's bombshell on page 4, item 6, where he says that if we go back to 1s. 4d. we shall require Rs. 56½ crores extra to pay the sterling debt. That is, however, only one side of the picture. India has a rupee as well as sterling debt and I propose taking both sides of the picture together, and as I cannot add sterling to rupees I propose to convert both these debts into terms of grains of gold. Whether we have 1s. 6d. or 1s. 4d. the sterling debt of £339·3 million remains constant as 3,834 crores and 9 lakhs of grains of gold but the rupee debt of Rs. 523·14 crores at 1s. 6d. is equal to 4,430 crores 99 lakhs of grains of gold, and at 1s. 4d. it is equal to 3,939 crores and 24 lakhs of grains of gold. So that the total debt of India by the rise to 1s. 6d. has been increased by 491 crores and 75 lakhs of grains of gold. If we convert these to rupees at 1s. 4d. we find that the total debt of India has been arbitrarily increased by Rs. 65,30,54,360 1-4d. rupees. And if we allow for adjustment for the long term issue of new money at the time of 1s. 6d. exchange I think I am safe in saying that the Government will saddle the people of India with an additional debt of Rs. 60 crores which will have to be . . . .

**The Revd. Dr. E. M. Macphail** (Madras: European): May I ask the Honourable Member if he knows what the debt was before the War?

**Sir Victor Sassoon**: The Honourable Member will have an opportunity of making his statement when comparing the figures. I take it that the equivalent of at least Rs. 60 crores is the amount which this country is being saddled with by an increase in the rate of exchange.

But besides this future liability to pay 60 crores, there is the interest to consider. If we take it at 4½ per cent., this amounts to 270 lakhs, so the House can see where one of the sources of the budget surplus comes from, one of the reasons which enables the Finance Member to make large remissions of provincial contributions, and the House can fairly see that, although we are told in this Memorandum that there will be 56½ crores to be found for the sterling debt, if we go back to 1s. 4d. the net gold advantage to the country is 60 crores. As for the other sources required to make up the surplus, my friend, Mr. Birla, has shown you how, owing to the fact that we have had a rise in exchange, the rupee revenue of the Government has appeared to be dropping, when, in point of fact, it has been rising in terms of gold. We have, therefore, been paying more than we thought, in terms of gold. If his figures are right—which I see no reason to doubt—there is another 60 crores which the Government has received during the last four or five years, and if we add that amount to the 270 lakhs merely interest on this amount of 60 crores capital debt which must be paid, I think we can see quite easily why there is such a big surplus and

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why we can have such large remissions. If we had been in prosperous times to-day there might have been an excuse for taxing the country in this manner, there might have been some justification in prosperous times, but we are not having good times in spite of the quotation which the Honourable Member has made from Mr. Shroff, whose views will find anything but wide endorsement inasmuch as a large body of commercial opinion in the Bombay province and I understand Madras too has not found that the past year has been prosperous generally for trade and commerce, and if we are to look at the income-tax figures. I maintain that those figures do not show the real position. The increase in the income-tax returns has not been due to larger profits to the country. It has been due to increased efficiency in collection. I maintain that if that increased efficiency had been in force in the past, then the returns would have shown a decrease and not an increase, and therefore I conclude by saying that I suggest that this House should not accept these estimates which have been given as the consequences of a return to what I am told it is now becoming the fashion to call the unnatural ratio of one and four pence, because we are told that one and six is now the natural ratio and no doubt at some future period somebody from the Government Benches will deplore the action of previous Governments which forced an unnatural ratio of one and four pence upon the country for nearly twenty years.

**Mr. Dharendra Kanta Lahiri Chaudhury:** Sir, it is a great pleasure when, on turning the pages of the budget estimates for 1927-28, I find there is an increase in almost all the items of revenue, and I cannot but congratulate the Honourable the Finance Member on giving us a surplus Budget along with certain changes in taxation, somewhere reduction and elsewhere total abolition. Not only this, Sir, the Honourable Member has aimed at gradual restoration of some of the cuts—the result of the Inchcape axe—and has just now provided at least for one of them, I mean the five-year programme for the expansion of education in the Frontier provinces.

Sir, it is also very gratifying to find that the Honourable the Finance Member attempts to act according to the declared intention of the Government of India for the reduction and eventual extinction of the provincial contributions, and thereby, as he very rightly says, open means “to secure the advantage for India, economic and social and the stimulus to the successful working of the Reforms, which will flow from the release of 5.45 crores of revenue to the provinces for expenditure on those nation-building services which all true friends of India and of the Reforms have so deeply at heart.”

But, Sir, when we learn from the Honourable Member that the surplus Budget and its corollary, the changes in taxation and the reduction and eventual extinction of the provincial contributions are due to the facts, (1) the 1s. 6d. ratio of the rupee, (2) and the retention of the salt duty, my spirits come down and enthusiasm flags. He told us at the time of presenting the Budget the other day that “the reduction of the ratio to 1s. 4d. would result in 1927-28 in a total worsening of our position by 5.26 crores” and thus there would be the resulting deficit of 1.56 crores. If, Sir, a surplus budget is to be had only by a deliberate manipulation of the rate of exchange, I regret I cannot associate myself with the Honourable Member in what he calls “a great stroke of good fortune for himself and a happy augury for the financial work of the New Assembly.” The ratio controversy



will be discussed on its merits next week and I shall be ruled out of order if I now open any discussion of the merits of the rival ratios. But, Sir, I feel tempted to note here the fact that previously whenever deficits occurred, the then Finance Member attributed them to the falling rupee and resorted to the expedient of additional taxation explaining that that was the only way to avoid national bankruptcy. May we not now, Sir, expect from their successor, the Honourable Sir Basil Blackett, a reduction in the taxation especially the ones which concern the poor, I mean the salt duty and high postage stamps, when there is a surplus and a rising rupee; if at all that rising rupee is to be artificially maintained?

It is, Sir, really a very important principle of public finance to have balanced budgets and the expectation of a good government is wild imagery without a sound finance. But, Sir, I fail to follow a balanced budget which is mainly due to currency surpluses. If there is any apprehension of national bankruptcy in the absence of a manipulation of the ratio of exchange, the Honourable the Finance Member may reduce the military expenditure which was reduced by 15 crores in 1922-23.

Next, Sir, in considering the level of taxation in India and the administration of the revenues so raised, it is, I think, necessary to bear in mind two important points; (1) a great portion of our revenues, so much as 42·5868 per cent. of the total revenue is spent on military purposes and *ipso facto* brings no commercial equivalent to our country; and (2) the country whose finances are now under consideration is not only poor but very poor. The bulk of our countrymen whose economic condition is the point at issue have nothing to do with the imports of motor cars or motor accessories. They care more for salt and cheap postcards. Financial experts and economists of all times have denounced the salt duty and more so when it is imposed upon a poor people. In view of these facts it is a matter for great surprise, no less than for intense regret and disappointment, that Government have not taken the present opportunity of a surplus of 3·70 crores to reduce a rate of duty, admittedly oppressive, on a prime necessary of life. The Honourable Member, Sir, seems to be extremely satisfied to find the Central revenues independent of assistance from the provincial tax-payer.

He proposes that the import duty on motor cars should be reduced from 30 per cent. to 20 per cent. *ad valorem* and the import duty on motor tyres should be reduced from 30 per cent. to 15 per cent., and he thinks that this measure will be universally popular. I am afraid, Sir, that the Honourable the Finance Member is not aware of the fact that of our total population of 316 millions in India, over 220 millions are agriculturists and they care more for bullock carts and for country boats as the means of transport to carry their produce to the market, than for motor cars. Sir, these are some of the observations that suggested themselves to me when I read the Financial Statement which my Honourable friend presented to the House the other day. The undertaking that he has given with regard to the five-year programme for the expansion of education, the various programmes for sanitation and for beneficial services and the honest attempt to free the Central revenues from provincial assistance and some other measures require a large surplus, and I look fervently to the day when my Honourable friend who comes to this House with a balanced budget since his arrival will present the House with a real surplus independent of such facts as currency manipulations, salt duty and high postage rates.



**Sir Hari Singh Gour** (Central Provinces Hindi Divisions: Non-Muhamadan Rural): Sir, I wish just to make four points in connection with the general discussion on the Budget. My first point is that some years ago this House decided, with the concurrence of the non-official European Members, that the entire Budget should be submitted to the vote of the House. Far from complying with that Resolution of the Legislative Assembly, as my friend Mr. Rangaswami Iyengar has pointed out, the Government took the reactionary step of curtailing the then existing power of the House. I join with him in protesting against the curtailment of our power. I shall have to speak more on this subject when we deal with the vote on the Executive Council. For the present I entirely concur with the speakers who deprecate the curtailment of power brought about with the concurrence of the Government of India.

The second point I wish to make, Sir, is this. I find that the Honourable the Finance Member has made no reference, not even a passing reference to the appallingly growing national expenditure of the country. Let me give to Honourable Members these figures. They are startling in themselves, and when Members know what they represent I have no doubt they will realise that this Budget, far from being a satisfactory budget deserving of a chorus of applause, is a budget which the Honourable the Finance Member should have presented in sackcloth and ashes. What is the state of the finances of the country? I find from the decennial summary, leaving out the lakhs, that our national revenue in 1914-15 was 76 crores and the expenditure was 78 crores. Now let me give you the gradual increase of revenue and of expenditure:

In 1915-16 the revenue was				80 crores and expenditure	81 crores.
1916-17	"	98	"	"	87 "
1917-18	"	118	"	"	106 "
1918-19	"	130	"	"	136 "
1919-20	"	137	"	"	160 "
1920-21	"	135	"	"	161 "
1921-22	"	115	"	"	142 "
1922-23	"	121	"	"	136 "
1923-24	"	133	"	"	130 "
1924-25	"	138	"	"	132 "
1925-26	"	133	"	"	130 "

The position therefore is this. Within the last 13 years the revenue has gone up from 76 to 133 crores. I leave out the lakhs. And the expenditure has risen from 78 to 130 crores. Now does the Honourable the Finance Member regard this as a satisfactory feature of the national Budget? Sir, four years back I drew the attention of the Government to this appallingly growing expenditure and I moved for the appointment of a retrenchment board and the immediate appointment of a retrenchment committee. The Honourable occupants of the Treasury Benches opposed my Resolution tooth and nail and they said the expenditure in this country was the lowest possible commensurate with peace and security. Nevertheless, when the Resolution was passed, they appointed what was known as the Inchcape Committee, and it recommended cuts to the extent of 20½ crores of rupees, and if I understand aright, the Government accepted *en bloc* the recommendations

of the Inchcape Committee, and now we find for the first time a declaration from no less a personage than the Honourable the Finance Member that some of the recommendations of that Committee were short-sighted and this is an indication that the Government have decided to scrap, and in fact they already have scrapped, some of the recommendations of that expert Committee. I, therefore, submit that the time has now come when this House must henceforth take decisive action and once more ask the Government to establish a permanent Retrenchment Board for the purpose of revising additional expenditure and curtailing the growing national expenditure which has been rising in such an alarming way from year to year . . . .

**Sir Walter Willson** (Associated Chambers of Commerce: Nominated Non-Official): What about the Finance Committee?

**Sir Hari Singh Gour:** I will reply to it later. That is the first point I wish to make in connection with the general discussion. My second point is that we find from the Budgets of the last six years that the Government have taken it for granted that an expenditure in the neighbourhood of 130 crores is usual expenditure. In other words, while we are deprecating the growing expenditure, the Government present their Budgets from year to year for the purpose of standardizing expenditure. No effort is made to reduce taxation, no effort is made for greater economy, and this I submit is an alarming feature of the Budget.

My third point, Sir, is this. I have examined the Budgets of the last four years and I find, Sir, that the surpluses to which the Honourable the Finance Member has referred are, at any rate in the years 1924-25 and 1925-26, due to adventitious causes. The Honourable the Finance Member referred in the budget speech of 1924-25 to the windfall of Rs. 473 lakhs as profits from the control of enemy ships belonging to India (see paragraph 21 of the speech). Now, Sir, that has been carried to the ordinary revenue, whereas I submit that this windfall should have been set apart for the purpose of reducing the contribution which India made for the purposes of the war . . . .

**Mr. K. Ahmed:** What about the construction of New Delhi?

**Sir Hari Singh Gour:** That of course my friend Mr. Kabeerud Din Ahmed will deal with. Then, Sir, the second contributory cause of these so-called surpluses is the manipulation of the exchange; and the Honourable the Finance Member in his speech the other day made no secret of the fact that if exchange is taken at 1s. 4d., instead of 1s. 6d., at which rate he has prepared the Budget, there will be a net loss of Rs. 1,56,00,000 instead of the anticipated surplus of Rs. 3,70,00,000. Consequently this so-called surplus budget is a fictitious surplus budget. It depends upon the ratio of the rupee to sterling.

My third submission in connection with this surplus budget is that during the last few years—and I have examined the figures only of the last three years for the purpose of illustrating my point—there has been a steady under-estimation of the revenue and over-estimation of the expenditure. Now let me give you a few illustrative facts culled from the Budgets of the last few years. The Honourable the Finance Member will admit that under the head 'Customs' there was a surplus last year and the year before last. The surplus in 1925-26 was 2.72 crores of rupees and

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in 1926-27 3·10 crores of rupees. Now this is a flagrant case of under-estimation of the receipts of revenue and there are other instances which if I had time I could bring to the notice of the House. I therefore submit that this constant and recurring under-estimation of the revenue and over-budgeting of the expenditure is responsible in no small degree for the annually recurring surplus to which my Honourable friend the Finance Member has triumphantly alluded in his opening budget speech. I should like, Sir, that future Budgets should be prepared with a greater approximation to the realities of the situation and that there should not be this discrepancy between the estimates and the actuals that we discover in the years to which I have referred.

My next point, Sir, is this. I was reading with a great deal of interest Reuter's telegram dealing with the presentation of the Budget in the House of Commons and I was gratified to find that during the last three years a systematic effort has been made by the Chancellor of the Exchequer to reduce taxation and to relieve the middle classes of the heavy burden which was thrown upon them by the exigencies of the War. The income-tax has been reduced and this year we find from the figures reported to us by the press that no less than £40 million of national expenditure will be reduced in the ensuing year.

**The Honourable Sir Basil Blackett:** I should like to ask the Honourable Member what those interesting figures are. The British Budget will not be introduced for another six weeks.

**Sir Hari Singh Gour:** I am referring, Sir, to the telegram which was published in the daily papers only about two or three days back, and if the Honourable Member would like to have a cutting from the newspapers I shall give it him.

**The Honourable Sir Basil Blackett:** It was not the Budget; it was merely the Civil Service and other Estimates.

**Sir Hari Singh Gour:** I stand corrected. My Honourable friend knows what I am referring to. Now, Sir, I would ask the House once more to repeat what we have been trying to repeat in the last two Assemblies, that whenever you have these windfalls in the way of excess realisations from Customs or other sources of revenue the first and foremost thing you are bound to do is to reduce taxation. I am not one of those who would in the slightest degree oppose the remission of provincial contributions, but what I do say is if you have any unexpected windfalls—and I call these surplus receipts from Customs and other revenues windfalls because you did not budget for them and you did not expect them, you got them as though they were thrown out of the clouds and therefore this is an indirect taxation upon the country, and I submit that the tax-payer is entitled to relief therefrom. Now what relief have you given? You say that if we pass the 1s. 6d. ratio then the provinces will receive a remission of their provincial contributions. If, on the other hand, we do not sanction the 1s. 6d., but go back to the 1s. 4d. rate then we are confronted with a deficit Budget of 1½ crores of rupees. That, I submit, is not a satisfactory state of affairs. I suggest, Sir, that the Honourable the Finance Member should feel a certain degree of commiseration with those who have to pay high taxes and were made liable to pay high taxes on account of temporary measures enacted during the War. The super-tax

is a tax of that character and no relief is forthcoming on that account. My friend Mr. Amar Nath Dutt has rightly alluded to the harsh and extortionate manner in which the income-tax is assessed in the provinces and year after year the Income-tax Officer justifies his deputation and his larger emoluments by asking the assessee how much more he is prepared to pay. It is all very well for those whose salaries are fixed and whose income-tax is deducted before payment, but the Honourable the Finance Member little knows of the discontent that is being caused in the provinces by these assessors and the Income-tax Department realising monies in the manner which, as I have pointed out, is causing the utmost discontent among the middle classes and the assesseees in the provinces.

One more word and I have done. Under the various heads we find in the present Budget the Honourable the Finance Member has referred in thick black letters to the additional expenditure for which he wants the vote of this House, and the Finance Member has referred very frequently to the sanction given by the Standing Finance Committee to these items of expenditure. I wish, Sir, to point out once more to this House that while we pay due respect to our representatives who are members of the Finance Committee, we should be guilty of a singular abnegation of our powers and responsibilities if we were to accept the decision of that Committee as immutable and final. I therefore suggest, Sir, that if this House decides to establish a retrenchment board of experts and representatives of the House it is the one board that is likely effectively to control this appallingly growing national expenditure. The military expenditure is a question upon which this House feels growingly uneasy. The Inchcape Committee fixed 50 crores of rupees as a maximum and we find here that there is no possibility of that estimate being reached. I drew the attention of the Finance Member to the decision reached by the Brussels Conference, composed as it was of the expert financiers of the world and in which the Government of India and the India Office were represented. In a considered report they have pointed out that any country that spends more than 20 per cent. of its gross revenue upon the upkeep of its army is riding for a fall. But what is the proportion of expenditure upon the military in this country? We are told that it is in the neighbourhood of Rs. 54 crores. I suggest, Sir, that the Finance Member should add to that, expenditure classed in this budget under such heads as losses on strategic railways, military cantonments and bazars, hill stations mainly if not entirely maintained for the upkeep of European troops, military roads, frontier police, border police, armed constabulary and the like (*Lala Lajpat Rai*: "Civil aviation".) and civil aviation, as my friend *Lala Lajpat Rai* tells me. I wish to ask, why all these heads, which, as the Honourable the Finance Member himself would admit, are due mainly or partly to the exigencies of the Army, should not be classed and added under the head of military expenditure? I have been interpellating the Government to give me the sum total of expenditure under this head; but so far I have failed. I once more reiterate my demands by asking the Honourable the Finance Member to add up all these figures and inform the House as to what amount is really spent under the head 'military expenditure'.

**The Honourable Sir Basil Blackett:** Will the Honourable Member let me know which he wants omitted as non-military?

**Sir Hari Singh Gour:** Sir, I trust to the discretion of the Honourable the Finance Member to guide me in that direction. All I can say is that when he presents me the figures, with the details I wish, I shall then offer him my criticism. It is not my duty to present the Budget. If it were I certainly would not have taken the Honourable the Finance Member's advice as he is soliciting mine. I therefore say, Sir, that the military expenditure is not merely Rs. 54 crores which it is represented to be and which is growing year by year. We have the sum of Rs. 1 crore added this year under the head 'Royal Air Force'. Now, a short history of the military expenditure would interest this House, especially the new Members who are not conversant with the history of military expenditure in this country. Some years back a committee known as Lord Esher's Committee decided that the Indian Army shall be a part of the Imperial Forces. Thereupon, Sir, we moved a Resolution in this House for the appointment of a Committee to examine the attitude taken up by Lord Esher's Committee and this House decided that the function of the Indian Army was purely Indian and that it should not be regarded as a part of the Imperial Forces; and a Resolution to that effect was passed with the concurrence of all sections of the House, including Government. Since then, I find from the reports of the House of Commons that Whitehall have not been able to accept this Resolution of the House, backed though it was by the Government of India; and in the last Assembly I drew the attention of His Excellency the Commander-in-Chief and the Army Secretary to a statement made by the Under Secretary of State for War, who declared that he was not able to accept the recommendation of the Inchcape Committee for the reduction of British troops in India on the ground that that would involve an additional burden upon the British tax-payer. That statement was at first challenged, but afterwards when we produced the official report of debates in the House of Commons, it was admitted though the Honourable the Army Secretary ejaculated *sotto voce* that that was not the view of the Government of India. Now, I wish really to ask "Is the military policy of the Government of India controlled by the Government of India or is it dictated by Whitehall?" I should really like to have a statement on that subject. If we are a subordinate government six thousand miles away and if the policy as regards military expenditure is being dictated by Whitehall we should know where we are. (*Mr. M. A. Jinnah:* "Do you not know it now?") My friend, Mr. Jinnah, says "Do you not know it now?" Yes, Sir; I do; but I want a confession from the occupants of the Treasury Benches. They have been telling us, assuring us year after year that the Government of India so far as the question of military expenditure is concerned are autonomous and that their policy is not dictated by Whitehall.

**Mr. President:** Order, order; the Honourable Member must conclude his observations.

**Sir Hari Singh Gour:** I should, therefore, Sir, like to have a re-assurance on this point from the occupants of the Treasury Benches. These are the points upon which I wish to invite the attention of this House in the course of this general debate.

**Mr. Jamnadas M. Mehta:** Sir, I beg to offer my congratulations to the Honourable the Finance Member, not on his Budget but on his plausibility; indeed, Sir, this Budget is a masterpiece of plausibility. You will find that the Finance Member has to go to the Stock Exchange in Bombay to enable him to make a statement that the trade in this country has been good.

He would have done better to seek inspiration from the Honourable the Commerce Member or Sir Clement Hindley who in their budget speeches before the Assembly and the Council of State have admitted that the closing year has been one of universal trade depression. He might further have sought inspiration from the Finance Member of Bombay, from the Finance Member of Bengal and, I understand, of Assam also, who should be expected to know better than Mr. Shroff, the President of the Stock Exchange in Bombay, yet Sir, in order to give some plausibility to an obviously unfounded statement he has left all these authoritative sources of information alone and has been quite content to rely on the Bombay Stock Exchange which, we are often told, consists of speculators and not business men. Well, Sir, I must leave the matter there for him to be settled between the three provincial Finance Members and the two Members of his own Government representing the railways on the one hand and Mr. Shroff and himself on the other.

But perhaps the best and the most reliable testimony in this matter would be the returns under three or four heads of revenue which are our legitimate sources of taxation, that is, Customs, Income-tax, Salt and other heads; and you will find that under almost every head during the last four or five years receipts have either stagnated or decreased; and that is the clearest indication that everything is not well with this country in the matter of its purchasing power or with its trade and commerce. I find that under Customs the revenue has decreased under most heads; and but for certain accidental features of the customs returns to which I shall refer later, the customs revenue to-day would have been where it was in the year 1922-23. As the House is aware, since the last two

1 P.M. or three years, we have adopted protection, and the special protective duties since 1924-25 have been bringing us an amount of additional revenue from Customs which cannot be claimed at the normal source of revenue. In the year 1927-28 this, together with another additional source of revenue from Customs, is estimated at 4 crores 10 lakhs or thereabout . . . . .

**The Honourable Sir Basil Blackett:** Additional?

**Mr. Jamnadas M. Mehta:** I am prepared to make an allowance for revenue portion of these duties. The head under which they are shown is "Protective special duties", and the figures are 2 crores 75 lakhs under Iron and Steel and under railway track material 27 lakhs under paper and stationery, and about 7.5 lakhs under cement and printers ink; as the House is aware we have given protection to paper, we have also given protection to cement, printer's ink. . . . .

**The Honourable Sir Charles Innes** (Member for Commerce and Railways): It is marked under protective duties.

**Mr. Jamnadas M. Mehta:** Yes, Sir, it is shown in the Explanatory Memorandum under protective duties; further on account of a certain decision of the Privy Council, it has now been the practice since 1924-25 to charge customs duty on railway plant and rolling stock imported by Government, and this amount which did not appear in the Budgets previous to the year 1924-25, is now shown under head Customs and is responsible for the income of 60 lakhs in 1924-25 and for 1 crore and 2 lakhs in 1927-28. I am prepared to make any allowance out of this for whatever may be the revenue duty; but there is no doubt that out of these 4 crores, 3 crores will represent the customs duty,—I think I am supported in this statement by

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the speech of the Honourable Sir Charles Innes on the Bill for the protection of the steel industry. I state, subject to correction by the Honourable the Finance Member, that out of 4 crores 10 lakhs, 3 crores represent an amount which would not have been forthcoming in previous years. That being the case, if you look at the returns of customs revenue, which is 47 crores to-day, and if you deduct from that 3 to 4 crores, it goes back to the year 1924-25 when the customs revenue was 44 crores. I make allowance further for the remission of  $3\frac{1}{2}$  per cent. duty; but after all is said and done, there is either stagnation or decrease in the customs duty due to the trade depression during the last four years. Sir, this is the best index for finding out whether during the term of stewardship of the Honourable the Finance Member there has been any prosperity in the trade and industry of this country, and the conclusion must be that there is none. Of course, income from liquors has risen; Sir, we have always held that under an appreciated rupee the importers of luxuries do benefit; these imports have increased. For instance, income under liquors, ale, beer, port, cider, income from all these liquors has gone up from 2 crores 34 lakhs in 1922-23 to 2 crores 76 lakhs in 1927-28. That shows that those who received the Lee concessions are thoroughly enjoying them, and that also proves further that these concessions were not necessary. Then, Sir, what has decreased is the poor man's income his purchasing power having diminished, cotton yarn and thread, cotton piece-goods and other imports have decreased. There being no enterprise in the country, machinery has decreased in imports, while articles of food and drink which are imported by the recipients of the Lee Concession have of course increased. Raw materials have decreased. Motor cars and cycles have increased. The imports of tyres and tubes have also increased, and all these clearly demonstrate what we have been contending all these years that the benefit of low prices as a result of the higher exchange goes to the richer men and not to the poor. This is my observation, Sir, on the so-called prosperity of the country.

Receipts from export duties also show who gains and who does not. The same stagnation and deterioration in the revenue from income-tax will be found reflected in the budget figures of the last four or five years, but as my friend Mr. Birla has adverted to it, I need not detain the House longer. I will only refer to one more item. On page 5 in the Explanatory Memorandum, you will find that the super-tax from Bombay and other places has steadily gone down; particularly in Bombay, where from 2 crores and 3 lakhs in 1923-24 it has dwindled down to 94 lakhs in the budget year. That reduction of over one crore of rupees in the receipts from super-tax is a clear indication, in fact the surest indication of what the condition of the trade and industry in Bombay must be.

The receipts from Salt have not increased. The receipts from Salt which in the year 1924-25 when the salt tax had been reduced to normal were 6 crores 11 lakhs, have gone down to a little beyond 5 crores and 50 lakhs, and still there is a margin of 51 lakhs to be reached before a return to . . . .

**The Honourable Sir Basil Blackett:** Surely the Honourable Member is aware that the duty having been higher before, the receipts were bigger.

**Mr. Jamnadas M. Mehta:** That is due to the fact that the purchasing capacity of the people has decreased; the higher duty was removed in 1924-25.

There is one head which shows an increase, and that is Opium. That has been increasing. All the illicit sources of revenue are increasing; most of the legitimate sources of income are either stagnant or are deteriorating, and if that is an indication of the prosperity of the country or of the good account which the Honourable the Finance Member has given, I say then Heaven help this country. The opium revenue has increased since 1923-24 from 1 crore 66 lakhs to 3 crores, 11 lakhs in the course of four years. I think the future historian will condemn the Government of this country, and this Assembly also if it at all identifies itself with a policy which poisons the life of the Chinese and other people.

Then, Sir, I must turn to the few crumbs which the Honourable the Finance Member has thrown to the House. There is the reduction of import duty on motor cars, on motor tyres, on rubber seeds and so on. The stamp duty on cheques is abolished. The export duty on hides has been reduced, the export duty on tea is gone, but the net relief to the tax-payer is not over six lakhs. Now, Sir, I am reminded in this connection of the X'mas festivities. Overnight the children go to sleep with an assurance that at midnight Father X'mas will come into the house and leave various gifts for them. The next morning all the children gather round the X'mas tree quite merrily, each one having an assurance of a gift from Father X'mas or Santa Claus, whoever it may be, and they fall into the ecstasies of joy at the gifts which they find awaiting them. All the time the father and the mother are quite clear that it was their own money that was paying for these gifts; all the same, the children are delighted that once in a way at least things do drop from Heaven and are grateful to Santa Claus for the same. Now, the Finance Member is like Santa Claus distributing to the children in this House this pittance of 51 lakhs, and, as I will proceed to show, he has been realising from them crores upon crores both as a result of the high level of taxation and as a result of the manipulation of exchange. Sir, if the House turns to page 73 of his budget speech they will find there tabulated the figures of expenditure for the last 10 years, Honourable Members will see that the expenditure in India has risen from 87 crores in 1916-17 to 130 crores in 1925-26, a difference or rather an increase of 43 crores since 1916-17. That means that in the course of ten years we have been paying an additional taxation of 43 crores a year since 1916-17. Sir, that is not the whole story. As my friend Mr. Birla has pointed out, if you convert these 130 crores in terms of gold, at 8.47 grains of gold under the higher exchange value of the rupee, there is a further increase in one year alone of 17 crores of rupees. So that in the course of ten years, this Government has been taking from the people of this country in a single year 43 plus 17 crores which means 60 crores of rupees extra in the year 1925-26 over 1916-17. Sir, this well sums up the stewardship of the Honourable the Finance Member of the revenues of this country. He gives 51 lakhs after having taken 60 crores. If you take away my ten rupees and return only 10 annas or even less you are certainly not entitled to my gratitude. But that is exactly the position of the Honourable the Finance Member in this connection. Plausibility, Sir, cannot go further.

I will now turn, Sir, to the question of the possibility of a reduction in revenues and an increase in our debt if the House and the country reverted to the 1s. 4d. ratio. The fact of the matter is, Sir, as pointed out by my Honourable friend, Sir Victor Sassoon, that the burden of the rupee debt will increase under 18d. and not on 16d. rupee. He put it at 60 crores and I agree. Four crores of pounds would be the increased burden under the



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18d. ratio in the rupee debt of this country. The revenue receipts are not likely to go down under 1s. 4d.; they will certainly increase by a few crores. So far as the revenue expenditure is concerned it will certainly increase but not to the same extent; but are we not spending much more under the 18d. ratio than appears on the surface? Sir, since in 1923-24 the additional expenditure in terms of gold is in the neighbourhood of 16 million pounds which, at 16d., would mean 24 crores and in terms of a 1s. 6d. rupee, would mean a little less; 24 crores additional expenditure concealed under this appreciated rupee in the course of four years.

Now, Sir, I want lastly to draw the attention of this country and of this House to the extraordinary position in connection with our provision of Rs. 5 crores a year for debt redemption. I always held that the provision for debt redemption is out of all proportion to the requirements of the case. There was a debate in the year 1925 when we complained similarly. But Mr. Devaki Prasad Sinha was induced to say that our provision for debt redemption was by no means over-generous but that it was barely equal to what was being done in England where they were going to pay the entire debt in 20 years' time. The statement made by Mr. Devaki Prasad Sinha will be found on page 1149 of Vol. V, Part II of the Legislative Assembly Debates. Mr. Devaki Prasad Sinha said:

"Well, Sir, the British scheme of establishing a sinking fund for the payment of the unproductive debt of England contemplates its redemption in 20 years."

This was the extraordinary statement that was made by Mr. Devaki Prasad Sinha. But, what was more extraordinary, that statement was endorsed by the Honourable the Finance Member and that is on page 1158 of the same Volume. The Honourable the Finance Member said:

"I said that the size of the unproductive debt of this country at the present time was such that it would take a period of something over 30 years—something over 30 years is the right figure—on an assumed rate of interest to repay the unproductive debt, so that the amount we have chosen is not a sum which would repay the unproductive debt in an unreasonably short time, and my comparison with the United Kingdom was, as Mr. Devaki Prasad Sinha pointed out, to show that the United Kingdom had a sinking fund in operation to repay the whole of its debt which is all unproductive within about that period"

that is to say, 30 years.

Now, Sir, I have in my hand a publication called "National Debt" issued under the authority of the House of Commons, signed by Mr. Ronald McNeill, dated the 16th July 1926, and it shows that the statement made by Mr. Devaki Prasad Sinha, corroborated as it was by the Honourable the Finance Member on the floor of the House just two years ago, was an entire misstatement, grossly misleading and distorted. I do not know what office Mr. Ronald McNeill holds (*The Honourable Sir Basil Blackett*: "Financial Secretary to the Treasury")—but at any rate he represents the authority of the Government in England and that is quite enough for my purpose. He said that the total unproductive debt of England in 1926-27 would be 7,600 million pounds and the provision for debt redemption against this, if the Honourable Member was correct and wanted to repay it between 20 or 30 years time, would require every year setting aside 300 million pounds by way of debt redemption. What is the actual provision in 1926-27?

**Mr. President:** Order, order. The Honourable Member has exceeded his time.

**Mr. Jamnadas M. Mehta:** Very well, Sir, I will finish this argument and then stop. The actual facts are that the provision for debt redemption is not 300 millions but only 50 millions.

**The Honourable Sir Basil Blackett:** 60 million pounds. The Honourable Member is a year behind: that's all.

**Mr. Jamnadas M. Mehta:** Even if you are a year in advance, even, Sir, if the Honourable Member is a year in advance, he is wrong by 500 per cent. He has stated that the debt in England would be paid in between 20 to 30 years and on the authority of this pamphlet it is clear that it cannot be paid earlier than 125 years, and yet owing to the misleading and I say grossly misleading statement of the Honourable the Finance Member, the debate in 1925 was thrown on a wrong track. As I have said, Sir, our provision for debt redemption is as a matter of fact four times the provision for debt redemption in England. We are paying Rs. 4 for debt redemption when England is paying Re. 1, and the whole of their debt is unproductive. We are called upon to pay four times for debt redemption in the name of our credit; even richer England is satisfied with one rupee. Sir, what would we think of a father who will starve his children, leave them unclad, illiterate, but pay back to the usurer his capital so quickly. The Honourable the Finance Member talked of the 300 schools and the romance behind the relief of 5.45 crores of provincial contribution.

**Mr. President:** The Honourable Member must now close.

**Mr. Jamnadas M. Mehta:** Sir, all that I say is that behind this so-called romance lies concealed the tragedy of an overtaxed, illiterate and starving India.

**Khan Bahadur Haji Abdulla Haji Kasim** (West Coast and Nilgiris: Muhammadan): Sir, I rise to congratulate the Honourable the Finance Member on the lucid speech he made in presenting this year's Budget which is shown as a clean surplus Budget of three and odd crores. We were all delighted with such a favourable account of our national finances and we are doubly so, when we learn that with this year the provincial contributions are to be abolished once and for ever.

Now, Sir, I wish to make a few observations on the changes in taxation brought forward for the coming year. While we do appreciate, Sir, the abolition of some of the duties, we still, however, feel that the Government should have reduced the duty on salt, which taxes the poor man indeed. Sir, we wish to take this opportunity of expressing the strong feeling of the country in this matter. And I hope, Sir, that the Government, at a very early date, will see its way to abolish this duty altogether.

Now, Sir, I wish to touch upon a few topics that are of very near interest to me and to my constituency. I am happy to learn that the Honourable the Finance Member has generously provided for the spread of education on the Frontier and for the introduction of compulsory education in the Imperial Capital of Delhi. While I do not grudge this amount of beneficence on behalf of the Frontier and the Imperial Capital, I wish to say, Sir, that the Government ought to show a similar solicitude

[Khan Bahadur Haji Abdulla Haji Kasim.]

towards the educational progress of the Moplah children in Malabar. It is indeed a sad commentary, Sir, on the policy of the Government that no special attention is devoted to the cause of the Moplahs. Their education deserves careful handling and also sympathetic fostering. I trust, Sir, that the Government will soon do the needful in the matter.

This topic of the education of the Moplah children brings to my mind the sad fact of the Moplah prisoners in the Andamans. Sir, there is a very popular feeling that the Moplah prisoners in the Andamans should be brought back to India which is their home. Of course, Sir, I do not urge that they should be set free. I only want that instead of rotting in the unhealthy Andamans they should serve their remaining term of imprisonment in Indian jails. This will remove the unnecessary hardship of a forced exile to which the Moplah women are now subjected. Sir, on my way to Delhi I visited Malabar. There is a strong feeling in Malabar that the agents who were sent to Malabar from the Andamans to take the families of the convicts to the Andamans are doing a lot of havoc in Malabar. They are forcing the women to accompany them against their wish. I therefore appeal to the Government not to allow such things to be done in Malabar.

Sir, I will now touch on two more important matters. We have heard, Sir, that the Government would go in for a new loan of about ten crores for capital expenditure. If this is done, we request the Government not to forget the construction of a harbour at Malpe. This is not a chimerical scheme and to show that it is quite sound and a subject of practical politics I can quote the opinion of expert engineers like Sir John Wolfe Barry Lyster and Partners.

Sir, the other point I wish to touch upon refers to the appointment of a Muslim on the Madras High Court Bench. Just now, Sir, owing to the lamented death of Justice Sir Krishnan there is a vacancy on the High Court Bench. The whole of my community is not represented on the High Court Bench, and I have to urge, Sir, that the Government should take notice of this fact and do the needful. When the number was ten, there was one Muslim Judge; and even during his absence a Muslim was appointed as a temporary measure. Sir, when there are 14 Judges now, there is not even one. This has been so, for the last six years. This aspiration of my community the Government should respect.

Sir, I have no more to say except that I along with my Honourable friends feel grateful to the Honourable the Finance Member for the surplus Budget he has presented us. We do appreciate Sir Basil's great services on our behalf. And, Sir, I may say that Sir Basil rightly deserves the "breath taking tribute" offered last year by the Honourable Sir D. Wacha.

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

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

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**Mr. Amar Nath Dutt:** Sir, with your permission, I beg to make a statement. I understand that some words which fell from me in the course

of my speech this morning have been taken in a sense in which I never intended them, I could not have intended them. I meant no reflection on the Chair, would not have meant any reflection on the Chair, because I have the highest regard for the Chair, and I am sorry that I used words in answer to an interruption which are capable of implying any disrespect to the Chair. I express my sincere regret to the Chair and the House for having used those words which I never meant.

**Mr. President:** I accept the expression of regret from the Honourable Member, but not without a word of warning. I have been always very jealous, as Honourable Members are aware, of the privileges of this House such as they are under the present constitution, and more so, of the dignity, the authority and the honour of this Chair, and any Honourable Member who uses any expression calculated in the slightest degree to cast any reflection or insinuation against the Chair directly or indirectly will incur the gravest displeasure of the Chair and will be severely dealt with, and I am sure I will have the support and co-operation of the whole House in this.

**Rai Sahib M. Harbilas Sarda** (Ajmer-Merwara: General): Sir, with your permission, I will say a few words as regards the administration of Ajmer-Merwara and one or two of our chief grievances, as this is the only opportunity afforded to us of bringing this matter before the House, for, long before the Budget for Ajmer-Merwara comes up for consideration, all discussion and debate will have been guillotined.

Sir, Ajmer-Merwara came into the possession of the British in 1818 A. D. and from that year up to 1871 it formed a part of a major province; in other words, it enjoyed all the rights and privileges of a Regulation province. But in 1871 it was separated and placed under the Foreign and Political Department of the Government of India. In other words, it was made a scheduled district and was subjected to the disabilities, the disqualifications and disadvantages imposed by the Scheduled Districts Act. Sir, the Scheduled Districts Act was framed to apply to backward tracts of India. Nothing was further from the intention or object of the framers of that enactment than that its provisions should ever be applied to places like Poona, Ahmedabad, Agra or Ajmer. As a result we have to stand out in the sun as far as local legislation is concerned, while the other provinces are forging ahead. We have been told and we have no reason to doubt the correctness of it, that Ajmer-Merwara was made a scheduled district not because Government thought that it was a backward tract, not because Government considered that its people were behind any other province in education, in intelligence, in culture, in the peaceful arts of life, in the amenities of civilisation or high historical tradition, but because it was found convenient, owing to its geographical situation to place it under the Foreign and Political Department of the Government of India. A great injustice was done to my province, Sir, when its political status was thus lowered. And do Government expect us now to continue to remain under these disabilities and look happy that we are governed as a backward tract? We hope, Sir, that Government would take this matter into consideration. I raised this question on the floor of this House two years ago and I considered that Government would do something for our province and devise some means whereby we may have some voice in the making of local laws and regulations.

[Rai Sahib M. Harbilas Sarda.]

Coming to one or two particular subjects, I wish to invite the attention of Government to the agricultural needs of my province. Sir, Ajmer-Merwara is geographically so situated that both the Arabian Sea current and the Bay monsoon look askance at us. One exhausts itself before it reaches the eastern borders of my province and the other dries up in passing over the parched plains of Western India. Famine or scarcity is, therefore, a normal feature of the economic existence of my province. It is all the more necessary, therefore, Sir, that the agricultural resources of Ajmer-Merwara should be utilised to their utmost extent and all possible measures should be taken to develop and augment them. There is at present not one agricultural expert in the whole of Rajputana. The political officers who rule my province do their best to promote agriculture, but as they are not agricultural experts they can do little to help it. We therefore hope that Government will take into early consideration the question of the establishment of an Institute of Agriculture at Ajmer. The Indian States of Rajputana would welcome the project, and, I am sure, would co-operate fully with Government in making it a success, to the advantage of both. The toiling millions of Rajputana who depend chiefly on agriculture would welcome and bless nothing so much as an Institute of Agriculture at Ajmer, with an agricultural expert at its head.

Sir, last year I invited the attention of Government to the heavy court-fees and process fees levied in my province. Considering that famine is a frequent though an unwelcome guest in Rajputana and that the agriculturists who are principally affected by these fees, have to bear this burden, I request that Government would take an early opportunity of reducing these duties to the scale levied 4 or 5 years ago.

Sir, the educational and the medical needs of the province should also be considered by Government. Not only have we to run the new General Hospital established in Ajmer but the medical needs of the small towns and villages in the province have also to be considered. Sir, I do not wish to go into the details of the administration or to recite all the requirements of my province during this general discussion on the Budget, but I wish to bring to the notice of Government that the people of Ajmer-Merwara are waiting, hoping and trusting that as the province is under the direct administration of the Government of India, the Government of India would consider the peculiar position and situation of the province and in justice to its people, supply their needs. Sir, when I find that the Budget makes provision this year for the establishment of 300 new schools in another scheduled district, namely, the North West Frontier Province. I cannot but exclaim with the Persian poet:

*"Auron ki taraf gul phenke hai balke samar bhi;*

*Ai abr-i-sakha baire Khuda kuchh to idhar bhi."*

"Thou droppeth flowers in the lap of others and fruit too

Oh generous cloud, for God's sake (drop) some at least this side too."

**Khan Bahadur Nawabzada Sayid Ashrafuddin Ahmad** (Bihar and Orissa: Nominated Non-Official): It was not my intention to make any speech as I wanted to hear the speeches of the distinguished Members of this House and to take information from them. But considering the importance of the Budget and the way in which it is criticised by my Honourable friends on the opposite side, I may be allowed to make a speech and will not take much time in doing it.

Speaking on the last Budget the Honourable Sir Dinshaw Wacha said in another place that it was the third epoch-making Budget in the annals of Indian finance. This year, Sir, the Finance Member has introduced a Budget which even beats its predecessor and I do not think it has fallen to the lot of any previous Finance Member to present two epoch-making Budgets in succession.

In January 1923, when my friend the Honourable the Finance Member landed in India, he was face to face with a succession of deficits. It was 23½ crores in 1919-20, 26 crores in 1920-21, 27½ crores in 1921-22 and he estimated the deficit in 1922-23 at 17½ crores. He began his first Budget by incurring, as one of the Honourable Members of this House then said, the odium of taxing sodium chloride. Events, Sir, have proved how necessary it was to prevent at any cost the recurrence of a deficit for a sixth year in succession. It was the first great step in restoring solvency to India's bankrupt finance and the first surplus Budget was realised in 1923-24. We have had since then four more continuous surplus Budgets including the Budget of the coming year. This, Sir, is a signal achievement of which any Finance Member may be proud. It is of course impossible to satisfy people who are determined always to complain. This class may naturally see in these recurring surpluses so much additional taxation taken from the people for which the Finance Member should be blamed. I for one, Sir, do not think that is a fair view to take. The Finance Member has not deliberately budgeted for a large surplus every year, but if the actuals have in the result turned out better than anticipated, I think, Sir, such a position is certainly better than a less cautious system of estimating which finally ends in deficits.

**Mr. Gaya Prasad Singh** (Muzaffarpur *cum* Champaran: Non-Muhamadan): Sir, this is probably the fourth "Prosperity Budget," if I may say so, which my Honourable friend the Finance Member has been able to produce in succession. It is not pleasant for me to strike a jarring note on an occasion like this, when the Honourable the Finance Member must be looking out for a chorus of congratulations from Honourable Members of the House. But I may be pardoned for asking as to how the general tax-payer of the country comes within any scheme of relief, which has been outlined for the distribution of the surplus. The man behind the plough finds no place in the picture presented by the Budget. The expenditure of the Government of India has not been substantially curtailed in any direction, the burden on the tax-payer has also not been reduced. Sir, it is customary on an occasion like this to make a general survey of the situation from China to Peru. But I shall not attempt the task. I shall confine myself only to a few, out of many, points that call for remark.

Sir, I regret to say that the Honourable the Finance Member has not seen his way to announce any reduction in postal rates. I will not attempt to vie with the Honourable Member in the jugglery of figures, for I admit, like a quick change artist, he can manipulate figures in any way he likes, to support a desired conclusion. But from the point of view of the man in the street, I will only say that the Telegraph Department is a heavy drag on the Postal Department. The former eats all the surplus of the latter's earnings. The postal men are paid less and have more arduous work than those of the Telegraph Department; and this unjust combination deprives the masses of the people who avail themselves of

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the Postal Service in a much larger measure than Telegraphs, of the benefits of cheap postage.

Sir, I am sorry that it has also not been possible for the Finance Member to announce any further reduction in the salt-tax. The salt-tax, I need hardly say, is the one tax that affects the poor more than any other class of the people. I should have been glad to see a further reduction in this duty, if not its total extinction. Professor Fawcett said that "salt should be as free as the air we breathe, and the water we drink."

So far back as 1888, this is what Lord Cross, as Secretary of State for India, said:

"The policy enunciated by the Government of India in 1877 was to give to the people throughout India, the means of obtaining an unlimited supply of salt at a very cheap rate, it being held that the interests of the people and of the public revenue were identical, and that the proper system was to levy a low duty on an unrestricted consumption."

The manufacture of salt as a state monopoly is, if I may venture to say so, a wrong done to the poor people of this country; and in the words of Sir Thomas Holland, who was formerly a Member of the Viceroy's Executive Council, "the rigid restrictions on the local manufacture of earth-salt which pressed very hard on the poor, cost more than its worth in revenue, and caused risks of agricultural deterioration."

Sir, in Orissa, hundreds of thousands of poor people, living on the sea-coast, have been deprived of their source of livelihood, by this ban on the private manufacture of earth salt, and are living in a state of chronic destitution.

Sir, the abolition of the salt-tax was an article of political faith with the Indian National Congress. Political and economic issues are interwoven with this question.

The late Mr. Gokhale, in his Budget speech of 1904, in the Imperial Legislative Council, said: "The salt duty question in India is essentially a poor man's question"; and he laid down that the soundest and best policy would be "to raise an expanding revenue on an expanding consumption under a diminishing scale of duties."

Sir, I shall now make a passing reference to the building of what is called Imperial Delhi. The gigantic scale, on which the new capital is planned and developed, is paralleled only by the wasteful expenditure involved in the project. Crores and crores of money have been sunk amidst tumbling grave yards, in bringing into life a city whose historic soil has seen numerous dynasties rise and fall. Famine, Plague, Pestilence, Flood, etc.,—these have become some of the normal features of the country for many years past; and to squander such a huge sum of money on a capital, in which the Government of India live only for about five months in the year, is a criminal waste of public money. It is a pompous pageant to a perishing population. Sir, I will not speak one word with regard to the monstrous design of the Council Building, which, I am afraid, cannot have many admirers, at least on this side of the House. When my Honourable friend Sir Bhupendra Nath Mitra was lavishing so much admiration on the author of the design and the architect, on the occasion of the opening ceremony by His Excellency the Viceroy on the

15th January last, I felt something must have been wrong with the building, which required to be covered up by so much praise. I now find that my Honourable friend, shrewd as he is, was probably indulging in a joke at the expense of the architect, for we all know the proverb, "Praise undeserved is satire in disguise." The whole building, besides being built on a lower level than the Secretariat, is in the form of a big circle, a zero, or a cypher; and this indicates its political significance.

Sir, I now pass on to make a few remarks on our military expenditure, which casts its sinister shadow across the whole field of Indian finance. This huge Octopus sits like a nightmare upon the finances of the country, and sucks the life-blood of the people. I will at once note with gratitude that some attempt has been made to reduce our military burdens; but I will not disguise the fact that the result so far achieved is still far from satisfactory. The Retrenchment Committee said that "it might be possible after a few years to reduce the military expenditure to a sum not exceeding 50 crores." Even this limit is not yet reached; and I regret to note that the Honourable the Finance Member in the course of his budget speech says that "the present level of expenditure seems to be very nearly the minimum absolutely essential to maintain in a state of full efficiency an army of the strength at present authorized."

Sir, it is a truism that the possession of unrestricted resources tends to extravagance in expenditure. Gladstone said many years ago in the House of Commons that "economy is itself a great source of revenue"; and if I were asked to give at random an instance of reckless military expenditure, I would point to the criminal waste of money involved in the building of barracks, and the location of a military force in the honest little town of Muzaffarpur. Sir, the frontier of India is calm and tranquil, and there does not seem to be a speck of war cloud on the horizon. Ceaseless vigilance is no doubt essential, a sense of false security is undoubtedly undesirable; but the claim of the taxpayer to be relieved of a substantial portion of his military burden cannot be altogether brushed aside even in these piping times of peace. Sir, I feel a natural reluctance in speaking about matters military in the presence of His Excellency the Commander-in-Chief who I am glad to see is present in the House just now. The Report of the Auxiliary and Territorial Force Committee is still under the consideration of the Government, and no practical proposals have been placed before us. The report of the Sandhurst Committee is also kept in secrecy, and we are not permitted to know what its recommendations are. Sir, it is well known that a British soldier costs much more than an Indian sepoy; and if economy in our military expenditure is to be honestly pursued, the former should, as far as practicable, be replaced by the latter. Money instead of being poured like water on standing battalions should be saved by the formation of what I may call the citizen army. But distrust of the Indians is, I am afraid, writ large over the military policy of Government. I feel that the Army in India is more than is necessary for her internal purposes, or external defences; and with the establishment of the Royal Air Force, it is a question whether it is not possible to reduce our land forces accordingly. Sir, I must here express my gratitude to the military authorities and the Royal Air Force for having given many of us an opportunity of having joy rides in the Vickers Victoria aeroplane on the morning of the 22nd February; but I am constrained to add that it is humiliating for us to remember that although the Royal Air Force is maintained at the cost of India, no Indian



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is eligible for employment in that branch of the Army. We are also excluded from certain other important classes of military service, such as the gun section, the Artillery, and so forth.

Sir, if we had our own national Government, things would have been quite different from what they are to-day. Look at Japan, what that little island has been able to achieve in about 40 years under her own national Government, we have not been able to achieve even a fraction within a century and half of foreign rule.

Sir, this brings me by a process of natural sequence to a consideration of our political position, in what is known as the British Empire. We do not seem to have made much headway in that direction. We are still ploughing the sands of the sea-shore. But I venture to feel that the time-forces are with us. The writing on the wall cannot be mistaken; and even he who runs may read. The dead bones in the valley are instinct with life. It is no longer a true picture, which is portrayed in the lines:

“The East bowed low before the West,  
In silent deep disdain;  
She heard the legions thunder past  
And plunged in thought again.”

In spite of the fissiparous tendency that may be discernible on the surface, in spite of the attempts made in interested quarters to sow the seeds of dissention and distrust among us, I believe there is a divinity that shapes our ends, rough hew them how we will.

Sir, the history of British rule in India is strewn broadcast with fragments of broken pledges, and unredeemed promises—promises that were made to the ear, have been broken to the heart. But now the policy of “*divide et impera*” will, I hope, no longer deceive the people. In the words of a well-known American statesman: “You can fool some of the people all the time, and all the people some of the time, but you cannot fool all the people all the time”.

The new generation of Indians that are coming up are imbued with a deep distrust of the intentions of the bureaucracy, in spite of the artificial ways in which loyalty is sought to be fostered in our schools and colleges. Sir, I would be wrong if I did not raise my voice of warning. But I am afraid the average official in India does not, cannot see much ahead of him; he is constitutionally incapable of taking a long view of things. He is content with saying to himself “This will last my time.” Lord Curzon evidently thought in that strain when he partitioned Bengal, against the will of her people. The partition of Bengal is undone, Lord Morley’s “settled fact” is unsettled; but the assassin’s bomb and the pistol remained as a legacy of Lord Curzon’s ill-starred policy. Such a crime is an exotic growth in this land. But it is being kept up by the repression-cum-reform policy of the Government. It goes against the grain of our instinct. The precious heritage of the East is its spirituality rather than its brutality. The West, if I may say so without offence, is the home of political murder. It is the cradle of anarchical crime. Sir, this is what the late Mr. Montagu said, after the throwing of the bomb on Lord Hardinge in Delhi in 1912:

“The fact that a lot of irreconcilables, enemies of authority, can effect political murder is not confined to India. There have been times and countries in which the

deliberate opinion of the people was opposed to the Government, and in which political murder is the extreme manifestation of a sentiment which, in its milder form, the mass of the people shares."

Sir, under the cloak of archaic laws, the Government have been keeping in durance vile some of the best men in Bengal, and elsewhere. They have not the courage either to bring them to trial in an open court of law, or to release them; and this House, the Parliament of India, is powerless to help them. This is the inwardness of the much vaunted Reforms. Is it any wonder that even some of those who stood by the Reforms and offered their willing co-operation, are beginning to lose faith in the professions of Government, and find that they are being treated like a squeezed lemon. (Laughter.) "Heads I win, tails you lose", that seems to be their motto. Sir, the present state of things cannot continue long. India refuses to be spoon-fed any longer. She must be given her rightful place in the comity of nations. Her present position in domestic and foreign politics is hurtful to her self-respect, and injurious to her interests. Let not the old cry of "Law and Order in danger" be always raised; for as Burke says "opinion is of greater importance than laws or executive power in maintaining order." The virtues of patience and sweet reasonableness have long been preached to us. But we can no longer be fed on empty platitudes.

"The toad beneath the harrow knows,  
Exactly where each tooth point goes;  
The butterfly besides the road,  
Preaches contentment to that toad."

**Rao Bahadur Narasimha Gopalaswami Ayyangar** (Madras: Nominated Official): Sir, I originally felt some hesitation in deciding to make a speech on this occasion. I was rather perturbed by the doubt whether manuscript eloquence was permitted in this House, even in connection with a maiden speech. I have, however, been reassured by the fact that the Budget itself was introduced with a printed speech while, during the debate that has proceeded since this morning, I have found various Members of this House, who have been in this House for a long time, referring pretty frequently to manuscript or typed speeches, some of them even reading them in extenso. I hope, Sir, that I shall be excused if I follow the example of some of those who have been much longer in the House than I have been. I have risen for the first time to-day to break the silence which I have maintained ever since I entered this House almost exactly a month ago. I do so, Sir, in the first instance, in discharge of a duty on behalf of the interest which I happen for the time being to represent in this House, an interest which I fully acknowledge has been handsomely treated in the Budget we are discussing to-day. I should be failing in that duty, Sir, if I did not convey to the Honourable the Finance Member the appreciative gratitude of Provincial Governments in general and of the Government of Madras in particular for his all but completing the act of justice which, as a result of rare financial intrepidity, he placed himself in a position to commence in 1925-26. In the second place, during the last few years, I have in my present official capacity been rather intimately connected with the humdrum realities and smallnesses of local and municipal finance, and less closely with the somewhat prosaic limitations and

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the benumbing inelasticity of provincial finance. But, these have failed to

3 P.M. wean me completely away from the study, though from a distance and in however superficial a manner, from the distinctly more fascinating sphere of the finances of the Government of India. If a newly arrived, nominated, official backbencher may say so, there is, to the mere student of public finance, no period in the recent history of Indian finance which has been so full of interest, so crammed with attempts consciously made, deliberately planned and firmly carried to success, as the period during which Sir Basil Blackett has held the office of Finance Member of the Government of India. I consider it therefore also my duty in the role of such a student to tender to Sir Basil Blackett my warm appreciation for the fifth of a series of Budgets, all arresting our attention with the unmistakable indications of a skilful handling of our finances and of a dexterous presentment of the facts relating thereto, and each bearing on its face evidence of a further advance over its predecessor towards a closer approximation to fundamental principles, towards bringing India into line with countries possessing an up-to-date financial and budgetary system. I do not propose, Sir, to go into details over what I have said just now, nor would this be an appropriate occasion to do so. I propose to confine the few observations which I shall permit myself to make on this occasion to what is relevant to one or two aspects of the relations between provincial and central finance.

The provinces are, as I have said, grateful for the remission of the entire amount of their contributions during 1927-28, but the gratitude is, I must confess, tinged with a small modicum of disappointment. The reason for this disappointment, Sir, is obvious. A portion, the last portion, of the remission has been declared to be definitely temporary, and the rider has been added that, if a recurring surplus cannot be secured in the Budget for 1928-29, it is possible that the remission of this last portion may have to be withdrawn. I submit, Sir, there was no need for this reservation, this excessive caution. The total amount of the non-recurring remission is only 2.58 crores which I believe is not very much above the annual increase due to the normal growth of the items of central revenue. The present Finance Member has had a realised surplus in every one of the years for which he has been responsible. During each of the three years ending 1927-28 he has budgeted for a recurring surplus, and during two of these he has come into possession of a handsome *realised* surplus over and above the remission of contributions which the recurring surplus estimated in the budget of three years enabled him to give. There is no reason to think that this skill—I will not call it mere luck—will desert him when he comes to prepare the Budget for 1928-29. Our past experience of him is sufficient to banish any such apprehensions altogether from our minds. I base however my claim for a permanent remission of the entire contribution on a higher ground, Sir. It had been expected from the beginning that the contributions would get wiped out in about seven years. 1927-28 is the seventh year. The principle underling these matrikular contributions from the provinces to the Central Government is well known. The unsettling nature of these contributions in the ordering of provincial finance was conceded by the Meston Committee and has been recognised by the Government of India. The policy declared has been that of so directing the financial administration of the Government of India as to permit with reasonable rapidity of the reduction and

final abolition of these contributions. The provinces which have been hungering for more money for developmental services have repeatedly urged the need for the early abolition of these contributions. I desire, Sir, to lay special stress on one circumstance which has tended to get obscured in the controversies on this subject. The *raison d'être* of these contributions is the existence of a deficit in the accounts of the Central Government, the inability of the Government of India to make both ends meet. The Report of the Financial Relations Committee makes this perfectly clear. When the Government of India are able to balance their Budget without the help of these contributions or any portion thereof, there is, I submit, no case for continuing them. Subject to correction I claim, Sir, that the Government of India have reached this stage. The surpluses since 1924-25 have been realised in spite of the creation of a number of ear-marked funds financed by appropriations, from revenue averaging, during the four years ending 1927-28, about 10 crores per annum. None of these items presumably entered into the calculations of the Meston Committee when they arrived at the all-India deficit. I would therefore submit for the consideration of the Finance Member the question whether it is just to the provinces, or in furtherance either of the principle of a complete separation of provincial from central resources or of the financial policy of reducing contributions with reasonable rapidity and ultimate cessation, that any portion of these contributions should be perpetuated for the purpose not of meeting expenditure that cannot be avoided but of creating new financial reserves for, or of extinguishing the debt of, the Government of India to a larger extent annually than was contemplated at the time of the Meston Award. These reserves are, I recognise, very necessary from the standpoint of the Government of India and are among the great reforms initiated by the Finance Member; but they ought to be provided out of the resources of the Government of India, not out of the resources of the Provincial Governments. In paragraph 53 of his speech the Finance Member has said:

“I desire to emphasise clearly the fact that the non-recurrent remission of the provincial contributions must be regarded as definitely temporary so that if a recurring surplus is not available a year hence sufficient to enable us to make this remission permanent it will be necessary either to restore the temporarily remitted contribution wholly or in part or else propose fresh taxation.”

My submission, Sir, is that in the very unlikely contingency of a recurring surplus not being available in 1928-29 to the extent of 2.58 crores, it will be necessary neither to restore the remitted contribution in whole or in part nor to propose fresh taxation. May I urge, Sir, that the partial reduction, if necessary, of one of the annual appropriations I have already referred to—it may be for a year or two until a recurring surplus is secured—will stand less in need of justification than a new levy on the tax-payer or a continuation of the draft on provincial resources? The fear of a possible revocation of the temporarily remitted portion of the contribution will necessarily delay the working out of plans and programmes in the provinces. It will postpone the translation into actual fact of the romance to which the Honourable the Finance Member has so picturesquely alluded,—the promotion of human happiness, the prevention of preventable disease, the widening of the opportunities for a good life—a romance for whose translation into real life the assurance of an increase of permanent spending capacity is so essential a pre-requisite. If, Sir, I have made out a case against the excessive caution which characterises

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the proposed non-recurrent remission of 258 lakhs, I appeal to the Honourable the Finance Member to remove once and for all this millstone round the neck of the Provincial Governments with no prospect of any portion of it claiming to resume its place on that neck. These contributions are admittedly an incubus. The Government of India are now in a position to free themselves and the Provincial Governments *finally* from this incubus. I sincerely hope they will do so. It means for example a permanent increase in the spending power of Madras to the tune of half a crore—Madras which is now brimming over with a forward programme of developmental activity in every direction—irrigation, hydro-electric power, education, communications and water-supply, medical relief, cottage industries, and, above all, a comprehensive programme of rural reconstruction.

There is one other matter, Sir, to which I desire to draw attention in connection with the existing relations between provincial and central finance. In paragraph 55 of his speech the Honourable the Finance Member has considered it necessary to express an apology, or what looks like one, and to find justification for what he has conceded to be a departure from strictness and purism in the matter of debt redemption. On the contrary, Sir, the policy that he has adopted in the Budget he has now presented in applying a portion of the *realised* surplus of 1926-27 to the relief of provincial contributions in 1927-28 is, far from being a lapse from financial virtue, a deviation—if I may permit myself to word it so—into financial justice. As I have said already, a *realised* surplus has come into the Honourable the Finance Member's hands in every one of the four years ending the 31st March next. It was Rs. 2.39 crores in 1923-24, Rs. 5.68 crores in 1924-25, Rs. 3.31 crores in 1925-26 and Rs. 3.10 crores in 1926-27 (revised estimate figure). The contributions from the provinces amounted in the year 1923-24 to 9.22 crores, in 1924-25 to 9.25 crores in 1925-26 to 6.24 crores and in 1926-27 to 5.18 crores. But for these contributions from the provinces none of the surpluses could have been actually realised. If I am correct in the contention that the matrikular contributions from the provinces are in principle, and avowedly, different in their nature, for instance, from the tributes levied from the Indian States and that their real purpose is only to enable the Government of India to square its accounts, the amount taken from the provinces in any year in excess of this need should in justice be adjusted to their credit in the succeeding years.

**Mr. K. Ahmed:** Why is your brother on the other side?

**Rao Bahadur Narasimha Gopalaswami Ayyangar:** The Honourable Member who has just interrupted me has probably known my brother as a Member of this House for a much longer time than I have. No one can question the soundness, Sir, of the principle that *realised* surpluses should be applied to the reduction or avoidance of debt. But the surpluses should be surpluses realised on the resources of the Government of India and not surpluses which would not have been there but for an excessive levy on the provinces. If the provinces had been made to contribute in every year, according to the proportions fixed, only for wiping out the deficit of the Government of India, these excess amounts would have remained with the Provincial Governments and have produced surpluses in their accounts or wiped out wholly or partially the deficits in such accounts. The letter of the Devolution Rules should not, I submit, stand in the way of doing justice to the provinces in this matter. It has not

stood in the way so far as the disposal in 1927-28 of the realised surplus of 1926-27 is concerned. The surpluses realised from 1923-24 to 1925-26 should, I submit, have been treated as provincial money and, if they were to be applied, as they ought to be, to the reduction or avoidance of debt, that debt should have been provincial debt rather than central debt. The surpluses should have been distributed to the provinces in the proportions in which remissions of contributions are distributed, and applied to the reduction, for instance, of the outstanding amount in the provincial loan account. This process is too late I know for dealing with the realised surpluses of the years 1923-24 and 1924-25. It is perhaps not too late yet in the case of 1925-26. The realised surplus of Rs. 3.31 crores pertaining to this year has only been merged in the cash balances of the Government of India; and as the closing balance in India for 1926-27 is expected to rise from Rs. 15.62 crores in the Budget to Rs. 24.73 crores in the revised estimates and as the application of the surplus to the reduction of the debt owing to the Government of India by the provinces will not have the effect of reducing by a single rupee the ways and means resources of the Government of India, I submit, Sir, that it is not yet too late for the Honourable the Finance Member to deviate into financial justice in respect of the realised surplus of 1925-26 also. The share of Madras in the Rs. 3.31 crores would be roughly about Rs. 109 lakhs and an adjustment of this amount in her favour will enable her to wipe out during the current year not only the whole of her outstanding balance in the provincial loan account but the bulk, if not the whole, of the advance she has taken from the Government of India for covering her deficits in past years. This would mean a substantial increase in her spending capacity. It would mean a saving in her interest charges of about Rs. 3 lakhs and in the appropriation for reduction or avoidance of debt of about Rs. 30 lakhs during 1927-28 and about Rs. 9½ lakhs for another four years. I do not propose, Sir, to yield to the temptation of participating to-day in the controversy over the ratio. The Government of Madras have, as Honourable Members will see from papers in connection with the Currency Bill placed in their hands, expressed themselves\* in favour of the proposals contained in the Bill which will come up for discussion on Monday next. Their views are stated in greater detail in paragraph 210 of the Report of the Royal Commission on Indian Currency from which I would quote the following passage for the information of the House:

"If as a result of changes in currency policy a further rise in prices were to render revision of salaries again necessary, the revenues of the Local Government would become inadequate to the strain and the levying of additional taxation for improving the salaries of Government servants at the cost of the tax-payer who would himself be affected by the rise in prices would cause wide-spread discontent. This would be accompanied by a new period of readjustment of agricultural and industrial wages with all the dangers of unsettlement which it involves. The Madras Government trust that theoretical arguments will not be allowed to obscure the practical issue to which they attach great importance."

The entire remission permanently of provincial contributions, which has been all but completed, has been realised by a painful process which has affected the finances of both the Government of India and the Provincial Governments. If, as a result of the alteration of the present ruling ratio, the adjustment in the finances of both the Central and Provincial Governments which has followed as a result of the remission of the provincial contributions is likely to be disturbed, in any substantial degree, I submit, Sir, that it is the duty of Honourable Members in this House to

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give this fact the place it undoubtedly deserves in the consideration of the ratio at which the rupee should be stabilised.

**Colonel J. D. Crawford** (Bengal: European): Sir, in the short time at my disposal, I propose to confine myself mainly to certain features of military policy. But before I pass on to that, I would offer my congratulations to the Honourable the Finance Member for yet another surplus budget. It is true that the surplus is dependant on the decision of this House on the ratio question which, if adverse to Government proposals, will, in my opinion, be very definitely to the detriment of the masses. I also regret the fact that the heat engendered by this ratio controversy is likely to obscure the very magnificent work of the Honourable the Finance Member and those who are associated with him, who, throughout his service in India, has brought the finances of the Central Government to a very stable position and who has enabled us at last to remit the whole of the provincial contributions. I know that it is only for this year, but I hope it will be for all time, as I believe that the remission of provincial contributions will mean far more to the happiness of the masses than any other measure which this House can adopt.

Sir, I wish to refer to one point,—one of the proposals for reduction of taxation which I myself welcome,—and that is the preliminary steps which have been taken to reduce the exceedingly heavy duties on motor transportation. I have heard Members in this House say, quite rightly, that the masses are confined at present to movement by bullock cart, surely it is not the intention of the House that the masses should be confined for many many a day yet to movement by bullock cart in a country where distances are so great. I take it, and what I am asking for is that, whilst we may not expect private ownership of motor cars to expand to the extent which it has done in western countries, we shall at least see that a seat in a car is available and at a price which the ordinary man can pay, and which will enable the masses to go by car or bus from their villages to the nearest market town or even to the railway station, and that is the effort which I am myself trying to bring about. If I can only get the Railway Board to do their bit as they promised the other day in considering the question of freight on petrol, to give us some reduction there, I believe we would have made a very real advance towards the development of motor transportation and to bringing it within the reach of our poor villagers. I have perhaps one criticism to make of the proposal. The Honourable the Finance Member has made a level reduction of import duty on cars of all grades. I feel that the luxury car might have been left at the higher rate, and I myself would like to have seen a graded rate which would have enabled him to give even greater concession to the cheaper car than he has done.

Now, Sir, I shall turn to our military position. I do not think there can be one person in this House, who is a student of military affairs, who cannot but be anxious about the military situation as he sees it around and outside India, and that anxiety is, to my mind, increased when I consider our own defensive measures in this country. I am one of those who believe that we should get our military defence as economically as possible, but if we are going to pay anything at all for defence, then we must make certain that that defence is sufficient to meet the risks against which we are insuring. I am not convinced to-day that our defensive measures are such as to give me satisfaction on that point. Perhaps, I



am in a much better position to know than some Members in this House what the position in the army actually is, I hear from many quarters and on many sides statements constantly being made that they are being in many directions financially starved. I trust that it is not the case. And yet, I have reason to believe that our armies to-day, with the possibility of a war not so very far ahead (*Some Honourable Members*: "Oh, oh!"), are not sound, that we have not the equipment, and that if we do not watch it, we will again have to send our men to fight in the defence of India in the inadequately equipped condition in which they were sent to the Great War, and that is a position which I for one would very much regret. Mr. Gaya Prasad Singh, who, I am sorry to see, is not in the House, and whose speech reminded me of the man who on going to see Hamlet for the first time was surprised to find that it was full of quotations, alluded to the settled conditions now existing on our frontier. That, I believe, is the direct outcome of the policy which we have adopted of making roads along our frontier, and I believe that if that policy is slowly extended, we may in the long run definitely look forward to a reduction of our defensive expenditure in that direction. He also alluded to the position of our Air Forces, and those Members of the House who were present at the Air Force display the other day, I think, will realise that we have good reason to congratulate the Vice-Marshal and the officers commanding our Air Forces on the very high state of efficiency to which our Air Forces in India have been brought. I know my Honourable friend Sir Hari Singh Gour rather questioned our having to spend an additional crore on Air Forces, but then he lives in Nagpur and not in Peshawar, and perhaps he does not realise that he might be bombed if he lived nearer the frontier. Mr. Gaya Prasad Singh suggested that, having an efficient Air Force, there should be a reduction in our land forces. I do not think that is a position that has yet been accepted by military people, because it is the man on the ground who in the long run is the essential factor in the war. Mr. Gaya Prasad Singh also mentioned the question of British troops and suggested that we could effect economy by reducing the present number of British troops in this country. Now, I ask him in all seriousness, whether in view of the communal troubles which we have had and of the very great praise which Indian Members, very often of entirely different political outlook to myself, have paid to our British troops in this country at times of communal troubles, we can well afford to see much reduction in that direction.

But I wish, Sir, to turn particularly to one factor in our military policy which gives me real cause for anxiety, and that is the shortage of British officers for our Indian army. Now, if we are to train up an Indian army with our own Indian officers to a sufficient standard of efficiency to carry on the defence of this country, we will have to rely on the assistance of the very best British officers that we can bring to help them in their training. And yet, what is the actual position to-day? Last year, I gave notice of a question to which I got a private reply. Out of 90 vacancies for British officers required for the Indian Army, only 70 persons were forthcoming; only 19 of those came from Sandhurst and instead of, as in pre-war days, occupying a position in the passing out examination of an average of 28th on the list, they had dropped to an average of 78th on the list. I asked a question only the other day as to what was the position this year, and of the 1,180 British officers which we required to maintain our sanctioned establishment of British officers in the Indian Army, we were only able to get 56. Now, Sir, there are very many causes which



[Colonel J. D. Crawford.]

are contributory to this deplorable state of affairs, and as many of them are matters for opinion, I do not propose to go into them in detail. But I do trust that the military authorities and the Government of India are alive to the very serious situation which is disclosed by these figures and that they will take steps not only to see that we get the best type of British officers to help us in the training of our new army, but that they will see and exploit whatever material is available, and it must be suitable material that is also available in India.

I have one other word to say, Sir, and that is in connection with the Anglo-Indian community. They have pressed for some time for a regiment or a battery recruited from their community. I do not however believe that they can find the material physically up to the standard that will enable them to maintain such a unit with its wastage in peace time and war time because so many of their best youths find outlets in other spheres of activity. But I do believe that there is room for them in the ancillary services and I would press His Excellency the Commander-in-Chief to consider whether he cannot give them some opportunity of serving India, their country, in these services.

**U. Tok Kyi (Burma: Non-European):** Sir, this is the fourth Budget prepared by the Honourable the Finance Member, Sir Basil Blackett. He even expects that a surplus of 3·64 crores of rupees for 1927-28 will be a recurrent one. Sir, the late Mr. Gokhale has severely criticised the system of budgeting for surpluses. During a long period of nearly 15 years he has been protesting against such a system year in and year out but his protests seem to have fallen on deaf ears. It is contrary to every canon of taxation to take from the tax-payer more than is strictly needful for the time being. Sir, no modern self-governing country would dare to prepare such surplus budgets. Only an archaic and out-of-date Government like the present Government of India dare to do that. (*Lala Lajpat Rai*: "How can they be archaic with civil aviation?") Sir, this undesirable system of budgeting for surpluses has led the Honourable Member to impose export duties. It is generally recognised that it is unsound economics to impose export duties. The United States of America absolutely prohibited the imposition of such duties. Sir, in this connection it would be interesting to know the observations made on the subject by the Indian Fiscal Commission. The Report of this Commission says:

"If the proportion of the world market supplied by the country imposing an export duty is small, that supply will ordinarily have to accommodate itself to the other factors which fix the world price. The increase in the cost of production which is represented by the export duty will not be passed on to the foreign consumer, and the export duty will be paid by the home producer. This result tends to become less certain as the proportion of the total market supplied by the country imposing the export duty increases. But only in the case of an absolute monopoly for which the demand is stable can it be asserted generally that the world price will be raised by the full amount of the export duty, and that therefore the whole export duty will be paid by the foreign consumer and none of it by the home producer. An absolute monopoly, however, for which there is a stable demand is of rare occurrence; and it may, therefore, be taken as the general rule that some portion, if not the whole, of an export duty falls on the home producer. When an export duty falls on the home producer, it naturally has a tendency to reduce the production of the commodity on which the duty is imposed. The generally injurious effect of an export duty on the producer is recognised in the constitution of the United States, which prohibits absolutely the imposition of export duties."

Sir, there is no doubt whatever that export duties generally have an injurious effect and I think we should follow the very good example set by the United States of America. Sir, in the Budget that has been presented by the Honourable the Finance Member, proposals have been made to do away with the export duties on hides and tea. It is very gratifying and I hope that the few other export duties that still remain will follow suit in no time. Sir, in this connection I should like to make some mention of the export duty on rice in which Burma is vitally interested. The history of the export duty on rice is, I am sorry to say, a black one. I think, so far as Burma is concerned, it is black as that of the cotton excise duty which was abolished last year to the satisfaction of every Member of this House and indeed to the satisfaction of every man in the country. Sir, from the early days the Government of India had imposed export duties. But half a century ago, they came to realise that export duties were rather harmful and since then, they have followed the policy of abolishing these export duties. In 1867 the export duty schedule was reduced from 97 items to 9 and in the year 1875 the list was further reduced to 3 articles, namely, indigo, lac and rice. Again, in 1880, indigo and lac were freed but the duty on rice has continued up to the present day. Though, as I have shown, all the export duties have been abolished, the export duty on rice still remains. Sir, I am tempted to ask why the Government of India has so much love, so much attachment for this duty. The reason will be obvious when you study the figures of the export trade of rice for the 10 years from 1915-16 to 1924-25. Sir, the total export of rice from India to foreign countries in the year 1915-16 was 15.45 crores in value and in 1924-25 it rose to 37.23 crores. The export to the United Kingdom in the former year was 2.19 crores and in the year 1924-25 only 1.55 crores. Sir, the total export of rice from India to foreign countries has been gradually increasing from year to year during the period of 10 years I have referred to, but the export to the United Kingdom has been declining from year to year and therefore the export duty on rice has no appreciable effect on the people of the United Kingdom. Sir, let me quote the corresponding figures for wheat and tea. The total export of wheat from India in the year 1915-16 was 8.44 crores and during the space of 10 years it has risen in 1924-25 to 17.19 crores. During the same period of 10 years the export to the United Kingdom has risen from 7.83 crores to 11.45 crores. From these figures it is quite clear that the export of wheat from India to the United Kingdom forms a very large proportion of the total export from India. Similarly, in the case of tea, the total export from India in the year 1915-16 was 19.98 crores and it rose to 33.39 crores in 1924-25. The total export . . . .

**Mr. President:** Order. order. I think the Honourable Member must conclude his observations now.

**U. Tok Kyi:** Sir, the total export of tea from India to the United Kingdom forms a very large proportion of the total export from India. From the figures I have quoted I think it is clear that the export of rice to the United Kingdom is very small in quantity and the export of tea and wheat to the United Kingdom from India form a very large percentage of the total export. So that the export duty on rice has no appreciable effect on the people of the United Kingdom, whereas if an export duty were imposed on wheat and tea it would have a very adverse effect on the people of that

[U. Tok Kyi.]

Kingdom. Sir, I do not blame either the Honourable the Finance Member or any of his British colleagues in the Government. It is quite natural . . . .

**Mr. President:** Order, order. But the Chair must blame the Honourable Member for continuing after a warning.

**U. Tok Kyi:** Please give me one or two minutes. It is quite natural that they would refrain from imposing any tax which will have an adverse effect on their people. But the tax, namely, the export duty on rice, has a very injurious effect on Burma . . . . I am afraid I have to stop here.

**His Excellency the Commander-in-Chief:** Sir, as I am aware that there are still a considerable number of Members of this House who wish to speak, I will be as brief as possible. There is no reason why I should be otherwise, because my Honourable friend, Sir Basil Blackett, has already placed before this House practically all the details concerning the Military Budget. I think there is a saying, "Happy is the nation which has no history." If that is true regarding the nation, it must also be so regarding an army, certainly as far as concerns its budget and estimates. I am glad to think that our army has had no history during this last year. Therefore, our work has been normal and our Budget is practically normal also.

There is perhaps one subject which I may mention and which I think will interest the House. Honourable Members are probably aware that for some considerable years now discussion has gone on between the Government of India and the Home Government as regards the disposal of Aden. These conversations have now at last come to a conclusion. All the details have not yet been definitely settled, but it has been decided that the Home Government shall, from the 1st of April this year, be responsible for the military and political situation in Aden and in the Hinterland. As Honourable Members are aware, the settlement of Aden itself is peopled to a very great extent by our fellow Indian subjects. The Government of India have thought it right that their welfare and interests should not go outside the ken of the Government of India. It will accordingly be retained—that part of the settlement and the Municipality of Aden will remain under the Government of India. Aden has always been a most unprofitable economical proposition for us. It has involved very heavy expenditure year after year and the revenue from it is small indeed. It is natural, therefore, that India should have to give a contribution to the Home Government under the settlement. It has been decided that for the first three years the contribution shall be at the rate of £250,000 a year to be followed after that by a contribution of £150,000 a year. I may mention that even the larger contribution during the first three years is considerably less than we have to pay at present for our duties in Aden. I think, therefore, that that settlement will commend itself to the House.

My Honourable friend, Mr. Gaya Prasad Singh, in attacking the Budget just now, I gather, looked upon the present Military Budget, and I am not quite certain, even a reduced Military Budget of Rs. 50 crores, as a sort of "octopus sitting like a nightmare on India". Since he has told us this, I have been trying to make out to myself what my feeling would be

like if I had an "octopus sitting on me like a nightmare", but I am glad to say that having a clear conscience I am not subject to nightmares. I remember many occasions on which my comrades of the Indian army had come to me with excuses for not carrying out their proper duties pleading as an excuse that they had suffered from "*Khuab-i-Preshan*". I can quite believe that the Honourable Member has been living in a state of terror over this horrible octopus incubus and his own consequent suffering. I wish I could give him any consolation on the subject, but I cannot. I hope my Honourable friend will remember that when I was speaking in this House last year, I laid special stress upon the fact that the Inchcape Committee had suggested a figure of Rs. 50 crores as what the Military Budget should be. I then pointed out that that figure had apparently been arrived at quite fortuitously by that Committee and that it was a mere pious expression of a pious hope. No details have been given as to how we should attain to it. I therefore wish to say that I entirely agree with the recommendation on that subject made by my Honourable and distinguished predecessor, Lord Rawlinson, that he could not accept the figure given by the Inchcape Committee. I assure the House that at the same time we are devoting unremitting attention towards carrying out economical reforms. We do everything we possibly can to carry out economies wherever they are possible. And that is only natural, because, after all, we feel that we must husband our resources if we are to keep pace with advances in military science, inventions and so on, and to do it within our budget limits it is essential that we should be economical, and I can assure you that we are. I can honestly say I do feel that we have come to the absolute limit as regards men and equipment below which we cannot possibly go. Indeed I am doubtful if we have not of recent years reduced too much. In that connection I would like to read a short paragraph from a despatch on the subject which was sent home when Lord Rawlinson was Commander-in-Chief. He and the Government of India, in agreeing to the reductions, stated:

"If and when the resources of the Government of India increase, Government, as they will aim at making more liberal provision for schemes for social and material betterment, should also be prepared to allot funds for increasing the strength of our fighting troops."

That was the definite conclusion arrived at by the Government of India and sent home. I am sorry to say that it has happened from time to time that measures which would undoubtedly contribute to the well-being and comfort of our troops have had to be shelved and that, as far as I can see, that will have to continue unless our military Budget is increased. I have no wish to waste money. But what I do want to say is, that what we have got is not one man too much. We must keep up what we have got and if we decrease our expenditure we shall have an inefficient army.

I entirely agree with what Colonel Crawford has said regarding the quiet on the frontier, to which also Mr. Gaya Prasad Singh alluded. We have been through a most fortunate year. There has been entire peace right away from Chakdara on the North-West through the Kurrum, Tochi and Zhob Valleys, right down to Chaman, and that is due, I think, to a great extent to the policy followed by my predecessor Lord Rawlinson as regards having good roads and efficient troops in Waziristan. That policy

has justified itself. It is true that the expenditure originally involved was high, but surely we may say that our premium for our insurance has been well worth it.

[H. E. the Commander-in-Chief.]

As regards the internal situation. The House will be aware that troops have been called out on many occasions and in many parts of India as wide apart as from Burma to Quetta in aid of the civil powers. I am thankful to say that on nearly all occasions the actual moral effect of the presence of the troops has been sufficient, and there have been very few occasions that they have had to resort either to the use of fire-arms or bayonets, and the casualties have been very small indeed.

My Honourable friend, Colonel Crawford, has referred to the very difficult subject of the supply of British officers to the Indian Army. At the present moment we are not in effect recruiting many officers, partly owing to the fact that we have been reducing regiments from time to time. Whenever a unit returns from Mesopotamia or from other service across the seas without relief we are able to utilize the officers of that unit for general use in the Indian Army and have so far been able to keep up the strength. We have not been getting boys from Sandhurst in the numbers we want. One can only imagine that the cause of it is that service in India is no longer as popular and does not hold out the attractions it did for the youth of England. There are many reasons for it. The Civil Service, as we know, a year or two ago was placed in the same difficulty, but I am glad to say has now somewhat overcome its difficulties. We sincerely hope that ere long English boys will again come forward to join the Indian Army, an army in which I have served all my life, and to which I am proud to belong.

Another subject to which Colonel Crawford referred was the treatment of Anglo-Indians. I do myself feel the very greatest sympathy for those men. They have the greatest trouble in existing at all, and are very often, through no fault of their own, placed in a most invidious position. I am most anxious to do all I can to help them but the difficulties are very great, and amongst those difficulties are the economical ones. The ancillary services are the ones in which we should like to employ these men, signal units, transport services and such like. But in those units, wherever possible, we have for economical reasons already reduced the British personnel and replaced it by Indian. If the Anglo-Indian is prepared to come in on the terms on which we enlist our Indian soldiers, we would be only too delighted to take them on and do our best for them. But if we have to pay British rates of pay, it is almost impossible from the economic point of view to be able to carry out the scheme. I wish I could say more to encourage that community. They have stood by us extraordinarily well from time to time—in fact always—in the Signals, the Telegraphs, Transports, and many other services. We shall be very glad to take them if we can get over that economic difficulty. I am sure that Colonel Gidney and the House will realise the very great difficulty we labour under in this respect.

I was telling the House last year that when I go round inspecting units of the Indian Army, my custom invariably has been to get hold of all the Indian officers and ask them to open their hearts to me and to tell me where the shoe pinches and any complaints they may have to make. I was inspecting a Rajput unit recently and the Subedar Major came to me and said:

*"Hamari paltan men sirif ask bat hai Sahib, sab jawan apke samne araz kerte hain kih mehrbani se hamen Chin ko bhej do."*

I mention this fact because I think there is an idea in some parts of the House that service abroad, and especially service in China, is not popular with the Indian soldier. I believe I know my Indian comrades well, and I can honestly say that that is not the case. Service abroad, and especially service in China, is most popular. The old spirit of adventure is still most marked in the Indian Army as it has been for the last hundred years, and I hope that it will always last. The House would be astonished to hear of the number of applications that I have received since the troops went to China to be allowed to go there too, both from individuals of the highest rank to the most humble soldier, and I am glad to think that a most distinguished ex-Vice-President of this House asked to volunteer his services.

In this connection I have heard doubts expressed as to whether India had not been put to increased expenditure owing to the despatch of these troops. I think that every Member of this House must be aware that that is not the case. It has not only put no burden on India but rather the opposite, money has been saved to India by the absence of the troops. The force that was sent was a comparatively small one, consisting of a mixed brigade of two battalions of British Infantry, two battalions of Indian Infantry, a Pack Battery, and a company of Sappers and Miners. They have arrived in Shanghai where their duties are entirely confined to safeguarding British and Indian interests. There is no question of aggression, there is no question of attempting to go to war with China. We have merely gone there to protect the enormous amount of British and Indian interests in that colony.

I would remind Honourable Members that last year I had the privilege of being able to announce to the House the fact that the Home Government had agreed to the formation of an Indian Navy. Legislation on the subject was necessary, owing to the fact that the Government of India Act, 1919, had to be amended. Honourable Members are probably aware that legislation to that effect has recently been undertaken at home, and we hope to follow up that legislation next Session by a Bill to provide for the discipline of the Royal Indian Navy. In the meanwhile we are not wasting time. We have been in constant communication with the Admiralty. There are many matters to be discussed, regarding equipment, terms of service, discipline, training, etc., and we have started recruiting and are going ahead. This does not mean that we can contemplate an efficient fighting navy in the course of the next few days. A considerable time must elapse before we can hope to see an Indian Navy as an effective fighting force.

I mentioned last year how glad I should be at any time to facilitate the visits of any Honourable Members who may wish to visit our troops and see our training centres, factories, etc. We shall be glad to do all we are able to let Honourable Members see what our difficulties are and the steps we take to effect economy, that our interests are yours, and the steps we take to safeguard those interests. I believe that Honourable Members would like to see the factories especially. A few days ago I was at Shahjahanpur inspecting the Clothing Factory, and it may perhaps be of interest to Honourable Members for me to mention the fact that every effort is continuously being made to utilise country-made cloth. It would I feel sure rejoice the hearts of many Members of this Assembly

[H. E. the Commander-in-Chief.]

if they could have seen the large number of *thans* of *khaddar*, all of which was going to be made up into clothing for the troops.

I will not keep the House any longer. I don't think there are any other points that I have to refer to, but I would like to repeat again that if Honourable Members would like to visit any of our troops, training centres or factories, I would be only too delighted to ensure that their visit will not be in vain.

**\*Mr. Mukhtar Singh** (Meerut Division: Non-Muhammadan Rural): Sir, as I come from a rural constituency, I want to say a few words on the question whether the Budget that has been presented to us is a satisfactory budget or not from the farmer's point of view. The first point that has been made by the Honourable the Finance Member is that, by a stroke of fortune, we have been able to get 1,25 lakhs more than what we estimated on the sugar duties and on account of this surplus we have been shown that we have a surplus budget this year. The Honourable the Finance Member seems to be very glad of this achievement, but I consider there is not a single Member here who has any sympathy for the cultivator of sugarcane who will rejoice over this. An extra duty of 1,25 lakhs means much more importation of foreign sugar into this country and worse competition for the Indian manufacturer of sugar in this country, so this cannot be said to be a matter for rejoicing. Sir, if I am permitted, I may quote a few figures of imports of sugar which are very telling and which will convince the House to what an extent the sugar industry is in danger. We find that in 1922-23 we imported 5,04,030 tons of sugar. In the next year, 1923-24, we imported 4,07,635 tons; in 1924-25 this figure swelled up to 7,29,088 tons, and in 1925-26 the importation of sugar increased to 8,04,658 tons. This shows that the importation of foreign sugar is on the increase every year. The House will be further surprised to know that the *ad valorem* price of imported sugar calculated by the department, comes to this. In 1922-23 the price of one ton was considered to be Rs. 307; in 1923-24 it was Rs. 324; in 1924-25 it was reduced to Rs. 286 and in 1925-26 it was further reduced to Rs. 196. I may submit to the House that in this amount of Rs. 196 there is a figure of no less than Rs. 90 which accounts for the import duty on sugar. The duty on imported sugar is Rs. 4/8 per cwt., so on one ton it comes to Rs. 90. It means that the Javanese and other foreigners have been able to sell their sugar at the rate of Rs. 106 per ton in the ports, roughly speaking, and even then they have been able to pay a duty of Rs. 90 on this price and have been able to compete in our markets. I would submit, Sir, whether that is not a most dangerous position for the sugar industry in India to be in and whether it is a matter for rejoicing. I am very much disappointed when I find that no provision has been made in the whole Budget to safeguard the interests of the sugarcane cultivator. Practically we find, Sir, the same expenditure has been provided for sugar research and the Sugar Bureau. That shows that the Government do not regard it to be their duty to save this very important industry. The House is aware that there are only two crops by which the cultivator is able to pay his dues, sugar and cotton. If both these things are taken away from him, I am sure he will not be able to pay the cost of cultivation. So this is a very serious situation in which we find ourselves. This is

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\*Speech not corrected by the Honourable Member.

not only my idea that I am expressing, but the same idea is expressed by the sugar expert in the scientific report of the Agricultural Institute at Pusa. On page 203 he says:

"As the price of factory-made sugar in India is governed by the price of Java white sugar landed at Calcutta, Indian factory-made sugars also fetched low prices. The industry is thus passing through a critical period."

I invite the attention of this House to the question whether it is not the duty of the Government to spend at least this 1,25 lakhs which they have got from levying a duty on this very commodity, on the improvement of the sugar industry. It will not be too much. I would consider it to be too little. The amount that we have got from a certain industry ought at least to be spent on the improvement of that industry. If we find an industry in such a hopeless condition, it is our duty to protect it as much as we can. I am afraid, Sir, I may perhaps be told that it is the duty of the Provincial Governments to look to the interests of the farmer. I would submit this is such an important subject that the Provincial Governments cannot do much in the saving of this industry. Perhaps I may be told that the Department of Agriculture is giving us the best varieties of canes and by the introduction of these canes it will be possible for the cultivator of sugar in India to compete in the industry. I may tell the House what is the advice of the sugar expert in this country. The people are asked by the sugar expert to produce canes which are more fibrous and have less sucrose because they are drought-resisting, which means in this country there are not good facilities for irrigation and manuring and, therefore, in India we are asked to produce varieties which may contain less juice and are more fibrous and at the same time have the characteristic of drought resistance. This shows that we do not realise the responsibility of competing with Java sugar. As long ago as 1919-20 the Sugar Committee's Report was published and we were told that the main problems on account of which the sugar industry in India is in danger are two. One is that Indian cane contains less sucrose and is less juicy and the second is that the manufacturing methods of the Indian sugar manufacturer are very wasteful. But I ask if things have improved during these six years. I submit that they have not, because no facilities have been given to the Indian cultivator so that he might be able to cultivate good varieties of canes which might be able to compete with Java sugar and sugar from other places. Sir, it seems that, without irrigation facilities, any cultivator can produce large amounts from his fields. We are told sometimes by the sugar experts that India is not a good sugarcane growing country and therefore it seems to be quite hopeless to put money into this industry. Sir, I believe that India is the oldest country which discovered the sugar plant, and it is the only country which can mature cane in 9 months, and therefore, it is the most suitable to compete with any sugar industry in the world provided facilities are given to the Indian cultivator. We are told sometimes, Sir, that the Indian cultivator is a conservative and that he does not care to adopt the methods about which the Government experts tell him. I may submit to this House that this is a very wrong expression of opinion and we blame the Indian cultivator quite incorrectly. I can challenge any farmer in the world to come here to India with the same resources as the Indian cultivator has, with the same facilities and with the same amount of money that is spent, and we will see that not a single farmer is able to earn his bread from this profession.



[Mr. Mukhtar Singh.]

Then again, Sir, the entire expert opinion is published in a language alien to the farmer. Nobody cares to tell him what he should do and what he should not. It is considered by the Government that a time will come when the language of the whole country will be English and every farmer who does not know English has no right to know the secrets of any industry whatever. I submit, Sir, this is the time when the Government should stand a bit higher and should give up the prejudice against the vernaculars of the country. If the Indian farmer has to be trained, if the Indian farmer has to be taught on the lines he should improve, the Government expert will have to condescend to give out his ideas in a language that the farmer can understand. I submit, Sir, that the Provincial Governments' reports, the provincial papers that are published in vernacular languages are not worth reading and they do not contain a single idea which is found in the reports that are published by the Department at Pusa. That shows, Sir, that the farmer is considered to be a fool who cannot understand the secrets of farming and many other things. I submit, Sir, that there are people in other countries who make it a point to write the most useful information in the simplest language and they send it abroad to the farmer without charging a pie for it. I can say, Sir, from my own experience in America you will find that pamphlets are issued not only to be distributed among the American farmers but to anybody who wants to see them and even the postage is paid by the American Government; but look at the prices that we charge for pamphlets that are issued by the Imperial Department of Agriculture and you will at once be convinced what a high charge is made for the knowledge that should be distributed. I may say, freely among the cultivators. I wish, Sir, to say one word in this connection. Perhaps I may be asked, what more can the Imperial Government do? I may suggest, if the Government wants to save this industry, there is no other method but to provide better facilities for irrigation and those facilities cannot be provided by canal irrigation only. The time has come when you will have to put in tube wells in localities where sugar-cane is the main crop, and run those tube wells by a system of electricity. Then and then only will there be a possibility of growing the best varieties of cane; and then and then only will there be a possibility that the Indian farmer will be able to grow the same tonnage as is grown in Java. As regards the manufacture of sugar, I would submit that the Indian manufacturer gets about 4.5 per cent. of sugar from his cane, while in Java they get about 9 per cent., just double. That shows, Sir, why and where we are losing; and the Government has done, so far as I know, nothing in order to improve the system of manufacture.

**Mr. K. Ahmed:** Is there not an experimental farm in every district?

**Mr. Mukhtar Singh:** The second thing, Sir, to which I would like to invite the attention of the House in this connection is the question of the dairy industry, which tells the same deplorable tale. I am referring to the import of different dairy products into this country. The House will be pleased to notice that the import of butter is increasing every year. It was 306 tons in 1921. It rose to 542 tons in 1922-23. In 1923-24 it was 504 tons. In 1924-25 it was 804 tons. In 1925-26 it has gone up to 994 tons. Take cheese again. We find that in 1921 the import was 7,711 tons. In 1922-23 it was 8,407 tons. In 1923-24 it was 9,022 tons. In 1924-25 it was 9,714 tons, and in 1925-26 it has again gone up to 10,018

tons. It is increasing practically every year. Then take the case of ghee, which I consider, Sir, also includes vegetable ghee or substitute ghee. I am not sure, Sir, on this point, but I consider the figures include it because there is no other name by which substitute ghee is shown in the report. It was 687 tons in 1921-22; 1,626 tons in 1922-23. In 1923-24 it was 1,540 tons; in 1924-25—1,843 tons, and in 1925-26—2,253 tons. When you turn to milk, condensed milk and cream imported into this country, you see that in 1921 it was 81,536 tons, in 1922-23 it was 61,054 tons, in 1923-24 it was 70,903 tons, in 1924-25 it was 99,179 tons, and in 1925-26 it went up to 1,35,888 tons. You will see, Sir, that the import of these commodities is increasing every day. And what have we done? We were told the other day by the dairy expert that we have opened a dairy farm and we are developing different sorts of trades. Referring, Sir, to the report of the Dairy Department of the Agricultural Research Institute at Pusa we find that all the surplus animals are sold by auction, which means, Sir, that dairy cattle which have been raised at the expense of the Indian taxpayer are not even sold to the farmers on an easy system of payments. If the Government is really anxious about this industry, the best thing and the only thing to do would be to give the best cows and the best buffaloes to the farmers and recover the price from them on the instalment system. That seems to be the only possible remedy so that the farmer might know how to develop the best breeds of cattle and multiply the best breeds in the country. I was simply surprised to find in this report. . . .

**Mr. President:** Order, order. Will the Honourable Member kindly bring his remarks to a close now?

**Mr. Mukhtar Singh:** Only two minutes more, Sir.

**Mr. President:** If I give two minutes to every Honourable Member there will be no end to it.

**Mr. Mukhtar Singh:** Only one word more, Sir. I find that the Government expert asked to be allowed to make an experiment with condensed milk and other articles that can be manufactured from Indian milk, and what was he told? He was told that only the Anand Creamery could be given to him, and that too not to make experiments in but on condition that it pays. That shows, Sir, that it is only the commercial spirit that is animating the Government department. They do not care that the industry is going to the dogs and that therefore every effort should be made to save it. With these words, I would submit that to a farmer the whole of the Budget is very disappointing indeed.

**Mr. C. Duraiswamy Aiyangar:** Sir, I will try to make good some of the excess time occupied by other Members. In the first place I would refer to the special benefit conferred by this Budget upon my province by the total extinction of the contribution, which had been made the subject of division between us and some Members of the Madras Council on previous occasions whenever we wanted to bring a reduction of the salt tax here. The Honourable the Finance Member has always been trying to divide us by saying that if we moved for the reduction of the salt tax here he would not give any remission in the contributions which are due from the Madras Government. In that way he was trying to create some misunderstanding between Members of the Madras Council and the Madras representatives in the Assembly; and I hope that now that he has totally abolished that contribution, he will not attach to it a threat that, if we

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bring forward a reduction of the salt tax again before him, he will once more use that power against us.

Secondly, Sir, when my Honourable friend Mr. Gopalaswami Ayyangar was making his speech on this question he was placing before this House such a crowded programme of improvement that is waiting in the Madras Council that I did not know exactly whether he referred to the Ministers there or to the executive branch also; he was placing before this House such a crowded programme of improvements that I was terribly afraid whether all this grant that has been made by the Honourable the Finance Member will not be dissipated without any use. Therefore, Sir, I would suggest to the Finance Member here that he should keep some hold upon it and earmark it for certain specific purposes so that the Madras Ministers might have control over this amount for specific purposes, for instance, the spread of education and the starting of new schools. I hope, Sir, that the Madras Council and the Madras Government will look upon this as an object or monument standing for ever as a regaining of the stolen property of the Madras Council and to commemorate it they will keep this fund apart for a specific purpose and say at any time for future generations also that this is the amount which they got back from the Honourable Sir Basil Blackett in order to use it for the education of the province. Therefore, I say, Sir, let it be earmarked for specific purposes.

So far as the Budget goes, Sir, I cannot congratulate the Honourable the Finance Member. It still continues a disfigured budget; so long as it is composed of revenues derived from opium, from excise and from the salt-tax I will never consider that as a budget upon which either Sir Basil Blackett should congratulate himself or other Members should congratulate him. Sir, to speak of a budget as a prosperous budget by having incorporated in it revenues of this kind is as good as saying that a manager of a family might as well boast that he has saved money at the end of the year by saying that his eldest son has brought so much stolen property from the neighbouring house, that another son committed burglary and so on and all that property had been put into the hotchpot and therefore he was able to show a good saving at the end of the year. This kind of revenue derived from opium, this kind of revenue derived from excise which is Rs. 44,89,000 as against the land revenue, which is only Rs. 41,97,000 so far as this Government is concerned, is, I submit, not matter upon which he should congratulate himself. The Honourable the Finance Member said in the course of his budget speech that it is always wise in discussing figures and accounts to remember that money represents nothing more than a power to command goods and services. I wish, Sir, the Honourable the Finance Member will always bear in mind also that it is wise to forget that money is a tempter of evils and sins. If only he forgets that, if he remembers that money should be used only for getting goods and not evils and sins, then he will no longer be addicted to opium and excise.

After all, Sir, is this the budget of a rich man or is it the budget of a poor man or of both combined? It is principally a budget of the rich man. The other day when Colonel Crawford was moving in this House that the duty on petrol must be reduced, I thought he was the barometer of the Government to indicate what was going to happen; and though I was not prepared to speak on that subject I said by one sentence here "I oppose it" and kept quiet; I knew that coming events cast their shadows before and when I saw the budget here there is the clearest indication of

what that index showed, that it is a rich man's budget, that the duty on motor cars will be reduced, that the duty on tyres will be reduced, that the duty on all other things which pertain to the luxury of a rich man will be reduced, but the poor man will not be relieved in any manner. Sir, you are prepared to abolish the export duty on tea; you are prepared to abolish the export duty on hides; but have you got any idea at all as to what the poor man suffers from the salt-tax and have you any mind to reduce it in any manner? Sir, when you are prepared to remove the stamp duty on bills of exchange . . . . .

**Mr. President:** Will the Honourable Member address the Chair?

**Mr. C. Duraiswamy Aiyangar:** Sir, does the Honourable the Finance Member remember that when he was prepared to remove the stamp duty on bills of exchange and the stamp duty on cheques, he once opposed me when I wanted a slight amendment of section 35 of the Indian stamp Act so that in cases where out of ignorance the parties fail to affix stamp duty those promissory notes may be admitted on payment of a penalty? He was harsh with me; he opposed it at the time of introduction and he said that the Local Governments must be consulted and that it concerned them also. Now, Sir, he is prepared to remove altogether the stamp duty on bills of exchange or on cheques, but he would not give relief to promissory notes. These are all transactions in which rich men, commercial men, educated men are entering into, and he is prepared to give relief for all their purposes. Sir, I had to put up a strong fight in this Assembly during the last three years for making the articles imported by handloom weavers free of duty, and I did not succeed here. I put questions on this subject, and I was given evasive answers, but when Mr. Saklatwalla put the same questions in the House of Commons, the Imperial Parliament referred the matter to this Government, and then Honourable Sir Charles Innes took it up in right earnest and introduced a Bill, but even then he would not make it free of duty, but he reduced it from 15 per cent. to 2½ per cent. Sir, that is the difficulty with which we have to force the case of the poor man here, while the rich people are better able to take care of themselves so far as this Assembly is concerned.

Sir, there are some subjects to which I may allude on this occasion, because they are of two classes, one is the untouchable class and the second is the unreachable class. Among the untouchable class comes the expenditure of our army. Just now we have had a very impressive exposition of the state of things from His Excellency the Commander-in-Chief. We cannot pose as experts in regulating the expenditure of the army, but this much, Sir, we can certainly say, that if there was not distrust of Indians in the matter, if in this country the army had been made up of Indians in all its various branches, then the expenditure could certainly have been cut down apart from the question of the number of the forces. In which other country, I ask, Sir, in which other country on the face of this earth are there mixed persons who compose the army? And is it not in India alone that you have such an undesirable spectacle, because you want to retain your supremacy, your military supremacy, over this country by excluding Indians altogether from the army commissioned ranks, and thereby enhance the expenditure of the army? Sir, is it not this Government, of all Governments in the world, that is always treating its subjects with distrust and want of confidence and retain an army, even in peace time, not for aggression outside, but for aggressive acts towards their own subjects? Sir, in 1923, I think, it was stated on the floor of this House that the army in

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India could not be reduced, because there was then the non-co-operation movement in the country. They wanted to force non-violence into violence and for that purpose they maintained an army then, and even to-day the army cannot be reduced in numbers. Why? Because they want to have in this country their supremacy by militarism which will not admit of Indians being made the whole composition of the army and thereby the expenditure of the army being reduced, without the strength and the force of it being diminished. Therefore, I consider it is no good saying that in this country the army expenditure cannot be reduced. In Germany the expenditure on the army is 23,177,000; in Italy it is 24,719,000; in Canada it is 2,445,000; in Japan 24,192,000; in Australia 7,653,828; in South Africa 1,044,191; whereas here in India we have got 54,92,00,000 to spend next year over the army! And when the Retrenchment Committee suggested that there ought to be a reduction to fifty crores or even less, the Honourable Sir Basil Blackett very cleverly says in his budget speech that the proposals of the Retrenchment Committee, "well, without being uncomplimentary to them, can be declared to be shortsighted." So many years after the Retrenchment Committee's Report was placed before him, it is now left to Sir Basil Blackett to say in his budget speech the other day that their policy was somewhat shortsighted. It is with this view that I put a question a few days ago whether he still retained that book in his library or he has thrown it into the old curiosity shop, and I find in his budget speech that he himself says that the recommendations of the Retrenchment Committee are shortsighted recommendations . . .

**The Honourable Sir Basil Blackett:** Out of curiosity, will the Honourable Member read what I did say?

**Mr. C. Duraiswamy Aiyangar:** Sir, my Honourable friend Mr. Rangaswami Iyengar has taken up the constitutional question, as I put it a few days go, that items which were once being voted have been taken to the non-voted side, and that, Sir, is a grave encroachment upon the privilege of this House. That day my friend could not pay so much attention to this matter; otherwise he would have backed me up by a very strong speech. Constitutionalist, as he is, Mr. Rangaswami Iyengar did not forget the matter, and he took it up and studied it very carefully and he has placed the matter before the House this morning very ably, and I hope the Honourable the Finance Member will now at least answer how he can so safely and so freely encroach upon the privilege of this House. Last year with reference to the Governor General's staff and household expenditure, we had all those items as voted items. But what has been done during the course of the year? You surrendered, His Excellency the Governor General surrenders all this amount as though it was untouchable money, because it was voted. You called it surrendered, but it was again sanctioned by His Excellency in order to make it non-voted, and now we find in the revised estimate in the Budget, the expenditure is lifted from voted to non-voted, and from non-voted it comes to the same level now as non-voted this year. Are you afraid, or is this Government afraid that we will not vote for the household expenses of His Excellency the Governor General? Do you want to protect it by making it non-voted? I ask you, Sir, what was the necessity for you to change it during the year? Probably because notices of cuts were given to reduce the expenditure of His Excellency the Governor General by a hundred rupees, Government got alarmed and in the course of the year converted those items from voted to

non-voted so that we may not touch these items once more. Is that the policy to be pursued? Is it right, Sir, that there should be such a constitutional deviation or constitutional encroachment upon the privileges of this House? I protest, Sir, that it is not right.

Now, Sir, we have got a good deal of expenditure under the head 'Expenses for His Excellency the Governor General'. What is there to prevent me from discussing it to-day, though not two days hence? Hence I ask, Sir, is this expenditure which goes to make up the salary, the household allowance, the contract allowance, the sumptuary allowance, charity allowance, and various other allowances, all of which put together come to very nearly Rs. 19,54,000 per year, to be found in any other part of the world? Do you find such extravagant expenditure in any British Colony? Do you find it in Canada? Do you find it in Australia? I ask the Honourable Members over there. (Laughter). Do they find such extravagant expenditure in any other country or anywhere else in the world? In Canada the Governor General gets only £10,000; in Australia he gets £10,000; in South Africa the Governor General gets £10,000; and how much is the Governor General paid in India? What is it that he is paid here in a poor country? And yet we have not grudged it at any moment. Still Honourable Members over there are afraid that we will touch it and so they make the whole item non-voted. Sir, I ask our friends over there, either govern this country properly and reduce all your expenditure or go back.

Sir, there is one other point which is untouchable, and that is the Ecclesiastical Department which spends Rs. 31,40,000. Sir, what is the justification for the Hindus, Muslims, Parsis and for the various communities that inhabit this vast continent spending so much money for the Churches, for the Chaplains, for the Bishops who are maintained here at the cost of this country? My friend Sir Purshotamdas Thakurdas raised the point in the Inchcape Committee by a dissenting minute, and nobody cared for it. I ask, Sir, is there any justification for spending the taxpayer's money for propagating your religion? Very often it is said that it is intended more for the army. I very much doubt, Sir, whether the army will be benefited by preaching the Sermon on the Mount which teaches the replacement by non-violence of violence. That Sermon will do no good to the army. But apart from that question, I ask, Sir, why not Indianise at least the Ecclesiastical Department? There is no question of law and order there. There is no necessity for them to fight with guns nor is there any necessity for the use of aeroplanes or bombs. The Indian Christian missionaries as the chaplains, will preach and calmly teach the religion in all its spiritual aspects quite as well as the English missionaries. The Indian Christian missionaries can do it very well, and if only you substitute the Indian agency for the English chaplains whom you have in such large numbers, you can certainly reduce the expenditure under this head to 10 lakhs and save us 21 lakhs annually. Will you do it? Will they do it. I ask?

**Mr. President:** I have repeatedly asked the Honourable Member to address the Chair.

**Mr. C. Duraiswamy Aiyangar:** With due deference to the Chair, Sir, if you will permit me to say that, when I was going through the reports of the last few years, I found, Sir, that it was you who made the practice of addressing the Government Members directly.

**Mr. President:** Order, order.

**Mr. C. Duraiswamy Aiyangar:** And it was very impressive; however, I cannot disobey your ruling.

Now, Sir, what I submit is this. Will the Government make it a point to reduce the expenditure of the Ecclesiastical Department by Indianising it? Absolutely no harm will be done, because it is not a matter which concerns law and order.

I will now pass on to another subject . . .

**Mr. President:** The Honourable Member must now conclude his observations.

**Mr. C. Duraiswamy Aiyangar:** Only one minute more, Sir. In the budget we find that last year no amount was borrowed in England and on the other hand much has been spent there for reduction of the sterling debt and also to purchase without raising any sterling loans. I take it that there is a political aspect also. I take it that the Englishmen are now unwilling to offer loans after the Gya Congress Resolution that future debts will be repudiated and therefore the Government are making a virtue of necessity. However, Sir, with reference to that question of debt, I will not trouble the House with figures now, and I hope I will have another opportunity of dealing with it at greater length.

**Mr. Harchandrai Vishindas** (Sind: Non-Muhammadan Rural): Sir, first of all thanking you for giving me an opportunity of making a few observations, I say that I quite associate myself with those Honourable Members of this House who have given credit to the Honourable the Finance Member for some very good points that we find in this Budget but I might as well tell him in advance that my congratulations are not entirely unmixed. (*The Honourable Sir Basil Blackett*: "They never are.") Now, the good points that have been brought up in the Budget are firstly, the surplus, which is the fourth in succession, and we are also thankful to the Finance Member for telling us that this surplus will continue in the future also. We should also be grateful for the small mercy of a small reduction of taxation which, as appears from paragraph 43 of the Honourable Member's speech, amounts to only 6 lakhs because, whereas, on the one hand, only 24 lakhs have been remitted, on the other hand, an additional 18 lakhs have been imposed. So that, although that is a point for gratification, it is rather a small mercy. I also congratulate him upon declaring that the debt position is very satisfactory and that for a considerably long time we have not been resorting to external borrowing. We are also glad at the announcement that 2·7 millions of the sterling loan have been repaid and that in future no outside loan is to be raised. Also that there is a decrease in the unproductive debt of nearly 30 crores. Another is the saving in interest which is estimated at 5½ crores as detailed in paragraph 21. We have further cause for satisfaction at some increase in expenditure on education as detailed in paragraph 31. And last but not least, there is the reduction in provincial contributions. When I have said so much I have exhausted the whole tale of the advantages which the Budget has conferred on us. (*An Honourable Member*: "What more do you want?") Now, I propose to deal with the other side of the picture. And herein I give the catalogue of my grievances in regard to the financial administration and policy of the Government of India. In the first place, I should



be failing in my duty if I did not make an allusion to the unfair treatment which has been given to my Presidency of Bombay. (Hear, hear.) Now, Government had decided some years ago in revision of the Meston Settlement that, if there was any excess of income-tax from the figures of 1920, the Government of Bombay would be made to share in that. But what has happened? The figures of 1920 were so excessive that it has not been possible hitherto to take advantage of any excess because no excess has come in. Then, so far as unremitted balances are concerned, Bombay and Bengal have been both very unfairly treated as compared with Madras, the United Provinces and the Punjab. Look at page 16 of the Explanatory Memorandum by the Financial Secretary. Madras' fixed contribution was 3 crores 48 lakhs, of which only 48·73 lakhs remains as unremitted; the United Provinces' fixed contribution was 2 crores 40 lakhs, of which what remains is only 51·6 lakhs; of the Punjab it was one crore 75 lakhs, and what remains is only 25·80 lakhs. Whereas so far as Bombay is concerned, Bombay's fixed contribution was only 56 lakhs, and there is still an unremitted balance of 37·27 lakhs. Then even between Bombay and Bengal, Bombay has been very unfairly treated. If you look at the last words of page 69 of the Honourable Sir Basil Blackett's speech, you will find that he says:

"It is needless for us to embark upon a critical examination of the causes of Bombay's difficulties. Even though we might be inclined not to acquit Bombay altogether of responsibility in the matter, we must in fairness recognise that the existing Devolution Rule 15 regarding the grant to the Provinces of an interest in the proceeds of Taxes on Income which was designed for the benefit of Bombay and Bengal in particular, has altogether failed in its purpose. Any special claims Bengal might have urged in this connection have been liquidated by the relief already accorded; she has been relieved from 1922-23 onwards of the payment of any part of her annual contribution of 63 lakhs, a gift of the aggregate value of 3·15 crores up to 31st March 1927. The only corresponding gift made to Bombay was a special non-recurring reduction of her contribution of 22 lakhs for the year 1925-26 only."

From his own mouth we see an admission of this unfair treatment to Bombay as compared with Bengal. But it is not a gift that has been made to Bengal. Bengal has sat tight and declined to pay any pie of the 63 lakhs and she has been allowed to escape unmolested. I wish Bombay also had sat tight and not paid anything.

Then my third grievance is that expenditure on beneficial services has been very meagre in spite of the surplus budgets. No programme has been set out for sanitation, medical relief or central research. Then a very sad tale for me to tell is that the treatment that the Government exchequer has given to Benares and Aligarh Universities is very niggardly and very much to be deplored. They never receive grants equal to what the Provincial Governments give to Allahabad, Lucknow and Dacca. Benares especially received no building grant or equipment grant, even to the extent of what ordinary colleges receive under the grant-in-aid code from Provincial Governments. I am told by the Honourable Pandit Malaviya that we received only 2 lakhs last year. Now, then, the treatment of Delhi University is still worse than these instances that I have pointed out although it is directly under the control of the Government of India and was started as an integral part of the Imperial capital. Government only gave Rs. 85,000 for both recurring and non-recurring expenditure. No additional faculties of commerce, technology, the fine arts, etc.,



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were started, although it was expressly laid down in the Act which created this University that these faculties would also be in course of time provided for. Even the site originally allowed to it in Raisina has been cancelled. With Rs. 85,000 grant the University had a deficit of Rs. 36,000 in the current year and will have a deficit account in the budget of Rs. 37,000 in 1927-28. If that is the condition of things with regard to this University, I say, better scrap the University altogether than let it be carried on in such a cheese-paring and miserly fashion. It is certainly no credit to the Imperial capital of which it was to form an integral part at the time of its start.

Now, then, with great respect to His Excellency the Commander-in-Chief and the very lucid and gracious explanation which he gave just now of the military expenditure, I will, on the floor of this House, present some figures which tell a different tale and which do not justify the claim that the utmost possible economy has been exercised in the military expenditure of which the Honourable Sir Basil Blackett said that the last limit was reached at Rs. 54.92 lakhs, the figure in the Budget presented, and that no further reduction was possible. A journal called the *Statist*, published in London, of August 1st, 1925, makes this remarks:

"The personnel of the Army and Navy in 1925 (meaning the English Army and Navy) is considerably below that of 1914 (previous to the outbreak of war) and the total Army and Navy expenditure making due allowance for charges in the value of sterling, is lower than it was then."

Now, Sir, if you compare the case of India with that of England, what do you find? In India, in 1913-14 the military expenditure was nearly 30 crores. In November 1926, taking the Bombay index of prices of commodities at 146, that is to say, taking on the average a 50 per cent. rise in prices, since the war, the military expenditure should not have gone beyond 45 crores in order to be equal to what it was in 1913-14. In England the military expenditure has been reduced from what it was in 1913-14. Still, if we assume that the expenditure here should be at the same level as in 1913-14 it should be only 45 crores and not 54 or 55 crores, and yet the revised estimate for 1926 shows the military expenditure at 55.5 crores. The national income of England is much larger than that of India. Her responsibilities are of an Imperial nature and therefore much heavier, and yet, her military expenditure is less than what it was in 1913-14. Adding to this, Sir, the allowance that should be made for the difference in exchange since 1913-14, the burden is still larger on India.

There are some other facts with regard to military administration which, Sir, with your permission, I will refer to. On pages 2355 and 2356 of the report for 1926 of the debates of this Assembly we see these remarks made by Sir Sivaswamy Aiyar:

"A number of Resolutions were passed in the first Session of the first Assembly on the Esher Committee's Report and in a few unimportant matters action has been taken; but upon really important questions, such as the admission of Indians to all branches of the Army, the throwing open of a larger number of King's Commissions in the Territorial force and various other matters in regard to all those matters that really do matter no action has been taken."

Here he was interrupted by the Army Secretary and he made certain qualifications, regarding the Territorial Force. Of course, I speak subject

to correction. If the military experts on those benches correct me and say that I am wrong, I will certainly apologise. But I think some of these proposals have not yet fructified.

Then, Sir, there is this important fact that no real relief to the tax-payer has been given in this Budget as has been remarked by many a speaker before me. Of course I do not condemn the reduction of the motor tax on the ground, as some speakers have done, that it is a concession to the rich only. I think it is a concession indirectly to the poor man also because if you facilitate and quicken transport, you increase commerce. You give facilities not only to the rich owners of the motor cars but you also make for commercial advancement of the country and that to a great extent does benefit the poor man also. Therefore I do welcome this reduction. No real relief to the tax-payer is given from the high level of war taxation and that which was imposed to cover the deficits of 1918-1922, estimated by the Inchcape Committee at 49 crores. Rather the burden is increased having regard to the increase in the purchasing power of the rupee. My last complaint is that when the Inchcape Committee made their recommendations for retrenchment, they made their calculations on the basis of 1s. 4d. to the rupee. Government in their own memorandum apprehends a loss of 5 crores if that rate was reverted to. There was another cause for reduction of expenditure, namely, a further fall in prices; and since 1923 prices have fallen. Moreover, owing to a fall in interest, Government had another gain. All these three factors should have combined to bring down the level of expenditure much below what the Inchcape Committee recommended, and still nothing of that sort has happened.

**Mr. H. Shankar Rao** (Finance Department: Nominated Official): Sir, I rise to make only a few minor observations and will, as far as possible, avoid touching on questions of policy. The first point and a very important point—which was raised by Mr. Rangaswami Iyengar, related to the question of transfer of certain items from the voted to the non-voted category in the course of the current year. I believe he suggested that it was deliberately and surreptitiously done. Well, it was done deliberately. It is the result of the passing of the Government of India (Civil Services) Act, 1925, which received His Majesty's assent on the 22nd December, 1925. When we got copies of the Act in India, it was rather too late to give effect to the change in the Budget for the current year and the result was that we had to postpone the change necessarily to some time later. So far as the total amount goes, I do not think that it really very much matters, although there is, I admit, a question of principle involved. I shall have a statement prepared showing how the change affects the control which the Assembly has been able to exercise and is exercising at the present moment over the expenditure of the Central Government.

Next I come to the question of under-estimating revenue and over-estimating expenditure. It is very disconcerting, Sir, to me, as Budget Officer, to be told that I am constantly under-estimating revenue and over-estimating expenditure. I must admit that a certain amount of caution is ingrained in my constitution and I am certainly not sorry for it, and I dare say that the House would have been sorry had it been otherwise. I put it to the House this way.

[Mr. H. Shankar Rau.]

What, after all, is the aggregate amount of difference? I am not speaking of the disparity between the revised estimate and the actuals, but I am speaking of the disparity between the original estimate and the actuals or the revised estimate as the case may be. You will find that in 1925-26 and 1926-27 the disparity has not been more than 3 crores. And what is 3 crores when the gross expenditure is over 200 crores? It is just less than  $1\frac{1}{2}$  per cent. I challenge any Member of this House to prepare his personal budget on such a satisfactory footing.

**Mr. A. Rangaswami Iyengar:** A State Budget is very different.

**Mr. H. Shankar Rau:** Take the case of a very ordinary individual who has a fixed income of Rs. 100 a month and no more. Suppose his pay is Rs. 100 a month and he is sure to get it on the 1st of every month. He has got a certain number of items of expenditure. I challenge him to say on the 1st what he will be left with at the close of the month. Suppose he says he will be left with one rupee on the 30th, and if he finds himself with Rs. 4 in his pocket, are you to blame him for it? On the other hand, I think his position would indeed be a sad one if he had to go to a bania for Rs. 3. I am not saying this in *justification* of the disparity in the budget figures, but it is only an explanation of the fact that we cannot absolutely help having such disparities. Let me add that we are not an incorrigible set of people. We do improve, we live and learn. We have instituted a system of lump cuts, and as the Public Accounts Committee recommended, we are carrying them out more boldly and more boldly from year to year. We *are* bold, we *can* be bold; but we cannot be *too* bold: that is our difficulty. You will find in paragraphs 12 and 27 of the Secretary's Explanatory Memorandum evidence of the fact that we have paid considerable attention to this question with the result that both in our revised estimates and budget estimates a very considerable surplus has been brought to light. That would not have been the case had we been as conservative as we used to be.

I turn next to the question of the utilisation of the surplus, what exactly we are going to do with the surplus. I believe a great authority has said that it is the exemplary purity of the British system of finance in accordance with which surpluses go towards the reduction or avoidance of debt. Except for the year 1927-28, we have consistently been following this principle and if in 1927-28 we are going to make a departure, it is only for the reason that we want to be rather accommodating to the provinces and I do not think that it is a reason why the House should complain. Further, the House will realise that so long as these surpluses are utilised towards the reduction or avoidance of debt, our interest on dead-weight debt, as has been so clearly pointed out in the budget speech, is reduced to a very considerable extent and the provinces also do get a benefit from the reduction in the rate of interest. Then certain Honourable Members thought that what we should have done was to reduce the salt tax and the postal rates. It is really not for me to expatiate very much on this aspect of the case except that, as Budget Officer, I should find very considerable difficulty in finding money for all these things *simultaneously*. Everything will come in its own time. I think in the last four years we have done quite enough and more than enough, and we will certainly do more when we are in a position to do so. The fact is that the salt duty which was

at Rs. 2-8-0 has been reduced to Rs. 1-4-0; the cotton excise duty has been abolished; and the provincial contributions have dropped from 983 lakhs to 258 lakhs permanently and, for all practical purposes, I hope, have been finally extinguished. That is a great achievement, and if the House finds fault with that, I do not know what exactly will please it. The remarks made from various quarters incline me to believe that the more we do the more unsatisfactory the position is taken to be.

**Mr. A. Rangaswami Iyengar:** We do not want bounties. We want justice.

**Mr. H. Shankar Rau:** One Honourable Member pointed out that British taxation was reduced, that in England they have reduced taxation to a very great extent and we have not done it. I do not know that there are any provincial contributions going in England, and that is the reason, I suggest, that they are able to reduce taxation. When we have got rid of these contributions we should be in a position to reduce taxation.

Lastly, I will touch upon the question of military expenditure. His Excellency the Commander-in-Chief has dealt with the policy of the thing and I need only refer to the figures. The figures given in the budget speech will show that the expenditure has dropped from Rs. 69·81 crores in 1921-22 to Rs. 54·92 crores in 1927-28, that is to say, a reduction of fully Rs. 15 crores in six years. Somebody suggested that we might go back to the figure of the nineties. I wonder if that figure, at the prices ruling to-day, would be sufficient even to enable us to purchase the requisite stores for the army and pay the pensions, quite apart from the question of Indianisation. It would be barely sufficient for the purchase of stores.

Then, I believe my Honourable friend Sir Hari Singh Gour referred to the Brussels Conference and the proportion of military expenditure to the general revenues of the country. What was implied was that the military expenditure bore a considerable proportion—something like 40 to 60 per cent. or possibly even more. But I might read out to the House the answer which was given on the 25th January 1926 in this connection. The answer was as follows:

"As there seems to be considerable absence of clearness about the references frequently made to the Brussels Conference, I lay on the table a copy of those resolutions of that Conference which dealt with public finance. The Honourable Member will find that his version is not supported by the text."

It was so even to-day. The second paragraph says:

"The comparison made at the Brussels Conference was between the average expenditure upon armaments of various nations with their total national expenditure. In the case of India, it would, of course, include expenditure of the Provincial Governments."

I may say this is a fact which is always overlooked.

"For the year 1924-25 the total national expenditure of India, including that of the Provincial Governments but excluding the working expenses of the Railways, and of the Posts and Telegraphs and Irrigation Departments, was approximately Rs. 203·62 crores. The military expenditure was approximately Rs. 55·69 crores which amounts to 27 per cent. of the former figure."

Sir Hari Singh Gour invited us to frame an approximate calculation including, in this military expenditure, the loss on strategic railways and expenditure on armed police and that sort of thing. I find making a liberal allowance—it is only a rough estimate, I have been doing it while sitting here—the percentage will remain practically the same.

**Mr. A. Rangaswami Iyengar:** Including Railways?

**Mr. H. Shankar Rau:** *Excluding* the working expenses of the Railways and of the Posts and Telegraphs and Irrigation Departments. So I do not think the position is even appreciably worse than when we gave the answer in January, 1926.

The Assembly then adjourned till Eleven of the Clock on Friday, the 4th March, 1927.