

8th March 1928

**THE
LEGISLATIVE ASSEMBLY DEBATES
(Official Report)**

Volume II

(8th March to 27th March, 1928)

**SECOND SESSION
OF THE
THIRD LEGISLATIVE ASSEMBLY, 1928**



**DELHI
GOVERNMENT OF INDIA PRESS
1928**

CONTENTS.

VOLUME II—8th March to 27th March, 1928.

	PAGES.
Thursday, 8th March, 1928—	
Message from the Council of State	1159
The General Budget—General Discussion— <i>concl'd.</i>	1159-94, 1196-1219
Statement of Business	1195
The Steel Industry (Protection) Bill—Presentation of the Report of the Select Committee	1195
Saturday, 10th March, 1928—	
Questions and Answers	1221-33
Unstarred Questions and Answers	1134-39
Motion for Adjournment—Lockout at Lillooah on the East Indian Railway—Ruled out of order	1239-41
Motion for Adjournment—Announcement made by His Excel- lency the Commander-in-Chief on the 8th March, 1928, in con- nection with the Report of the Sandhurst Committee—Leave granted	1241-44
The Indian Territorial Force (Amendment) Bill—Presentation of the Report of the Select Committee	1244
The Auxiliary Force (Amendment) Bill—Presentation of the Report of the Select Committee	1245
The Indian Succession (Amendment) Bill—Presentation of the Report of the Select Committee	1245
The General Budget—List of Demands—	
Demand No. 16—Customs—	1245-83
Abolition of the export duty on raw hides	1245-56
Continuous increase in expenditure	1256-59
Export duty on jute	1259-66
Using the income derived from the protective duties for the general expenditure of the Central Government	1266-74
Policy: Viramgam Customs Cordon	1274-82
Rebate of Customs Duty on Scientific Instruments and Chemicals imported for the <i>bona fide</i> use of Educational and Scientific Institutions	1282-83
Motion for Adjournment—Announcement made by His Excel- lency the Commander-in-Chief on the 8th March, 1928, in connection with the Report of the Sandhurst Committee— Adopted	1283-1306
Monday, 12th March, 1928—	
Questions and Answers	1307-13
Unstarred Questions and Answers	1313-21
The Indian Mines (Amendment) Bill—Presentation of the Report of the Select Committee	1321

CONTENTS—*contd.*

PAGES.

Monday, 12th March, 1928—*contd.*The General Budget—List of Demands—*contd.*

Demand No. 16—Customs— <i>concl'd.</i>	1321-39
Export duty on rice	1321-26
Inadequate and insufficient representation of minorities and the Mussalmans in all branches of the Customs Services	1326-39
Demand No. 17—Taxes on Income	1339-66
Conditions of recruitment, qualifications, pay and promo- tion of officers in the Income-tax Department, Bombay	1339-41
Grievances of the Assesseees	1341-52
Defective Working of Devolution Rule No. 15	1353-55
Equitable Share to Provinces	1355-58
Incomes of Shipping, Insurance and Banking Concerns	1358-64
Levy of Income-tax in Upper Burma	1364-66
Appendix	1367

Tuesday, 13th March, 1928—

Member Sworn	1369
Questions and Answers	1369-71
Unstarred Questions and Answers	1371-78
The General Budget— <i>contd.</i>	
List of Demands— <i>contd.</i>	
Demand No. 72—Miscellaneous	1379-1407
The Indian Statutory Commission	1379-91
Delegation to the International Labour Conference and allowances paid to Delegates and Advisers	1391-98
Delegation to the Assembly of the League of Nations	1399-1407
Message from the Council of State	1407

The General Budget—*contd.*List of Demands—*contd.*

Demand No. 82—Expenditure in England under the control of the Secretary of State for India	1408-22
Powers of the Secretary of State for India	1408-11
The India Office being a reactionary ^s body not wanted by India	1411-22
Demand No. 40—Central Board of Revenue	1422-28
Lack of uniformity in the system and incidence of tax collection	1422-27
Non-appointment of Burmans to the superior grades of the departments under the control of the Board	1427-28

Wednesday, 14th March, 1928—

Questions and Answers	1429-39
Unstarred Questions and Answers	1439-42
The General Budget—List of Demands— <i>contd.</i>	
Demand No. 74—North-West Frontier Province— Introduction of Reforms in the North-West Frontier Province	1443-68
Necessity of strengthening the judiciary	1443-63
Demand No. 38—Army Department— For obvious reasons (The policy and expenditure)	1463-68
	1468-90

CONTENTS—*contd.***Thursday, 15th March, 1928—**

PAGES.

Bill passed by the Council of State laid on the table	...	1491
The General Budget—List of Demands— <i>contd.</i>		
Demand No. 38—Army Department— <i>concl'd.</i>		
For obvious reasons (The policy and expenditure)	...	1491-1532
Demand No. 28—Executive Council.		
On the principle that there should be no square pegs in round holes	...	1532-48
Demands Nos. 18—27	...	1549-51
Demands Nos. 29—37	...	1551-52
Demand No. 39	...	1552
Demands Nos. 41-71	...	1552-57
Demand No. 73	...	1558
Demands Nos. 75—81	...	1558-59
Demand No. 83	...	1559
Demands Nos. 84—94	...	1559-61

Friday, 16th March, 1928—

Member Sworn	...	1563
Statement of Business	...	1563
Statement laid on the Table	...	1563-71
The Indian Finance Bill—Discussion on the consideration of clauses adjourned	...	1572-1632

Saturday, 17th March, 1928—

Questions and Answers	...	1633-39
Unstarred Question and Answer	...	1639
The Indian Finance Bill—Discussion on the motion to pass adjourned	...	1639-89

Monday, 19th March, 1928—

Questions and Answers	...	1691-1706
Unstarred Questions and Answers	...	1706-16
The Indian Finance Bill—Passed	...	1716-57
The Indian Merchant Shipping (Amendment) Bill—Passed as amended	...	1758-66
The Indian Tariff (Amendment) Bill—Discussion on the consideration of clauses adjourned	...	1766-72

Tuesday, 20th March, 1928—

Questions and Answers	...	1773-76
Unstarred Question and Answer	...	1776-77
Resolution <i>re</i> Financial Irregularities relating to the Sambhar Salt Improvement Scheme—Negatived	...	1777-1805
Resolution <i>re</i> Export of Sacred Objects and Indian Antiquities—Withdrawn	...	1805-13
Resolution <i>re</i> Sugar Industry in India—Discussion adjourned for want of a quorum	...	1813-26

CONTENTS—*contd.*

	PAGES:
Wednesday, 21st March, 1928—	
Questions and Answers	1827-29
Unstarred Questions and Answers	1829-32
The Indian Tariff (Amendment) Bill—Passed as amended	1833-39
The Steel Industry (Protection) Bill—Passed as amended	1839-63
The Indian Territorial Force (Amendment) Bill—Passed as amended	1863-91
Election of the Standing Finance Committee	1891
Election of the Standing Finance Committee for Railways	1891
Election of the Panel for the Central Advisory Council for Railways	1891
Election of the Public Accounts Committee	1892
The Auxiliary Force (Amendment) Bill—Passed as amended...	1892
Thursday, 22nd March, 1928—	
The Hindu Child Marriage Bill—Presentation of the Report of the Select Committee	1893
The Indian Succession (Amendment) Bill—Passed as amended	1893-94
The Reservation of the Coastal Traffic of India Bill—Motion to circulate adopted	1894-1901
The Special Marriage (Amendment) Bill—Motion to circulate adopted	1901-17
The Hindu Inheritance (Removal of Disabilities) Bill—Passed	1917-18
The Indian Merchant Shipping (Amendment) Bill—Motion to circulate adopted	1919-20
The Indian Divorce (Amendment) Bill—Motion to circulate adopted	1920-22
The Indian Penal Code (Amendment) Bill—Immunity of Members of unregistered Trade Unions, etc., from the consequence of the Conspiracy Law—Motion to circulate adopted	1922-24
The Hindu Marriages Dissolution Bill—Introduced	1924
The Hindu Law of Inheritance (Amendment) Bill—Introduced	1924
The Indian Life Assurance Companies (Amendment) Bill—Introduced	1925
The Hindu Marriages Dissolution Bill—Motion to circulate adopted	1925
The Hindu Law of Inheritance (Amendment) Bill—Passed	1925-26
Monday, 26th March, 1928—	
Member Sworn	1927
Questions and Answers	1927-54
Unstarred Questions and Answers	1954-63
Messages from the Council of State	1963-64
Election of the Standing Finance Committee	1964
Election of the Public Accounts Committee	1965
The Land Acquisition (Amendment) Bill—Withdrawn	1965-66
The Child Marriage Restraint Bill—Motion to circulate adopted	1966-79
The Caste Disabilities Removal Repealing Bill—Motion to circulate negatived	1979-84

CONTENTS—*concl'd.*

PAGES.

Monday, 26th March, 1928—*concl'd.*

The Interest Restriction Bill—Withdrawn	...	...	1984-89
The Indian Limitation (Amendment) Bill—Motion to circulate adopted	...	...	1989-90

Tuesday, 27th March, 1928—

Member Sworn	...	...	1991
Questions and Answers	...	...	1991-2004
Unstarred Questions and Answers	...	...	2005-18
Election of the Public Accounts Committee	...	...	2018
Election of the Standing Finance Committee for Railways	...	...	2018
Election of the Panel for the Central Advisory Council for Railways	...	...	2019
The Chittagong Port (Amendment) Bill—Passed	...	...	2019-27
The Indian Mines (Amendment) Bill—Passed, as amended	...	...	2027-48
Demands for Excess Grants	...	...	2048-52
Demands for Supplementary Grants	...	...	2052-62
Resolution <i>re</i> Draft Conventions and Recommendation of the Tenth International Labour Conference regarding Sickness Insurance—Adopted	...	...	2063-77

LEGISLATIVE ASSEMBLY.

Thursday, 8th March, 1928.

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

MESSAGE FROM THE COUNCIL OF STATE.

Secretary of the Assembly: Sir, 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 7th March, 1928, agreed without any amendments to the Bill further to amend the Indian Income-tax Act, 1922, for certain purposes, which was passed by the Legislative Assembly on the 20th February, 1928."

THE GENERAL BUDGET—GENERAL DISCUSSION—*contd.*

Mr. President: The House will now resume the general discussion of the Budget presented by the Honourable the Finance Member.

Mr. Dharendra Kanta Lahiri Chaudhury (Bengal: Landholders): Sir, the Honourable the Finance Member ended his last Budget speech with a personal note. May I be permitted to resume the discussion of the Budget by making some personal remarks. It is a matter of deep regret that nowhere in the world does anybody worship the setting sun. But I must at least pay a tribute of thanks to the Honourable Sir Basil Blackett for his endeavours to make India financially prosperous. The Budget which Sir Basil has presented is undoubtedly a prosperous one and gives high hopes. But hopes, Sir, are very often alluring. They are sometimes unreal, like the will-o'-the-wisp. The prosperity shown in the Budget, Sir, is in my opinion more apparent than real. The question now arises—how far the material and financial conditions of the Indian people have improved during these few prosperous years. A nation's budget may roughly be said to be the barometer indicating national prosperity. Has the taxable capacity of the people appreciably increased during these few years? The Indian Budget is primarily a rich man's budget. The fundamental canon of taxation is equity, and the national dividend should be harmoniously distributed among the different factors of production. And in the Indian Budget, unlike those of other countries, indirect taxation has a greater share. The poor people are taxed in every way more heavily than the rich. And it has been admitted that the poor's contribution to the exchequer is greater than the rich's. It seems very difficult to resist the conclusion that such a Budget, though apparently prosperous, is really not so. Moreover, the stabilisation of the rupee is one of the responsible factors for this surplus Budget. But, Sir, the stabilisation has been effected at a great cost, and the recent index numbers do not warrant

[Mr. Dhirendra Kanta Lahiri Chaudhury.]

the conclusion that the rupee has yet reached 1s. 6d. It has been, Sir, pushed up by the Government through their endless manipulations extending over the last three years. Sir Basil has told us that "during the last two years prices in general have shown a stability unknown since the outbreak of the war". And he attributes this partly to "more stable world conditions" and more to the favourable trade because of "the stabilisation of the rupee". But, Sir, I must admit that I fail to follow Sir Basil as to how this stabilisation of the rupee is responsible for this and not successive good monsoons. Sir Basil's favourable plan of linking the rupee at 1s. 6d. has not as yet fortunately met with any stormy weather and I doubt very much whether this fair-weather scheme will stand any failure of rains or drought.

Next, Sir, in framing the Budget for the ensuing year, the Finance Member has said that revenue from taxes on income is on the increase and is 1.35 lakhs more than the revised estimate of the current year. Here too, I must say, the increased amount is more apparent than real, because the increase is more due to the strict vigilance on the part of the officers of the Income-tax Department and the modification of the Income-tax Act than to the further increase in the total number of income-tax payers. The prosperity of India has therefore, Sir, not so much proportionately increased as Sir Basil wants to show to the people.

With regard to the military expenditure, I find the figure given is Rs. 55.10 crores. But this even does not represent the true amount of military expenditure as there has been already made a provision of 3.38 crores for strategic purposes in the Railway Budget. Again, the price level, Sir, in 1924-25 was much higher than in the year 1927-28 and it is expected that the prices will go still further down in 1928-29. Thus the figures as presented by the Honourable the Finance Member go to prove that the military expenditure has increased materially rather than decreased. Now, Sir, it has been said that the military expenditure cannot further be reduced in keeping with India's "defence in modern conditions". But, Sir, had the Government accepted the Skeen Committee's Report, the expenditure could have been substantially reduced. Besides, in that case, we could have obtained an indirect advantage. Now, under the present circumstances, the major portion of the military expenditure goes out of India, never to come back, with the only return of defence for India. Now, in the case of Indianisation, the major portion of the expenditure would have found a place in India and that would have gone to enhance the national dividend of our country, thereby increasing our national prosperity directly and indirectly. And we would have gained both ways. But it is, Sir, one of the most unfortunate things in history that the wishes of a subject nation always remain an ideal to be hoped for. The Government of India, Sir, always tell us to follow the maxims of international experts, such as "business must not be mixed with politics". But may I point out the recommendations of the Brussels Conference that about one-fifth of the total national income should be devoted to military expenditure, whereas we find in India more than one-third of our total national revenue is spent on this item.

Sir, it has been said that one of the fundamental defects of the present educational system is its top-heaviness. I should go further and say that

one of the greatest defects of our administration is its extraordinary top-heaviness. The reason why the Government is yet unable to lay out India's money for India's real advancement and for the readjustment of the burden of taxation, the major portion of which the poor have to pay, is the fat salaries of all the high posts of the Government. We the taxpayers have to pay for our Government, if it can at all be called "our"—and for what return? Indian interests have always suffered when they have clashed with the Imperial interests of our rulers. India yet stands very low in the scale of Finance with regard to other countries. The *per capita* income of her people is simply distressing. Therefore one cannot but say that India's interest is second, India's interest is third and India's interest is last even with the expenditure of India's money.

But, Sir, I must at the same time say that there are two redeeming features in the present Budget; one is the reduction of debts and another is the final extinction of the provincial contributions. As to the reduction of debts, I will make a few remarks to which, I hope, the Honourable the Finance Member will give the correct reply. (Laughter.) India has borrowed in the last few years many crores of rupees both for productive and unproductive purposes, especially for the former. But may I ask what portion of that borrowed money comes from Indians and what portion from the foreign market? The principal recommendation of the External Capital Committee, of which the Finance Member was the Chairman, was that the true solution of the external capital problem of India was the development of the internal capital of India. May I know what the Government has done to translate that recommendation into action during the last few years? Sir, in explaining the Provincial Loan Fund to this Assembly a few years back he said that he looked forward to the day when the Fund would be administered by an Indian body corresponding to the National Debt Commissioners and the Public Works Commissioners in England, the money required for the Fund being raised in the open market by the controlling body on the security of its own assets. May I ask the Honourable Member when this prophecy is going to be fulfilled?

Sir, the Meston Settlement was always charged with the potentialities of friction and that heavy millstone, it is happy to see, has been finally removed. But as a representative of Bengal I appeal to the Government through the Honourable the Finance Member to remove at least partially the grievances of Bengal. Bengal, Sir, having the largest population among the Presidencies pays to the Central revenue about Rs. 29.37 crores out of a total revenue of about 40.7 crores raised in the province, whereas Bombay and Madras with a less population pay less to the Central Exchequer though in Bombay almost the same total amount is raised. Sir, it has been said that the export duty on jute is not paid by the cultivators of Bengal. Jute is no longer a monopoly commodity and under the present conditions of the cultivation of jute and its substitutes, not only in Bengal but in some other parts of the world, the Bengal cultivators of jute cannot but feel the burden of incidence of taxation on jute. Therefore, it is equitable that at least some portion of the export duty on jute should be given to Bengal. Moreover, the basis according to which a Provincial Government is entitled to get a portion of the income-tax is not an equitable one for the different provinces. For Bengal the year 1920-21 was an abnormally prosperous one while in the case of Bombay and others it was more or less a normal one. Therefore, Bengal has been practically permanently deprived of her portion of the income-tax.

[Mr. Dharendra Kanta Lahiri Chaudhury.]

Coming events cast their shadows before. Sir, the Finance Member has given a picture of the decrease of protective duties in the future. Recently a cry has been raised in international economic centres that tariff is a cause of many a conflicts, economic and military. But, Sir, that international economic centre is a rendezvous of international financial rascals. The originators of that cry are the great industrially developed countries, and the speech of the Finance Member regarding this gives the impression that the Government in the future is willing to harness a dwarf with the giant, I mean thereby India, an industrially undeveloped country, with those highly developed. Sir, in those remarks of the Finance Member I smell an air of suspicion. During the last few years the United Kingdom has lost a great percentage of her trade with India, especially her export trade. Therefore, Sir, it seems very difficult for me to say that the Government is not seeking the earliest opportunity for British preference in India at the cost of India.

Sir, one word more and I have finished. The Indian Government is notorious to get the excess and supplementary grants always passed. Sir, in this respect, I should like to draw the attention of the Government to the words of one of Government's financial experts—I mean the Right Honourable Hilton-Young. He says in his book called "The Financial System of England":

"Public control of public expenditure depends for its efficiency in large measure on the financial scheme for the year being presented to the House and considered and approved, once and for all, as a whole. To allow the scheme, once approved, to be treated as something still fluid and liable to extensive modifications must infinitely weaken effective control and supplementary estimates are the most harmful way of doing so. To make anything but the most restricted use of them must deprive the whole system of supply of its meaning and utility."

Mr. R. K. Shanmukham Chetty (Salem and Coimbatore *cum* North Arcot: Non-Muhammadian Rural): Mr. President, my Honourable friend Mr. Birla made some very serious charges against the Honourable the Finance Member in his speech yesterday. The substance of his charge is this, that the Honourable the Finance Member in presenting to this House the nation's balance sheet has presented it in such a way that if it were a company's balance sheet, the person responsible for that balance sheet would be hauled up before a court of law. My Honourable friend Mr. Birla gave some facts and figures in support of his contention.

The Honourable Sir Basil Blackett (Finance Member): He mentioned none.

Mr. R. K. Shanmukham Chetty: He mentioned at least the accrued liability on the Post Office cash certificate bonus. At least that is substantially accepted. Well, Sir, to-day, in the short time at my disposal, I propose to show that in the Budget that the Honourable the Finance Member has presented he has perpetrated two of the most serious fallacies known to logic, *suppressio veri* and *suggestio falsi*.

Sir Walter Willson (Associated Chambers of Commerce: Nominated Non-Official): That is not fallacy.

Mr. R. K. Shanmukham Chetty: I am afraid my Honourable friend has not read logic. In support of my contention I will take into consideration the analysis of the debt position of the Government of India as pre-

sented by the Honourable the Finance Member. In the Explanatory Memorandum of the Financial Secretary it is stated at page 14 that :

"in the five years ending the 31st March, 1929, the reduction (that is, in interest charges) is fully 40 per cent. and is, among other things, an indication of the extent of the replacement of unproductive by productive debt."

In the speech of the Honourable the Finance Member, at page 31, he draws attention to the fact that during the five years from the 31st March, 1923, the unproductive debt has been reduced by 76 crores. The productive debt on the 31st March, 1923, according to his statement, stood at 624.14 crores and the unproductive debt at 254.74 crores, and on the 31st March 1928, the productive debt stands at 812.88 crores and the unproductive debt at 178.73 crores. From these figures he wants us to draw the conclusion that during the five years of his stewardship of Indian finances, he has reduced the unproductive debt by 76 crores. Sir, this statement rivetted my attention on the debt position. It took me some considerable time, not having a Secretary sitting behind me, to find out wherefrom the Honourable the Finance Member managed to get these 76 crores in the course of 5 years to enable him to reduce the unproductive debt to that extent; and after some amount of examination of the budget papers I found out that the resources that enabled him to achieve this great result are as follows. During these 5 years he had realised surpluses to the extent of about 14½ crores. I am not taking into account the windfalls that he got. In the same period he set aside for the sinking fund 22½ crores, and in the same period he has brought about a reduction in cash balances to the extent of Rs. 24 crores and he has utilised an amount of Rs. 25.27 crores being the railway depreciation and reserve funds. These figures amount to a total of Rs. 86.27 crores. He has utilised these resources that were in his hands for productive purposes like railway construction and wants us to draw the conclusion that he has thereby reduced the unproductive debt by Rs. 76 crores.

.. What is the meaning of reducing the unproductive debt? There is no such thing as replacement of unproductive debt by productive debt. (*The Honourable Sir Basil Blackett*: "Why not?") When an unproductive debt has been incurred for certain purposes, until that unproductive debt has been wiped off, it does remain as an unproductive debt. It is absurd to say that "I have replaced my unproductive debt by productive debt." Such a statement has absolutely no meaning. My Honourable friend is certainly entitled to utilise the resources in his hands in investing them for productive purposes. I am not finding fault with him for that, but to say that by this means he has reduced the unproductive debt is, to say the least, absolutely misleading. The only way, the only legitimate way by which you can reduce your unproductive debt is by setting apart a sinking fund for that purpose and paying off that unproductive debt. That is the only way in which an unproductive debt can be reduced, and if that criterion is applied the unproductive debt during the last 5 years has been reduced to the extent of Rs. 22.50 crores and not to the extent of Rs. 76 crores. (*An Honourable Member*: "Quite right".) I am prepared to concede that my Honourable friend is legitimately entitled to use his realised surpluses for this purpose; and giving him the fullest credit for these things, the unproductive debt has been reduced during the last 5 years by Rs. 36 crores and not by Rs. 76 crores. Sir, I will give an analogy to substantiate my contention. Suppose I have got Rs. 60 lakhs of which I have invested

[Mr. R. K. Shanmukham Chetty.]

Rs. 50 lakhs in productive enterprises and Rs. 10 lakhs in unproductive enterprises, and suppose I have in my hand Rs. 5 lakhs, part of which is my bank balance and part of which represents deposits given to me by some of my friends. Next year I utilise these 5 lakhs in my hand in productive enterprise, and then I want others to believe that my debt remains the same, i.e., at Rs. 60 lakhs, I have increased my productive debt to Rs. 55 lakhs and therefore I have reduced my unproductive debt from Rs. 10 lakhs to Rs. 5 lakhs. Such a statement would certainly be absurd, and that is the position which the Honourable the Finance Member wants us to believe.

On page 31 he gives a statement showing the Debt of India. He is rather careful in using words. He says, "the Debt of India." I suppose he does not want to confine himself only to the public debt of India, because if the statement purports to give a summary of the public debt position of India, then he has to include in his figures only what are called permanent and floating debts. The permanent and floating debts on the 31st March 1927 are Rs. 415·91 crores. To this he has added other obligations, that is, Post Office savings bank deposits, cash certificates and provident funds, and these he shows as Rs. 107·21 crores. Well, Sir, if it is the intention of my Honourable friend, the Finance Member, to give an accurate presentation of the debt position of the Government of India, then it was his duty to show all the obligations of the Government of India on which he has to pay interest. This figure he has given as Rs. 107·21 crores on the 31st March 1927, whereas on page 297 of the Finance and Revenue Accounts of the Government of India for 1926-27 I find that this figure is Rs. 133·05 crores. Rs. 133·05 crores represents the obligations of the Government of India bearing interest. Therefore the total liability of the Government of India in the matter of other obligations is Rs. 133 crores and not Rs. 107 crores. He has omitted to show Rs. 26 crores of the obligations of the Government of India from the debt statement that he presented in his speech. I say that comes under *suppressio veri*. If these Rs. 26 crores are added, what is the position? On the 31st March, 1927 the unproductive debt will not be Rs. 200·81 crores as shown in the speech but Rs. 226·81 crores. That is to say, he has not chosen to show Rs. 26 crores in the debt statement that he has given. I would like to know from the Honourable the Finance Member what is the justification for not showing this enormous amount of Rs. 26 crores in the debt statement. So far as I have been able to find out, he has not shown in that statement Rs. 19·38 crores, being the railway depreciation fund and the railway reserve fund. Surely, at least after the separation of the railway finance from the general finance of the country, whatever amount stands to the credit of the railways in the form of depreciation and reserve funds must be considered as a liability of the general revenues towards railway revenues: and I ask, what justification is there for the Honourable the Finance Member for omitting to show this huge liability of nearly Rs. 20 crores in the debt statement? I submit, Sir, that this is *suppressio veri*.

In paragraph 29 of his speech, speaking about surpluses, he says that in future also:

"Substantial savings may be expected to accrue in future, as they have done in the past, under interest on deadweight debt."

This statement, I submit, is *suggestio falsi*, and it is for this reason. My Honourable friend says that there will be a surplus in future years because there will be a substantial reduction in the interest on deadweight charges. I submit that if there has been a substantial reduction in the interest on deadweight debt in the last five years, it is because there have been surpluses, and it is because he has utilised these surpluses in productive enterprises. Therefore, the reduction in interest on deadweight debt was a result of the surpluses and the surpluses were not the result of a reduction in the interest on deadweight debt. I suppose it is too much for the Honourable the Finance Member to understand.

The Honourable Sir Basil Blackett: I have entirely failed to follow.

Mr. R. K. Shanmukham Chetty: I can explain it to you once more because it is a very serious point. My Honourable friend says in his speech that in future he feels confident there will be a surplus and he gives as one of his reasons for his belief the fact that there would be a substantial saving in the interest on deadweight debt. My point is this. In the past there has been a substantial saving in the interest on deadweight debt because there have been surpluses and these surpluses he has utilised in increasing the productive enterprises. Therefore, the savings in interest were a result of the surpluses and the surpluses were not a result of the savings in interest. I hope my Honourable friend the Finance Member has understood my point.

The Honourable Sir Basil Blackett: No.

Mr. R. K. Shanmukham Chetty: Then I pity him. I am afraid I cannot make myself more intelligible than this.

Mr. Gaya Prasad Singh (Muzaffarpur cum Champaran: Non-Muhamadan): Give him one more chance.

Mr. R. K. Shanmukham Chetty: This is *suggestio falsi*. It suggests as the effect what is the cause. Surpluses are the cause of the reduction of interest and not the effect.

The Honourable Sir Basil Blackett: What is the cause of the surplus?

Mr. R. K. Shanmukham Chetty: Heavy taxation. I am going presently to prove how you got your surpluses. As I stated the only way by which you can reduce your unproductive debt is to lay aside a sinking fund for the purpose and pay off the unproductive debt.

Mr. M. A. Jinnah (Bombay City: Muhammadan Urban): It does not require brains to produce a surplus. You have to tax.

Mr. R. K. Shanmukham Chetty: In this connection I would just like to make an observation on the way in which the accounts of the Government are kept in this respect. So far as I have been able to understand the Finance and Revenue Accounts, the Government of India do not keep a separate account of their unproductive debt. They keep an account which shows the total volume of their debt and they have got another account which shows the various items of productive enterprise in which their debts are being utilised. Now from year to year they deduct from their total debt the amount of debt they have invested in productive enterprise and whatever balance remains is called unproductive debt. I submit that is not the proper way of maintaining accounts.

The Honourable Sir Basil Blackett: Why?

Mr. R. K. Shanmukham Chetty: That does not enable this House to appreciate the real position of the Government of India with regard to unproductive debt. What ought to be done is this. A separate account must be maintained for unproductive debt and the amount that you set apart for sinking fund and the amount that you get by your realised surpluses must be utilised in purchasing off securities and cancelling them. That is the only way of reducing unproductive debt.

The Honourable Sir Basil Blackett: Why?

Mr. R. K. Shanmukham Chetty: What is the other legitimate source that you have got for reducing unproductive debt. You are not going to utilise the railway depreciation fund to write off your unproductive debt. You are not going to utilise the reduction in cash balances to wipe off your unproductive debt. Surely that does not mean wiping off unproductive debt. I therefore maintain, Sir, that the way in which the debt position has been presented is, to say the least, absolutely misleading.

My Honourable friend has taken some credit for bringing about surpluses. I think it was in the International Financial Conference in Brussels in 1920 that a Resolution was passed to the effect that the country which accepts the policy of budget deficits is treading the slippery paths which lead to general ruin, and that to escape from that path no sacrifice is too great. I do not know if my Honourable friend the Finance Member was present at the International Financial Conference at Brussels, but certainly he has tried his utmost to put in practice this Resolution and he has brought about surpluses. That he has brought about surpluses there is no dispute about, because the budget figures show that he has brought about surpluses. But, Sir, surpluses by themselves are not an indication either of financial soundness or of national prosperity. It all depends upon how the surpluses have been brought about. If the surpluses are brought about by maintaining a high level of taxation, surely those surpluses will not indicate that there has been sound finance or national prosperity. It has been pointed out very often that since the War additional taxation to the extent of 45 crores of rupees has been imposed. I am not taking into account the temporary doubling of the salt tax and things like that. There has been a permanent addition to our tax burden of 45 crores of rupees and what is the relief in taxation that we got during the régime of the Honourable the Finance Member? Cotton excise duty, 175 lakhs, stamp duty on cheques, 7 lakhs, reduction of import duty on motor cars and tyres, 10 lakhs, abolition of duty on mill stores and machinery, 85 lakhs, reduction of petrol duty from 8½ annas to 6 annas, abolition of the export duty on tea which is counterbalanced by income-tax on tea companies. Well, Sir, I put it to the House whether there has been any substantial relief to the tax-payer during the last five years? The high level of taxation which was justified by war conditions and by the upsetting of the economic conditions of the world as a result of the War has not yet been reduced. My Honourable friend the Finance Member is himself conscious of this. There is in his speech a tone of regret in the last paragraph. Speaking about his successors he says:

"They will be free to turn their minds on the one hand to new directions in which money can be usefully laid out for India's advancement and on the other hand to the readjustment of the burden of taxation and to those reductions of taxation so welcome to tax gatherer and tax-payer alike which apart from some minor cases and with the one big exception of the cotton excise duty have been beyond our reach in my term of office."

The Honourable the Finance Member has therefore been conscious of the fact that during his tenure of office he has not been able to give any substantial relief to the tax-payer and that the level of taxation maintained is still a level which is justified only by abnormal conditions due to the War. I therefore maintain that the Finance Member should not take too much credit for having brought about an era of surpluses. The whole financial position has been beautifully summarised in a leading article in the *Pioneer*:

"The Finance Member is deserving of congratulations for his personal gifts manifested in administrative and financial clarity but it will be generally regretted that after five successive budgets there is no evidence of a wide vision to offer the tax-payer any relief."

That, Sir, puts the whole position in a nutshell and that is a very fair presentation of the case and a fair judgment on the stewardship of the Honourable Sir Basil Blackett of the finances of the country for the last five years.

Sir Purshotamdas Thakurdas (Indian Merchants' Chamber, Indian Commerce): Sir, the Honourable the Finance Member claims that this is a Budget which both the Government and the country can view with pleasure. I think he would have found many of us agree with him if he had said that this is a Budget which the country can view without exasperation. The only reason why the country should view this Budget with equanimity is that there is no new taxation proposed and that the provinces welcome the final extinction of provincial contributions. The first is of course a negative consolation and the second is certainly a relief. I submit, however, that as far as provincial contributions are concerned we had come to a point where the Government of India would have found it difficult to get contributions from the provinces even if they had insisted upon it. At least two major provinces have deficit Budgets in spite of the remission and as far as the others are concerned some at least have had to suspend their allotment for famine insurance in order either to balance their Budgets or to show a small surplus.

I feel that as far as the provinces are concerned, there is nothing which can be said to be on the prosperous side there. Since 1921 practically every one of the provinces has had to add to its taxation. The increase in stamp duty and the introduction of the amusements tax, to name only two of the taxes which are general in most of the provinces, have been added to the war-period taxation, and as far as relief from taxation is concerned, I at any rate have still to learn that any province, even prosperous Punjab, has received any relief at all. The Honourable the Finance Member asked my friend, Mr. Shanmukham Chetty, what is the cause of his surpluses? The cause of surpluses, Sir, in the Government of India Budget can surely be said without any fear of challenge to be this: that taxation is at the same level as during the war-period, nay, has been increased in the post-war period whilst every other country which had anything like the solvency of India when the war was over has given a substantial reduction in taxation. If prices of commodities have fallen, and if the pay of your services—and the major part of the services, Sir, is subordinate—is lower, could anybody have helped surpluses, with the same range of taxation? What is the good of asking, what is the reason of surpluses? I will not refer to the adventitious gain that the Finance Member's Budget got from the change in the ratio. I leave that on one side. Even with the heavy fall in prices since 1920, if

[Sir Purshotamdas Thakurdas.]

you retain your taxation at the same level as during the war-period, is it any good asking us to tell you what was the cause of your surpluses?

As far as the Central Government is concerned, Sir Basil Blackett himself has confessed that with the exception of the cotton excise duty, a reduction in taxation has been beyond the range of his term of office. I would like at once to again mark my sense of relief at, and appreciation of, the efforts of both the Government of India and of the Legislature in recognizing the unwarranted nature of the cotton excise duty and for the relief the cotton industry got from it as early as the Government could see their way to do so. But nobody can claim—indeed I have not heard anybody say—that this reduction in taxation has been premature or has put the industry on velvet. Even with this reduction of taxation, Sir, that industry, the cotton industry of India, the first and the foremost of the national industries in India is to-day, to say the least of it, in a most perilous condition. The Honourable the Finance Member very discreetly omitted any reference to the condition of industries in India. Every country in Europe, a review of whose prosperity and financial condition one reads in recognized financial papers in the West, judges its Budget or its prosperity from—what? From the condition of industries there,—certainly from its exports—most of them are countries which export manufactured articles—and from the prosperity of their people. Regarding the prosperity of the people of India I do not know what index will be accepted by the Finance Member: but if income-tax does in the slightest degree reflect it, there is an admission that the figure anticipated by the Finance Member this year has not been reached. In full hope, however, the Finance Member budgets for a higher figure next year. Let us all hope that it will be realized. But if he has to learn from past experience and from facts as we see them to-day, there is no doubt in my mind that he is leaving a rather bad legacy to his successor in this matter. Sir, the question of the purchasing power of the masses is again one which the Finance Member discreetly omits reference to. The importers complain that they find a very indifferent market, if any, for their wares. The local manufacturers find that, as far as their manufactures are concerned, they cannot move them. What, Sir, is the reason of all this,—after having five or six successive good agricultural seasons in India? Can it be anything else, except that the purchasing power of the masses has been shattered by the currency policy followed in the last three years? And to say that that policy deserves the congratulations of this House to my mind, Sir, only bespeaks the ignorance of those who make such remarks.

The Finance Member says that “a noticeable feature of the trade returns for 1927-28 is the reduction in the net imports of treasure by 6½ crores in the first ten months of the current year.” I am quoting from paragraph 3 of the Honourable Member’s speech. When I read this or rather heard this on the 29th of last month I felt a little amused. The one charge against India, Sir, all over Europe has been that whenever India has a prosperous year India imports silver and gold. Does the Finance Member think that during the last 12 months this tendency of the Indian masses has undergone a change for the better owing to the preachings of the Finance Member? Or is it due to his policy that India has not imported gold and silver but has imported something else? Surely, Sir, the Finance Member and his supporters will not claim that the masses of India are liable to learn things during the short period of ten months or a year. The

correct inference, Sir, is, not that the masses are prospering: if anybody is prospering, it is the upper classes: for these latter do not import gold and silver,—they import diamonds and motor cars. I admit the reduction in net imports of treasure is a sign which must not be overlooked. Whenever India has had prosperous years as far as its agricultural masses are concerned, India imported gold and silver. I do not approve of that, I am painfully aware of the distress that this tendency of the masses brought on to India by their importing treasure to the extent of 78 crores in the year 1923-24. This frightened England and led her to devise the policy of keeping India away from gold,—which is the basis of the currency reserve of every country in the world barring India. Whilst I am painfully aware of all this, I only wish to point out that the inference which the Finance Member wishes to be drawn is unwarranted and is thoroughly misleading.

Sir, the two prominent features of this Budget have been referred to with due emphasis and, if I may say so, with fair accuracy by the two previous speakers,—I mean my Honourable friends, Mr. Birla and Mr. Shanmukham Chetty. I do not wish to repeat the details. I wish, however, to supplement what they said by one or two further remarks which I think will make the picture more clear and fuller. The uncovered liability in respect of the Post Office cash certificates and of the five per cent. premium on the 1928 bonds is called by the Finance Member as a bonus in one of the later paragraphs of his speech, that is paragraph 28. In an earlier paragraph (paragraph 24) the Finance Member, however, does admit that it is in the nature of deferred interest. If the 5 per cent. premium on the 1928 bonds and the discount which the Government of India allow when a man buys a Post Office cash certificate are both in the nature of deferred interest, may I ask how he was justified, or rather how his Department was justified in overlooking provision for this deferred interest in previous years? I submit—and the inference cannot be challenged, it certainly is not unfair—that this may have been kept back in order to get through the measure which Government wanted to get through last year. We are this year taken into confidence, the result being an unfortunate legacy is left for the successor of Sir Basil Blackett and for the future Assemblies, at least during the next three or four years, who will have to provide for these amounts in future Budgets. Sir, in legal parlance anything like this happening in the budgets or balance sheets of commercial concerns would have been called "fraudulent". I do not wish, however, to challenge the *bond fides* of the Finance Member. He has from the very start when he assumed office arrogated to himself the privilege of doing things as suited him and not as they should have been done by convention and by custom recognised all over the world. He has been perfectly frank about it. Whenever it suited him, he said that all discount must be written-off in one year. My friend Mr. Birla gave an instance of it yesterday. When it does not suit him, he asks us to follow a slower policy, steadier policy, of spreading a liability over a period of 5, 10 or 60 years. Sir, he has overlooked the liability that has to be met within the next year or two and he has faced us to-day, Sir, on the eve of his departure with a liability of 5½ crores—to say nothing of a bigger liability. Should there be a financial crisis next year and people present their Post Office cash certificates to be discounted in a larger measure than my Honourable friend counts upon, the net liability for interest accrued is greater. We are, however, only talking of foreseen things and not unforeseen when we refer to the figure of Rs. 54 crores, and

[Sir Purshotamdas Thakurdas.]

this neglect, Sir, is not one which could be allowed to be passed in this House without the severest condemnation.

Regarding, Sir, the other question of the reduction of debt, my Honourable friend Mr. Shanmukham Chetty has dealt with it fairly fully. All that I wish to point out in addition to what my Honourable friend has said is that in conversion of the English debt from sterling into rupees there is a gap of at least 57 crores of rupees due to the appreciation of the rupee from 1s. 4d. to 1s. 6d.; and my Honourable friend has taken—whether he should have or not I am not expressing an opinion on, I am only drawing attention to it—has taken full credit for 57 crores against the unproductive debt. Sir, a further pushing up of the rupee to 1s. 8d., and then to 1s. 10d. will perhaps show a credit balance for your unproductive debt. I venture to ask how is this a policy which can earn anything like approval—leave aside, Sir, congratulation—from this side of the House? If you really wanted to credit 12½ per cent. unearned increment which you got at the expense of the tax-payer and the agriculturist of India, the fairest thing would be to spread it over the two branches of your debt, productive and unproductive. Is it contended in all seriousness that the assets against the whole of the productive debt will remain at exactly the same figure despite the appreciated rupee and that your dead assets of unproductive debt alone should have credit for it? Sir, one does not wish to use any expression which may be said to be severe, but this at any rate is to my mind jugglery of the highest order.

To point out that the unproductive debt has gone down from 254 crores to 178 crores, or rather from 260 crores on the 31st March 1924 to 178 crores at which the Honourable the Finance Member puts it on the 31st March 1928, that during a period of four years, the unproductive debt has gone down by 81 crores,—if that, Sir, was correct, accurate or even understandable, I submit, we certainly would congratulate the country and the Honourable the Finance Member on it. Look at the items, Sir, which the Honourable the Finance Member appears to have taken credit for in this. I understood that he accepted as correct the various items which my Honourable friend Mr. Shanmukham Chetty mentioned. One of these, Sir, is the railway reserve fund and depreciation fund. Sir, how do these funds belong to the Government of India, I venture to ask. It makes me almost shudder. Does the Finance Member—(Laughter from the Official Benches) it will make you shudder very shortly—claim these funds as the property of the Government of India in the Finance Department? Or do they hold these funds in trust for the Railway Department? Do you really want us to renew the Railway Budget convention, the separation of the Railway Budget? By what stretch of imagination do you look upon this as money which goes to reduction of debt? Is it your intention never to spend anything out of this money? Have you only trapped the Assembly by saying "Set this aside and you can have it for the Railways whenever you like." I ask my Honourable friend Sir George Rainy to be cautious, to beware, and not to agree to this item appearing in reduction of debt. I know, Sir, that the country will not agree; we on this side will not think of renewing the separation of the Railway Budget if the railway reserve to the extent of 20 crores are to be taken against reduction of unproductive debt. Sir, the Finance Member and the Finance Department of the Government of India, in fact I would say the Governor General in Council, are the trustees for

these two runds. They cannot touch them without our sanction and to use them for the reduction of unproductive debt is to say the least of it most misleading and thoroughly unjustified. Take, Sir, the other figure of 24 crores from the cash balance which has been taken against this. The credit for this might have gone to the Finance Member who left such a substantial sum of 24 crores more in 1923 than what the Honourable Member chooses to leave to-day. All that can be conceded is that the loss of interest on the cash since 1923 is smaller owing to smaller cash in hand.

Sir, many have been the congratulations, either wholehearted or halting, which have been sought to be given to the Finance Member. (An Honourable Member: "Mostly diplomatic".) Call them whatever you like; you heard them; I am not going to qualify them any further. Sir, many have these been. If there is anybody either within this House or outside, who thinks that owing to difference of opinion between the Finance Member and Members on this side of the House, we, or any one of us,—and I have had the largest difference of opinion with the Finance Member—are withholding our tribute to him if he deserves one, he is greatly mistaken. (Hear, hear.) Those who work in public life are destined to differ from each other. Few of us, Sir, carry that difference of opinion into private life and few would there be who would deny a just tribute, especially on the eve of a Member's departure, if we felt that he either had earned it or deserved it. (Hear, hear.) If, therefore, we on this side cannot join the others who throw bouquets, garlands and what not, at the Finance Member since yesterday, all that I can say (*The Honourable Sir Basil Blackett*: "And suit cases".)—I may refer to that when the police court case is over, let us not talk of the suit case to-day—I would only say that nothing can qualify a Member of Government for appreciation or approval from this side of the House unless he has shown full desire and ability to serve India's true interests in his particular sphere of activities.

12 Noon. My Honourable friend over there, Father Christmas as he is called by his pet name, talked of the many social qualities of Sir Basil Blackett. Sir, this Assembly is not the place where judgment can or should be passed as based on a retiring Member's social qualities. If we felt in the slightest degree that we could join in that chorus, wholehearted or halfhearted as it is, none of us would hold back from it for a single minute. We are convinced—and I hope I am reflecting the feelings of my friends on this side of the House when I say this—that the policy that Sir Basil Blackett has followed, although it has shown surplus Budgets at the expense of the tax-payer, has almost strained the tax-paying capacity of the people and of the masses. I will not refer to any other policy of the Finance Member's Department. We see nothing good in this at least as far as the interests of our country are concerned. All that I will say is that the Finance Member had a capital opportunity of serving India, but unfortunately for him and for us in India either he was not free to follow the correct policy or he chose not to follow it. The regret is ours and should be his too.

Sir Victor Sassoon (Bombay Millowners' Association: Indian Commerce): Sir, I do not think that any one in this House will controvert the point made by my Honourable friend Colonel Crawford yesterday when he said that the standing army in this country was an insurance, and the House cannot fail to agree with me on the self-evident proposition that it is not much use paying an insurance premium unless you are quite certain that,

[Sir Victor Sassoon.]

if there is a fire, the loss will be met. In army matters I do not pretend to be an expert. I have, in fact, no technical knowledge of any description, but in matters pertaining to aviation I have some small experience and I do attempt to keep up-to-date. I do not know whether this House is aware of the fact that beyond our frontiers there are aeroplanes capable of raiding our northern towns, bombing them and then returning to their bases. That is fact number one. Nor do I know whether the House is aware that the best defence against raiding aircraft is to bomb their bases and that there is not at the present time in India one single squadron able to carry a full load of bombs over the intervening mountain ranges and carry out this offensive operation which is the best form of defence. That is fact number two. Sir, I feel that it must be admitted that this is a very serious state of affairs and I should be failing in my duty if I did not urge His Excellency the Commander-in-Chief not only to insist that the two new squadrons which we are going to receive should be armed with the latest and most up-to-date equipment but, that at any rate a start should be made to re-equip and to re-arm our existing squadrons.

Sir, I propose now in the short time at my disposal to take up that side of the Government activities which is concerned with the collection of taxes. The objections that are widely felt by a number of Members of this House and a number of citizens outside it to giving wider powers to the revenue authorities would, in my opinion, be largely met if the administration of the law were carried out in the spirit of the Honourable the Finance Member's speech the other day on the amending Income-tax Bill that was before the House. And it would be churlish on my part not to give him full credit for his obvious desire on that day to meet the criticisms of his opponents. Unfortunately, of late, at any rate the Department has shown itself, in my opinion, too prone to take the fullest advantage of its legal powers under the existing Act and too prone to ignore or, at any rate, to gloss over pledges that have been given either on the floor of this House or in Select Committees by various Finance Members. One has only to read the rules and instructions in the Manual of Income-tax to see how these pledges have been put into effect and one has only to examine the claims made by the Department to realise that these rules and instructions are not always carried out. I need hardly remind the House that where the Department chooses to base its claims on the strict letter of the law it is not permissible to bring forward in defence the rules or instructions contained in that Manual. If we look at the receipts from income and super-tax and the cost of collection for the past years—and I have here a statement which shows this from 1920 onwards—one cannot but be struck by the fact that in 1920 over 23 crores of revenue were collected at a cost of Rs. 15,27,000, whereas in the Budget under review we are budgeting for Rs. 16,99,00,000 at a cost of Rs. 65,84,000. Therefore, in eight years the cost of collection has almost quadrupled itself. The fact that the receipts are down, of course depends very largely on questions which have nothing to do with the cost of collection. That must be admitted. They have to do with the prosperity of the country. (Mr. B. Das made an inaudible interruption.) It may be said that had it not been for increased expenditure on the collection the dropping of the receipts would have been even larger than it has been. But I should like here to interject, and this

will probably meet the interruption of my friend Mr. Das, that although we have been told that the prosperity of the country has not decreased in the last few years, we do know that the revenue in the last three years, in spite of its intensive collection, has fallen in 1927 to Rs. 15,64,00,000 from Rs. 16,01,48,253 in 1925. This will show that increased imports and exports do not necessarily mean increased profits or increased prosperity. I do not think that anyone in this House would consider himself anything but justified in sanctioning the increased expenditure necessary to increase the efficiency of tax collection, but I do suggest that we should watch this item very jealously and should not allow the plea for increased efficiency to result in undue and unnecessary harassment of the tax-payer. The House will remember that I brought to its notice the other day the case of a foreign manufacturer who was shipping his products to this country at a loss, a fact which was known to the business men in Bombay, and at the same time the Department endeavoured to collect income-tax from him on the proportion of his profits in his own country. I understand that that demand has now been dropped, but my point is that that demand should not have been made. There is a further example where the revenue authorities have gone beyond their scope. In Ahmedabad the revenue authorities had to investigate the spending of money from a Trust and the House knows that trust funds are not susceptible to assessment for income-tax. They not only asked for proof that this particular trust was in a position to give education to the people of this country but they sent for the individual teachers and cross-examined them as to what tuition they gave and set themselves up as judges as to whether that tuition was satisfactory. I do not consider that that is a duty of the revenue official. Should gentlemen of means in this country, of—shall we say—rather more than pink tendencies, choose to put a fund into trust for the purpose of teaching this country to manufacture and throw bombs at the Government—although I would be the first to ask my Honourable friend Mr. Crerar to deal with the matter in a drastic fashion—I do not consider that it is within the province of the Revenue Department to decide whether those funds should be subjected to income-tax, because the education offered was not advantageous to the State. I go further and say that if their time is so little occupied that they can carry on these duties of the Home Department, that should surely be an argument against increasing the staff. The point I am making is that we have a number of enquiries and assessments made which either result in favour of the assessee or get dropped, and there is manifold proof that a large number of them are unnecessary enquiries and should never have taken place. They result in interference with the normal activities of the business man. They make him spend an unnecessary amount of time at the offices of the authorities explaining points, instead of devoting his attention to his own business. They result in a loss of time, custom and profit, and a loss of taxes to the country. And all these activities—and here we come to the kernel of the matter—all these unnecessary activities are used as a basis for justifying the demand for increasing the establishment. The more they harry the citizen, the more work these enquiries cause, and the bigger the consequential need for expansion. Increase of establishment leads to a request for higher status, increased emoluments for senior officers, and thus we get increased Demands under the head of "Collection of Taxes". Even if we were to take years nearer than 1920, we find that in 1924 the total cost of collection was 62 lakhs, in 1925 it was

[Sir Victor Sassoon.]

reduced to 66.37 lakhs, in 1926 it was reduced to 58.71 lakhs, and in 1927 it rises to 61.75 lakhs, and this year we have an increase to 65.84 lakhs, in votable expenditure alone, an increase of 4 lakhs over last year.

Sir, I feel that the time has come when the Government should institute a departmental enquiry and investigate in what direction the activities of the Department should be developed, and in what directions they should be discouraged and, perhaps, suppressed. I feel convinced that if this committee carried out its work properly the cost would be more than made up by the decreased estimates under these heads in our Financial Budget. I think the Department should be instructed not to treat the average tax-payer as if he was a criminal only out of jail because he was clever enough not to be found out. I feel that they should be instructed to develop a feeling of mutual toleration and reciprocal respect between tax-payer and tax collector. As it is, I say, we have them harassing the tax-payer. We have the Income-tax Amending Bills brought before us, which are usually unintelligent in conception and unequal in application, but all adding to the powers of the Department and so also to their opportunities of increasing their inquisitorial methods. And so things will go on until we reach the conditions which prevail in England, whereby retired revenue authorities earn very large incomes largely in excess of what they earned in their State appointments by starting bureaux of income-tax recoveries, whereby they assist the tax-payer against the rapacious and unreasonable demands of their erstwhile colleagues, in return for a percentage on the amounts recovered!

One more point, Sir. The Government have been rightly given powers to insist on payment of assessment pending an appeal. These powers are necessary in case, if the appeal fails, the assessee does not pay the amount. In the past these powers have been very sparingly used. But lately there has been an increased tendency to ask for assessments to be paid pending appeal. What is the result of this? It is true that if the assessee wins his appeal the amount is repaid to him with interest at the bank rate. But when the assessee is a merchant, which is usually the case, the merchant expects to earn a larger rate of interest than the bank rate, and either he has to use some of his working capital to pay this amount, or to borrow the money at a rate higher than the bank rate, and thus lose the difference between the rate he pays and the interest he receives. At the same time you have the Government suffering under this system of forced loans, because Government is borrowing this money at the bank rate, whereas under the system of treasury bills it could finance itself much more cheaply. In this connection I would like to make the following suggestion, namely, that in such cases rules should be made allowing the assessee to put up suitable security, or he might be allowed to furnish a guarantee from an approved bank. In this manner the assessee would not be unduly penalised, and at the same time the Government would not pay for these loans a higher rate of interest than it would do in normal circumstances.

His Excellency the Commander-in-Chief: Sir, with regard to the matter of Army expenditure, though I have mentioned this subject fairly fully in Budget debates in this House both last year and the previous year, yet I feel it incumbent on me again to mention somewhat fully

certain facts and aspects concerning it which, I think, are not always fully understood. I find also that the recommendations of the Inchcape Committee are frequently misquoted, especially by critics of Army expenditure, and I should therefore like to quote verbatim part of the paragraph in this report regarding which there is generally so much misapprehension. After suggesting that the net Budget for 1923-24 should be fixed at Rs. 57.75 crores, and that the adoption of their recommendations would enable the estimates in subsequent years to be reduced to Rs. 57 crores, the Committee went on to say:

"We do not, however, consider that the Government of India should be satisfied with a military budget of Rs. 57 crores, and we recommend that a close watch be kept on the details of military expenditure with the object of bringing about a progressive reduction in the future. Should a further fall in prices take place, we consider that it may be possible, after a few years, to reduce the military budget to a sum not exceeding Rs. 50 crores, although the Commander-in-Chief does not subscribe to this opinion."

In this connection, I should mention that, with the exception of a slight temporary rise in 1925-26, there has been a further progressive reduction in the estimates.

I would also mention that, since the Inchcape Committee reported, it has been decided to charge the Army with the cost of certain services rendered by other Government Departments which previously were given free:

		Lakhs of Rupees.
Payments to the Telegraph Department for care of Army Stores		30
Customs duty		32.25
Printing and Stationery		13.00
Payments from the Compassionate Fund to personnel employed in the Military Department		09
Total		45.64

The House will have noticed that Lord Inchcape's suggestion was that, if prices fell, the cost of the Army in India might be reduced to Rs. 50 crores, *i.e.*, a reduction of Rs. 7 crores below the figure he accepted as the normal budget. But Honourable Members who have analysed the Military Budget will have noticed that the total annual expenditure on stores amounts to Rs. 11 crores only; therefore, even if there were a large fall in prices, it is evident that a cut of the magnitude anticipated by the Committee could not be realised—while as a matter of fact the prices of staple food grains, which mainly affect the budget, far from falling have in general actually risen. To quote figures:

Wheat, in 1922-23 was Rs. 5-15-0 per 100-lbs. It is now Rs. 6-5-0;

Barley, which was Rs. 3-15-0, is now Rs. 4-6-0;

Gram, which was Rs. 4-11-0, is now Rs. 5-0-0;

Dal, which was Rs. 6-4-0, is now Rs. 6-12-0.

The only commodity on which there has been a decided reduction in price is ghi, which has fallen from Rs. 98-5-0 to Rs. 83; but I must mention the fact that this fall in price is not due so much to a reduction in the market price as to better arrangements that we have been able to make by the central purchase of this commodity.

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

I cannot but think that, if the Inchcape Committee had been in possession of the above facts, they would not have made the suggestion they did, and when the House has heard them, I think it will agree that it must be impossible to look for any substantial reduction of expenditure in this respect; while it must be equally impracticable to look for a reduction in pay charges sufficient to enable us to reach the figure of the Retrenchment Committee's pious hope. As these two heads account for Rs. 31 crores out of total amount of Rs. 48 crores spent on the Standing Army, it must be improbable that, however strict a watch we may keep on expenditure, a further progressive reduction on any appreciable scale can be expected. Indeed, we are at present going short both in personnel and equipment of many things which we regard as essential requirements—and which we have to try to get right gradually by such economies as we are able to effect.

I have noticed, too, that recent criticism of the scale of Army expenditure in India suggests that there is an idea prevalent that the *whole* of this expenditure is unproductive, and also that it contributes largely to the drain of money from India to the United Kingdom. It is true that in India, as in other countries, the expenditure on defence services must be regarded primarily as a payment in the nature of a national insurance premium, but it by no means follows that it is entirely unproductive. To emphasise this point, I should like to quote a few figures.

To take first the question of the drain of money to the United Kingdom, it may be noted that, of the total gross expenditure of Rs. 56·72 crores, the amount spent in India is Rs. 43·65 crores (77 per cent.) and in the United Kingdom Rs. 13 crores (23 per cent.).

In the case of these Rs. 13 crores spent in England, India gets direct value for more than half of the expenditure in the form of stores unobtainable in India or in the shape of trained personnel; while in the case of transport charges and contributions towards His Majesty's ships, India gets a return in the form of services rendered.

I will now turn to the Indian portion, i.e., 77 per cent. of the expenditure, practically the whole of which remains in India. A certain amount of the money issued in pay is remitted to the United Kingdom, but as far as can be ascertained, this amount is not appreciable when compared with the total expenditure—in fact, I think it may be assumed that, of the Rs. 43·65 crores in the Indian portion of the estimate, Rs. 43 crores are actually spent in India.

It is of course impossible to attempt to make an analysis of the ultimate destination of the whole of the Indian expenditure. It can only be said that large numbers of persons, entirely outside the Army organization, depend for their living wholly or partly on the Army in India. In so far, however, as the destination of the money can be traced, I will mention a few items.

In the first place, substantial sums return direct into the pocket of the Central Government in the shape of taxes. The larger items are:

	Lakhs of Rupees.
Customs on imported stores	32
Income-tax on officers' pay	55
Other Central taxes, say	13
Total taxes	<hr/> 100 <hr/>

Then there are other outgoings from the Army Budget which, though they are payments for goods supplied or services rendered, appear as receipts under other heads of the Government of India's Budget:

	Lakhs of Rupees.
Rail transport charges	150
Post, Telegraphs, and Telephones	17
Printing and Stationery	13
	—
Total	180
	—

And, Sir, turning to the criticism that the Army in India is maintained at its present standard at the expense of the development of the nation-building services, I should like to point out that, so far as the Indian Army is concerned, the Army is itself a nation-building organization. (*An Honourable Member*: "Question.") I will not press this point too far, but it is clear that service in the Army teaches the virtues of courage, duty, obedience, co-operation, and good comradeship. Moreover, the Indian soldier is as a general rule better fed, better clothed, and better housed than he is in his own village—he leaves the Army infinitely better educated and a better citizen than when he entered it, and he is instrumental in promoting a higher standard of living in general. The outcry that is raised by any community when it is denied the privilege of enlistment in the Army is sufficient proof of the estimation in which the Army is held as an avenue of employment, and as a medium for maintaining or raising the status of that particular community.

Even the non-effective charges in the Indian portion of the expenditure, which amount to Rs. 3½ crores, have a directly beneficial effect on the country, both material and political. Most of the pensions go back directly into the land, and, to use the negative argument again, the value attached to them, small as the individual payments may be, is shown by the discontent when anything goes wrong with the system of distribution.

And apart from the general nation-building effect of service in the Indian Army on the people, I am sure the House will be interested to hear that the Army Estimates include large sums which are expended on directly nation-building services, *e.g.*,—

	Lakhs of Rupees.
General education (excluding the higher military training of officers)	38
Sanitation	17
Administration of Cantonments	8
Anti-malarial measures	2
	—
Total	65
	—

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

In addition there are Departments which, though they are organized primarily to provide for the needs of the Army, have a definitely nation-building influence. Among these I may mention :

Remount Department, and Grass and Dairy Farms.

The first-named has raised, and continues to raise, the standard of horse and mule breeding in India by maintaining horse and donkey stallions, and by the grant of concessions to private persons on condition of the production of animals of a certain standard; while the two latter Departments have done a very great deal to raise, respectively, the standard of fodder crops and dairy produce.

In the industrial world, too, I can claim that the Army plays an important part. The introduction of modern machinery and methods in factories and other manufacturing concerns helps to raise the general standard of production, and this improvement is also promoted directly by the strict inspection of goods purchased from private manufacturers. We are also, on a small scale, giving direct help to the development of Indian industry by the grant of subsidies to enable manufacturers to start the production of commodities which have not hitherto been obtainable in India up to the standard required. Further, the Army does not neglect the welfare of its labour force. In Ordnance and Clothing Factories, for instance, we are promoting thrift by the establishment of a Provident Fund, and raising the standard of efficiency by affording facilities for general and technical education; and it is hoped to do more in these directions as funds become available. We are also providing the workers with descent house accommodation.

It is impossible, as I have said, to compute the number of people who make their living out of the Army, but from what I have stated, it will be seen that the Army is a direct employer of labour on a large scale, both agricultural and industrial. I may illustrate this by the wages bill (direct payments to labour) of the following departments:

		Lakhs of Rupees.
Agricultural	Remount Department	13
	Grass Farms	16½
	Dairy Farms	5
	Ordnance and Clothing Factories	70
Industrial	Indian Army Service Corps workshops	14
	Arsenals and Depots	26
	Inspecting Staff	2½
Total		147

This account of the beneficial services which are incidentally rendered by the Army does not pretend to be exhaustive. It is based on facts as they appear in the estimates of military expenditure, and could if necessary be elaborated by the administrative authorities concerned. I am merely attempting to show that the expenditure on the Army in India is not a dead weight borne by the Indian tax-payer as an insurance against internal disorder or external aggression.

In connection with actual expenditure, I think it may perhaps be of interest to Members of this House to know that the Russian Soviet military estimates for 1926-27 were almost exactly 50 per cent. greater than those for the years 1924-25, while, as the House is aware, our Indian Military Budget has been a constantly decreasing one.

I do sincerely trust that after the House has heard this statement, it will realise that all due care is taken to administer the funds necessary for the defence of the country as economically as is possible.

The House may like to hear a few details regarding matters of policy which have occurred during the last year. It will be remembered that a mixed Indian Brigade was despatched to Shanghai in the Spring. I know Honourable Members will be glad to hear how the arrangements made for the despatch of this Brigade and the celerity achieved were fully appreciated by the Home authorities. Indeed, it seems highly probable that its timely arrival saved Shanghai from the risk of sabotage and looting. Our Indian Brigade was withdrawn from Shanghai in August. I have been able to see several of the units concerned, and am glad to be able to inform the House that not only do all our Indian ranks seem to have appreciated their time in China, but I have found that practically every man returned in the highest spirits, as every one of them confessed that he had been able to effect really good savings, which he had remitted to his home. The General Officer Commanding the Forces there has sent the most satisfactory reports on the behaviour and discipline of our troops.

From statements made in the last Session, the House is also aware that the military administration of Aden is now no longer carried out by the Government of India. Early in April the defence administration was transferred to the War Office, from whom it will shortly be transferred to the control of the Air Ministry.

There is another subject which, I think, generally interests Members, and that is the question of the mechanization of the Army. Honourable Members may perhaps have seen occasional articles finding fault with us for not going sufficiently fast with a programme for mechanization. People who hold such views are, however, apparently in ignorance of the fact that India is not yet a highly mechanized country, and we have not out here the large factories and mechanical works such as exist in England. With such factories the War Office is able to carry out mechanical experiments on a considerable scale, as many of the big firms are always prepared to undertake experiments in the manufacture of various fighting or transport vehicles; and it will probably be realised that many experiments have to be made before we can hope to arrive at really satisfactory results. We feel in this country that it is essential to go slow, and indeed what we try to do is to take advantage of the experience gained in England, both as regards their successes and failures. We are constantly experimenting on a comparatively small scale with various types of vehicles. We have not yet arrived at a completely definite conclusion, but we are hoping that a type of six-wheeled vehicles may eventually be found to solve the problem of traction over the various and difficult country where transport will be required to go. Once we are satisfied that we have definitely discovered the right pattern of tractor, we can formulate definite plans; but we have not yet arrived at this stage. When that stage is reached, however, we anticipate that we shall be able to go ahead,

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

though even then initial expenditure would compel us to go comparatively slow. The initial expenditure must, of course, be heavy in providing vehicles—in making storage arrangements for them, and for laying in the very large amount of spare parts, machinery for repairs, etc., etc. When, however, the initial expenditure has been met, we are confident that there will be a large recurring saving in the substitution of motor traction for at all events a portion of our present horse and mule transport. It must, of course, be impossible for any Army to maintain in peace the large amount of transport which is essential on mobilization. We hope, therefore, that, when we have found the right type of vehicle, it may prove itself also really useful for commercial purposes, and should this be the case, we hope to take up a scheme to subsidize all such vehicles as may be brought out to this country for use in many of the large private firms, transport companies, factories, etc. Such a scheme would seem to have great advantages from both the Army and commercial points of view, but it is impossible to say at present when it will actually mature. From what I have said, the House will realise that, while we are by no means going to sleep or neglecting this most important matter of mechanization, yet we are not committing the country to heavy expenditure without the fullest consideration of all necessary factors.

I will now turn to a subject regarding which I know the House is anxious to receive information, namely, the Sandhurst Committee Report. It will be within the memory of Members of the House that a discussion on this subject took place during the last Simla Session, when I had to inform the House that the Government had not had sufficient time to consider the recommendations made by the Committee, and, therefore, were unable to make any pronouncement regarding them. I think, too, that most of the Honourable Members present will remember the very able speech which Dr. Moonje delivered when moving his Resolution on this subject. I personally listened to his speech with the greatest interest, and realised how deeply he had considered the matter and how fully he brought out many of the dangers with which this country may be faced; and I think that probably all Members of this House realised more even than they had done before how essential it is to maintain the Army in the highest state of efficiency. I gathered that Dr. Moonje's proposal to maintain and increase that efficiency was to Indianize it at a very rapid rate, though from what he said, it struck me that what he really aimed at was to Indianize India, i.e., the whole Administration, rather than to Indianize one branch of the Public Services in this country. Since then Government have been in constant communication with His Majesty's Government, whose connection with and responsibility in this problem are so vital, and I am glad to say that we have now been able to reach unanimous conclusions regarding the question of the Indianization of the Indian Army as a whole.

There are certain general considerations which I think I may, without apology, lay before the House at the outset. There is no disagreement, in spite of what may be said in the course of political controversy, as to the object which we all seek to attain. We wish to satisfy the legitimate desire of India to see steps taken by which the Indian people may be equipped to take an increasing responsibility for their own defence. The

Government of India and His Majesty's Government have frequently given expression to this desire, but on one fundamental condition, which I think all will agree with me cannot be ignored. That condition is the factor of efficiency. The Indian Army is at present no greater than—and many would say less than—the minimum required for carrying out its appointed role. It is responsible for the external defence of India and for internal security, for the security of Indian States, as well as of British India; for we are bound by solemn treaty to provide for the defence of Indian States, and we can no more think of ignoring that obligation than His Majesty's Government could have denied the obligation to assist Belgium, to whom they were similarly bound by treaty in 1914. In the general field of external defence, the world is not so peaceful that we can afford to make less efficient an Army already reduced to the minimum, and the corollary of this is that we can admit of no lowering of the standard of efficiency. Another vital consideration which must be borne in mind is that, in any circumstances which can at present be foreseen, we shall continue to require, as the Committee themselves recognised, the best type of British officer to play his part in the Indian Army, and, whatever be the scheme which we now propose, it must have regard to the necessity of encouraging the flow of such officers into the Indian Army. With these three considerations in mind—

Firstly, recognition that a further measure of Indianization is necessary;

Secondly, that, as emphasised by the Committee, the efficiency of the Army in India must not be allowed to be diminished; and

Thirdly, as the Committee also observed, that there must be no breakdown in the supply of British recruits to the extent required,

Government have formulated proposals to achieve the end we have in view, which I will explain briefly to the House.

The Committee recommended an increase in the present number of direct vacancies at Sandhurst from 10 to 20 a year. They also recommended that Viceroy's Commissioned officers, who satisfy certain conditions, should be enabled to qualify for additional vacancies at Sandhurst. I am glad to say that His Majesty's Government have accepted both these recommendations. We propose that the number of vacancies at Sandhurst available for Viceroy's Commissioned officers should be 5, unless the number of cadet candidates for Sandhurst falls short of 20 in any one year, in which case the shortage may be made up by granting more vacancies to Viceroy's Commissioned officers, up to a maximum of 10. These proposals, it will be observed, involve a very large proportionate increase over the present number of vacancies.

In regard to the future, the Committee appended to their Report a table showing their suggested scheme for increasing the number of vacancies to be thrown open in succeeding years from 1929 to 1952, inclusive. This suggested scheme was contingent upon two events:

Firstly, that candidates of the requisite stamp and efficiency should be forthcoming in the numbers specified for each of those years; and

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

Secondly, that as time went on the scheme would have to be reconsidered, and, if necessary, revised from the standpoint of efficiency. The Committee, if I may quote their own words, said:

"We are fully alive to the fact that the progress of our scheme, as of any scheme, must be contingent upon success being secured at each stage and upon military efficiency being maintained throughout. We have given explicit recognition to the possibility that our scheme, if adopted, may itself require to be modified in the light of experience."

With these considerations in mind, the Committee recommended that in any case their scheme should be reviewed in 1938. Now, while it was possible for the Committee to put forward a time-table of expansion as a suggested scheme for Indianization in the future, it is not possible for Government to commit themselves to a progressive numerical scale of this kind before they have seen for themselves the effect of the large initial increase in the vacancies offered. Government can only say at this stage that, if advantage is taken of the opportunities offered to Indian candidates, and the initial vacancies do in time produce a constant supply of young officers of the required standard of efficiency, the question of further increasing the vacancies to meet the supply will inevitably arise. In other words, the Committee have produced a programme which it realises is liable to be corrected according as candidates come forward or not. Government, on the other hand, prefer to frame the later stages of their scheme in the light of actual experience. It must be remembered that the 10 vacancies now available to Indians annually, do not produce 10 Indian King's Commissioned officers every year. By doubling the number of vacancies for direct commissions, and adding 5 more for Viceroy's Commissioned officers, we hope, as the Committee hopes, to improve and enlarge the annual supply. When that happens, that is to say, when a steady flow of candidates of good quality and in increased numbers is assured, the question of further increasing the number of vacancies is bound to follow.

As the House is aware, Indians have up to now been ineligible to enter the Royal Military Academy, Woolwich, or the Royal Air Force College, Cranwell. The Committee recommended that 8 Indian cadets should be eligible for competition to the former, and 2 to the latter. I am pleased to be able to inform the House that the Government of India and His Majesty's Government have been able to agree to the principle that, in future, both Woolwich and Cranwell will be thrown open to our Indian cadets. It has been decided that, in the first instance, a maximum of 6 vacancies for cadets shall be offered for the Royal Military Academy, Woolwich, divided between Artillery, Engineers, and possibly Signals; and the same number will be offered in the first year for the Royal Air Force College at Cranwell. The House will see that this makes a maximum total of 37 Indian vacancies at Sandhurst, Woolwich, and Cranwell. As regards the two latter, I have had to use the words "in the first instance", as naturally the question of the numbers to be admitted as time goes on must depend upon the existence of vacancies which can be filled. As regards Woolwich, this must depend upon how many of our Indian cadets are able to qualify for Engineers or Artillery, respectively. Both are comparatively small Services for which the number of vacancies must naturally be limited, and failures for one cannot be absorbed into the other; while in the case of the Air Force, the question of the eventual numbers will have to depend upon whether we meet with success in producing numbers

sufficient to enable us to evolve a satisfactory scheme for the formation of an Indian Air Force. These points will naturally have to be dealt with later on, as experience is gained regarding the numbers who may qualify. Indians have now, for the first time in history, the opportunity of becoming officers in the Artillery, Engineer, and Air Services of the Indian military establishment, and the obligation now lies upon India to prove that her sons are fit for this great charge.

It will be remembered that the Committee recommended that cadets for Woolwich and Cranwell should be treated precisely as other cadets going up in England, as regards examination and qualifications—a recommendation which has been accepted. In this connection, I should like to say a few words regarding the Sandhurst examination. I think the House is generally aware of the comparatively high percentage of Indian boys who pass into Sandhurst by the examination test held in this country, and then fail either in the retention tests while at Sandhurst or to pass out into the Indian Army. This may be due partly to a natural tendency on the part of the selecting authorities in India to pass a boy who has the smallest chance of getting through his subsequent examinations and passing out of Sandhurst. I know that I have felt this tendency at times myself. But I think that the subsequent failures are really due to the fact that, while the retention and passing out tests are identical for British and Indian cadets, the entrance examinations are different in character. As I stated when speaking on this subject in Simla, I regard it as a real unkindness to send a boy to Sandhurst unless there is a reasonable hope that, as regards educational and other qualifications, he will be on a par with the other cadets with whom he has to associate. If a cadet is unable to pass out of Sandhurst owing to his general low educational qualifications, it means that he will have wasted a year or eighteen months there which he might well have spent preparing himself for some other profession.

We therefore propose that our Indian boys should in future be examined, as far as possible, by the same tests as English boys at Home, making due allowance for difference in language and general knowledge. I should like to make it clear that our Indian boys will not be competing with British boys; they will compete among themselves, but the tests will, as nearly as possible, be the same as those undergone by British boys. We intend that the actual papers set for the Sandhurst examination shall be sent out to this country, and simultaneous examinations held in England and in India. If time permits, the papers from here will be sent to England to be marked by those who set them; but if there is not sufficient time, between the date of publishing the results and the date on which boys have to join at Sandhurst, to enable Indian boys to get their kit together and make their arrangements for the journey, then we propose that the papers sent from England shall be marked in this country by our Public Service Commissioners. We further propose that the Public Service Commissioners should in any case set and mark certain papers for Indian candidates, to take the place of some papers in the Home examination which are not altogether suitable and in which our boys might be somewhat at a disadvantage. There will probably be a special general knowledge paper suited to Indian education, outlook, and experience; and possibly also an Indian history paper in place of the existing modern history paper which deals mainly with European history; we also intend that there shall be papers in

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

Persian, Sanskrit, Urdu, or Hindi, to be taken as optional subjects instead of Latin, Greek, French or German, etc. There are other minor points regarding which it will be unnecessary for me to go into detail here. I would only mention that approval has been given to the nomination of an Indian non-official gentleman by the Viceroy—as recommended by the Committee—to form part of the Oral Examination Board before which the cadets appear. It has also been decided that the local civil authorities, e.g., the Collector or Commissioner, shall not have the power of turning down a candidate before he reaches the examination stage.

I should like now to say something as to the method proposed by the Sken Committee for the posting of Indian cadets to the units of the Indian Army. The Committee recommended that what is known as the eight-unit scheme should cease, and that the Indian cadet should be gazetted to any unit of the Indian Army. Although, as I have said, Government are at one with the Committee in their desire to increase the number of vacancies for Indians and are anxious to give India a wider opportunity to prove that suitable material is available, they are not convinced that the policy of posting officers as recommended by the Committee could be pursued without running a greater risk of reduced efficiency than they consider justifiable. And when the House realises the definite reason for which the Government of India at the time, on the advice of the late Lord Rawlinson, introduced the eight-unit scheme, I think it will also realise that it must be impossible to abandon it until it has had a full and fair trial. Lord Rawlinson was, I know, constantly pressed to state a date when he could say that further Indianization on a large scale could be adopted. He therefore put forward this scheme as designed to test Indians on their own merits, and the only way of carrying this out was to officer certain Regiments with Indians from Sandhurst, so that when a stage has been reached where Indians commanded Squadrons and Companies and later on Regiments, it would be possible to arrive at a definite conclusion as to whether units so commanded retained their efficiency equally with units commanded by British officers of the same standing. These reasons still hold good, and the present Government equally with the Government at that time feel that, if Indian officers were scattered all over the Indian Army, it would be impossible to obtain any criterion as to their ability to command units, to take responsibility, and generally to show themselves efficient unit commanders. I gathered that the recommendation of the Committee regarding this matter was to some extent the result of the evidence given to the Committee by young Indians who are now attached to these eight-units. On reading the evidence of these cadets, I must acknowledge that I was personally very surprised at its nature. I say this because, in the course of my inspections, I have, I think, seen all the units concerned, and have made a point of having a talk with every young officer. I mean a private talk at which I have asked the boys to tell me all about themselves—if they were quite happy with their regiments—and if they were being treated exactly and in all respects like their brother British officers; in fact to open their hearts about anything they wished to say. In only one case have I found a young officer who did not tell me that he was perfectly happy where he was. All the others spoke with the highest regard—indeed, affection—for the British officers serving in the Regiments with them; and I have invariably been assured that they were treated exactly and in every respect like the British officers of their own standing.

In the one case where I found unhappiness, it was curiously enough because the young Indian officer concerned told me that he did not get on with some of his brother Indian officers who had been gazetted to the Regiment from Sandhurst—a trouble which I hope this particular officer has since got over. I may mention that I frequently get letters from the parents of boys who are at, or just leaving Sandhurst, asking me to post their boys to units other than the eight in question, and their reasons for asking this are generally that they wish their boys to serve with British officers whom they have themselves known during their service in this country.

In this connection I should like to say how very much I deprecate the use of the word 'segregation' which somehow seems to have crept in when talking of this eight-unit scheme. I cannot myself see where segregation comes in, for the Indian officers in these units are serving side by side with British officers—British officers with whom, as I have said, they are on the best of terms; and it will be many years yet before the last British officer is eliminated from any of the eight-units. The House possibly does not understand the system, which I will very briefly explain. The officers of a Regiment are divided into what I might call roughly three categories—the Commandant, Squadron or Company Commanders, and Squadron or Company Officers. Young officers on leaving Sandhurst are posted to units as Squadron or Company officers, and gradually work their way by seniority up those lists, before coming up for consideration for promotion to Squadron or Company Commanders. It takes from about 17 to 20 years' service for an officer to come up for the appointment of Squadron or Company Commander, and about 25 years' service for the appointment of Commandant. As the senior of our Indian cadets to be posted to Indianizing units has at present only some five years' service, and as the establishment of the Regiment has to be maintained in officers up to the 25 years' service which it usually takes to get command, it will be seen that there must for many years to come be a large proportion of British officers with all these Indianizing units; and who are purposely retained in them so as to give all the help in their power in the training of young Indians to assist them to take over the Command of Squadrons and Companies when they have sufficient seniority, and later on Regimental commands. With such a system, it seems hard to realise how such a word as segregation can be applied to it.

Bearing all this in mind, Government propose to continue as at present to post the new commissioned officers to specified units, in which units the anticipated output from Sandhurst can for some years to come be absorbed in the normal way. When this is no longer possible, and we find we have available young officers who have passed out of Sandhurst in larger numbers than can be placed on the cadres of Squadron and Company officers in these 8 units, we shall be in a position to commence forming one or possibly more homogeneous units as far as its officer cadre is concerned, i.e., King's Commissioned officers replacing Viceroy's Commissioned officers, and so forming the unit on the same organization as obtains in all British units; but, as I have said, it will probably be a few years hence before the existing cadres are complete with Indian King's Commissioned officers.

There is another recommendation made by the Committee to which Government have not been able to agree, namely, the immediate formation

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

of a Sandhurst in this country. The Committee recommended that this should be established in 1933. They fixed upon this year because, according to their time-table, the number of candidates from India would by that time be large enough to justify the establishment of an Indian Military College, and also would probably be more than Sandhurst could be expected to accommodate. The Government of India cannot, however, predict that the number in question will be reached in any particular year; and they therefore cannot now fix a definite date for the inauguration of an Indian Military College.

In making their recommendations for an Indian Sandhurst, I think the Committee had in view two principal reasons:

- (1) That, with the increased numbers of Indian cadets, it would be impossible for the home Sandhurst to accommodate them; and
- (2) That it was unfair that the parents of boys going from this country should be subjected to the heavy extra expenditure involved by educating their boys in England rather than in India.

As regards the first point, as I have already informed the House, the War Office has agreed to take out 25 cadets for whom there will now be vacancies. I believe—and I think that most Members will agree with me—that there can be little doubt but that the education and experience generally to be obtained by boys at the English Sandhurst, rubbing shoulders as they do daily with British cadets, must be all to their advantage, both in the formation of character and in their general educational qualifications for taking their place, in time to come, as officers of the Army. For years past we have certainly found that English boys going to Sandhurst improve enormously during their time there as regards the formation of character and all that this means. We have also found what a very beneficial effect the Sandhurst course has had on our Indian boys; and we feel that, as long as Sandhurst can continue to take in these boys for us, it is only right that we should take advantage of the education there. It will certainly take many years before we can hope to establish in this country a College which would be able to compete in efficiency with the training to be obtained in England; and let us hope that, when that time does come, we shall have a sufficient number of our own Indian *ex*-Sandhurst cadets—and in due course *ex*-Staff College officers—to take a hand in forming any Military College which we may establish out here, and to play their part as instructors and professors at it.

Then as regards the question of expense. Knowing my Indian officers as I do, this is a point which has always appealed to me most acutely, for so many of our old Army officers have pointed out how they would like to send their sons to Sandhurst, but cannot afford to do so. I am pleased to say that Government recognise this, and have decided to meet the difficulty by giving a grant-in-aid to cadets educated at Sandhurst, Woolwich, or Cranwell, of an amount calculated to be the difference between what education would cost in such a College in this country and what the actual cost of the Home education in like circumstances is. (Applause.) I trust that this very important factor, which I personally am so very glad to see settled in this way, will meet with the approval generally of Members of this House.

Members will no doubt ask the question: "So far, so good; but what is to be the rate of further advance?" To this question the answer must be: "It depends upon Indians themselves". Until we have full experience of the results of the increase now proposed, we do not limit our discretion by detailing a fixed programme of automatic increase of these numbers. Such increase must depend, I repeat, upon results. The question of expansion of the numbers at present proposed, as of the creation of an Indian Sandhurst, will of necessity come under review when the numbers coming forward are greater than the new vacancies offered can absorb. The one essential condition will always be maintenance of the requisite standard. As I have already said, the object which we all seek to achieve is to fit Indians to undertake the defence of India. As constitutional advance progresses the question will continually be asked how far the military side of Indian Swaraj has kept pace? Government contemplates that, as India progresses towards full self-government within the Empire, there may be in process of development an Army of the same character as the Dominion armies, organized on a national basis and officered by Indians holding their own distinctive national form of commission. That is our policy of Indianization. This process of development will naturally be contingent on the success achieved in the various stages of the experiment. The way is now open for the first time for Indians to enter new branches of the Army, and to enter in greatly increased numbers. In no quarter is it desired to impose arbitrary limits to such expansion of India's military effort as events may prove to be within the reach of her capacity. The rate of progress in these matters, depending as it does so vitally upon the human element, cannot be the subject of an automatic time-table; but Government has now, I venture to think for the first time, laid down the lines of a policy which affords the best means of reconciling the legitimate desires of those who speak for India with the necessity of maintaining at every stage the requisite strength of our defence forces. (Applause.)

After hearing what I have said, I hope the House will be able to agree that all consideration and sympathy has been shown in meeting Indian aspirations. I feel I should apologise for having detained the House so long, and I will only add a very few words. I think Members of the House among whom are many old friends, know that the Indian Army has been my home for well over the last 40 years, and my love for it is entirely wholehearted. (Applause.) I yield to none in my affection for it—in my pride for its great traditions and wonderful past record—and in my jealousy to ensure that its future and efficiency shall be safeguarded. This I feel would not be the case if Government were to attempt to go further at the present time than they have done in the steps taken to further Indianization, which, if forced too hurriedly, would assuredly bring disaster to this Indian Army of ours, ruin to the cause of India, and broken hearts to the many magnificent old Indian soldiers who have been my comrades, and—as they themselves know well—my best of friends, throughout my lifetime. (Applause.)

Pandit Motilal Nehru (Cities of the United Provinces: Non-Muhamadan Urban): Sir, I have listened with great attention to the long expected announcement which has just been made by His Excellency the Commander-in-Chief. I am sorry I have to confess that it leaves me cold. It is to my mind in perfect keeping with the policy to which we owe the Statutory Commission which is now doing wonders in the Madras Presidency. We know what those wonders are. It has entered into an alliance

[Pandit Motilal Nehru.]

with all the Government Publicity Departments and also with that great news agency, whose worthy representative we have in my friend, Mr. K. C. Roy, in this House. That alliance is for the purpose of throwing dust in the eyes of the world. Sir, I have not the remotest doubt in my own mind that the announcement made this morning is a further step in the same direction. But I wish to tell all whom it may concern that it will no more deceive the public than have the glowing accounts which this mutual admiration society of seven has been issuing from the Madras side. Throughout the very graphic description of the great concessions that have been made to the public demand and especially to the recommendations of the Skeen Committee, we find no real substance. The real thing which we wanted, is to be found nowhere. Now, Sir, so far as the recommendations of the Skeen Committee are concerned, I must admit that I am one of those who found little reason to enthuse over them. I had once the honour of being on that Committee, and I may say, without meaning any disrespect and with due deference to my friend Mr. Jinnah, that I felt a sense of relief at having had no hand in those recommendations when I saw them in print after my having retired from the Committee at an earlier stage.

Mr. M. A. Jinnah: What do you feel now?

Pandit Motilal Nehru: I have the same feeling now; the feeling is more enhanced than it was, because even if everything suggested by the Skeen Committee had been given effect to, even if a Sandhurst had been founded in India, we would have been where we were for some generations to come. But that was not to be. The insatiable greed of the Government for domination would not contemplate even at a remote date the contingency of India's standing on her own feet. As far as I have been able to understand His Excellency the Commander-in-Chief and the programme that he has laid before us, it is simply a case of what is usually described as Indianization, at perhaps a brisker pace than it has been in the past. Now, I may say at once that the word "Indianization" is a word that I hate from the bottom of my heart. I cannot understand that word. What do you mean by Indianizing India? I think His Excellency himself was surprised at the use of the word. The Army is ours; we have to officer our own Army; there is no question of Indianizing there. What we want is to get rid of the Europeanization of the Army (Hear, hear from the Congress Party benches.) Now, what are the chances of our doing so. No Sandhurst is to be given to India, which means a great variety of propositions. First of all, it will be said that without a Sandhurst of the precise type and of the standard of the real Sandhurst, there can be no proper military education, a proposition which I deny. The next argument is that even the ten cadets that are required for the real Sandhurst are not available. The third ground is that it must take a long time to have such an institution in India. Now, Sir, I submit that not one of these propositions is sound. So far as the dearth of men and cadets in India is concerned, I have no difficulty in saying that it is a calumny on the manhood of India to say that there is any such dearth. (Hear, hear.) During the short period that I was on the Committee, I was convinced that it was not the dearth of men but the want of inclination to get at the proper men suitable for the purpose. What did we find? There were men sent to Sandhurst who were turned back because they could not even follow the language in which the lectures were delivered. And what do we find

in this country? Thousands upon thousands of men who certainly are quite able to follow the English language, whoever the professor and whatever the strange tongue that pronounces it. But they were not to be taken. What was the greatest recommendation for selection was whether the father, grandfather or great-grandfather of the candidate had served in the Indian Army. (Laughter from the Congress Party benches). That was the chief recommendation. However, I think that part of the case will be dealt with by my friend Mr. Jinnah who was on the Committee all through and has certainly superior knowledge to my own from the material that was placed before the Committee. I base my position upon the single circumstance that you have provided nothing for the training of our men whom you can find in any numbers you like, provided you have the inclination to find them. An Indian Sandhurst is not to come into existence! What is to happen? Well, there are some more places for cadets to be thrown open at Woolwich, Cranwell and Sandhurst, and the process of what is called "Indianization" is to take its own course. Then the question formulated by His Excellency was: "Perhaps some Members would ask me—what about the future?" He raised India to the position of gods when he said: "The future is on the lap of India; it lies with India". What is poor, emasculated, helpless India to do with its teeming millions, with its thousand and thousands of capable, able-bodied and intelligent young men who are ready and willing to join the Army if they were given the chance, unless there is some means of training provided for them, unless they are admitted on their own merits and not on the merits or demerits of their fathers and grandfathers? Sir, the whole thing is that there is no intention of putting India on her feet at an early date. That is the whole truth of the matter. However sugar-coated the announcement may be, however tempting the offer of admission into Woolwich, Cranwell and Sandhurst, the fact remains that no substantive advance has been made towards giving us a national army in the sense of its being officered by Indians.

Now coming to the question of expense of founding training schools and colleges, I say that if we can afford over 50 crores of rupees every year for the normal expenses of keeping up this large army, it is sheer hypocrisy to say that we cannot afford a quarter of that amount which I have no doubt will suffice to provide military schools and colleges all over the country. In order to meet our annual requirements we must find the 50 crores, but we can find no money for these training colleges. I submit that, if His Excellency the Commander-in-Chief were really to turn his attention to the military budget, he will find in that very budget enough funds to devote to purposes of training. However, as I have said elsewhere and here, I see no sign whatever in British statesmen of a real desire to give India what by word of mouth they say they intend to give. There is no real desire, and unless there is that real desire, India cannot progress.

I was rather amused at certain parallels drawn by His Excellency. One of them was that the Soviet Budget was much larger than the Indian Budget, that it had increased by 50 per cent. I have recently been in Soviet Russia, and I know why they are increasing their military budget, at least the reason which they gave me. They are living in perpetual danger of England provoking a war with them. (Laughter from the Treasury Benches.) It is very easy to laugh, but I think many of those who laugh have not been admitted into the confidence of the War Office and know nothing about what the designs of the War Office are. What

[Pandit Motilal Nehru.]

a comparison this is. What is the army in Russia? It is a national army. It is the army of Russian peasants officered by Russians. Any amount of expenditure in face of a common danger will not be grudged. What is our army? I have not the slightest hesitation in saying that our army is a mercenary army employed by foreigners to put down their own countrymen, and to keep them under foreign heels. Surely no self-respecting nation will without compulsion contemplate such a contingency as having to pay for a mercenary army in order to remain under control by an alien Government.

Then His Excellency said that some of the Indian soldiers who were sent to China made large remittances home. That again was a very interesting piece of information to give. Where did these remittances come from? Was it the savings from their salaries, or was it loot which they were allowed to make from the poor Chinese? If it was . . .

The Honourable Sir Basil Blackett: The savings of their salaries. Sir.

Pandit Motilal Nehru: What about their savings in India then? Why should they be able to save money in China, in a foreign country and not in India?

His Excellency the Commander-in-Chief: I do not know why; but I can assure you they did save.

Pandit Motilal Nehru: I am sure they did; but probably they were let loose upon the poor Chinese who . . . (*Cries of: "Withdraw" from the Government Benches.*) I am not going to withdraw. I repeat a thousand times that our soldiers were not used . . . (*Cries of: "Order" and "Withdraw".*) You may shout yourselves hoarse. I will not withdraw. I say that our soldiers were not used for the honourable purposes for which a soldier should be used. (*Cries of: "Hear, hear" from the Congress Party Benches.*) They were used in order to humiliate the nationals of another country who wanted to assert their independence against . . .

Mr. G. M. Young (Army Secretary): You said they looted.

Pandit Motilal Nehru: You exacted from them a duty which, if they had been independent, they would have refused to perform.

The Honourable Sir Basil Blackett: Will the Honourable Member substantiate the statement that they looted and that they were ordered to loot?

Pandit Motilal Nehru: What am I to substantiate?

The Honourable Sir Basil Blackett: A lie.

Pandit Motilal Nehru: Am I to substantiate what is human nature to my learned friends over there? I say it is human nature and I repeat it a thousand times over in spite of all the noise that has been made on the other side.

The Honourable Sir Basil Blackett: I say it is a foul slander.

Pandit Motilal Nehru: Then you are so full of animal nature that you have no idea of what human nature is or ought to be. It is nothing but animal nature which prompted the sending of these troops there in spite of the protest we made in India. However, Sir, leaving that alone, it is no consolation to any Indian that his countrymen who were soldiers sent to China were able to make remittances home from China.

Then His Excellency said that we will get advanced Indianisation—that is his word again—in proportion to the advance in responsible government. Now, what are the steps that are being taken for any substantial advance in responsible government? There is the Statutory Commission; as I said, it is assiduously busy in circulating glowing accounts of its own proceedings and in suppressing the real kind of reception that they are having. And what will they do? They have now given out the procedure which they mean to follow. That is a procedure, Sir, which we of the Congress Party at any rate will not submit to for a single moment. How is responsible government to be granted to India? The Army is kept apart. The Army is no part of responsible government. There is a separate Committee to go into the question of the Indian States. They are not in India. And yet responsible government is to be granted by some miracle by this Statutory Commission to India. It is not pretended that responsible government is to be given; it is only a progressive advance that is going to be made; just as His Excellency the Commander-in-Chief has said increasing responsibility in the Army, corresponding to progressive responsibility in government

Lala Lajpat Rai (Jullunder Division: Non-Muhammadan): There is nothing to prevent them saying that we should go back on the existing reforms.

Pandit Motilal Nehru: I thought you said going back without doing anything; I am sure they will go back after doing some mischief. However, Sir, this is an age-long affair. There have been Empires before this which have done the same thing. They have ignored the lessons of history, and the British Empire is doing the same. I will not say more on this occasion but sit down after again repeating the warning that the day of reckoning is not very far.

***Mr. M. A. Jinnah:** Sir, I appreciated the words of His Excellency the Commander-in-Chief when he said that the Government appreciated the labours of the Sandhurst Committee as well as the work of the Sub-Committee, whose report and proceedings still remain suppressed and concealed by the Government, (*An Honourable Member*: "Shame"), and the only reason that we heard after repeated questions and supplementary questions on the floor of this House was that His Lordship the Secretary of State for India was pleased to direct that the report and the proceedings of the Sub-Committee should not see the light of day. His Excellency the Commander-in-Chief was particularly pleased to commend the labours of the Sub-Committee which are kept in the dark. And nobody knows anything about it. I wonder whether His Excellency the Commander-in-Chief himself knows anything about it. If his appreciation was a genuine one, then I hope it is based on the work which he knows has been done. If he does not know it, which is very likely—probably he has not seen the report himself—in that case it was a formal acknowledgment of appreciation of our labours. But whatever it may be, I would

*Speech not corrected by the Honourable Member.

[Mr. M. A. Jinnah.]

again ask His Excellency the Commander-in-Chief the same question which I asked on the last occasion when the debate took place on this subject—may I know what object you have in trying to suppress and conceal the report and the proceedings of the Sub-Committee? Can you explain to me why you want to do it?

Sir, let me pass on from that point. My friend Pandit Motilal Nehru said that he had the honour of belonging to that Committee but he left it. I think he was wise. (Laughter from the Congress Party benches). He at any rate realised that it was not worth his while to waste his time, his energies and his brains, and at some sacrifice. But, Sir, I did not follow that line, and I said "We must continue; we must produce what we consider a fair, reasonable and practicable scheme for the purpose of accelerating the Indianization of the officer ranks of the Indian Army". We were at it, Sir, for fourteen months, and the report I was happy to find, was unanimous. And what is the answer of the Government to-day? The Government has fundamentally turned down that report. It cannot be disputed. The very foundation of that report was turned down. The Report was made, Sir, on the 14th November, 1926, and to-day we are in March 1928, and His Excellency the Commander-in-Chief, representing, I suppose the Government of India after due and deliberate consideration of this report for this long period, is to-day in a position to make this pronouncement. Sir, I can only say that I most emphatically protest against this pronouncement. I say it is a travesty of the recommendations, the unanimous recommendations of the Sandhurst Committee. I say, Sir, that on this occasion it is very difficult to deal with the details of this pronouncement which the Commander-in-Chief has made. And I would therefore take the earliest opportunity, if possible at the next meeting, to move the adjournment of this House, as a vote of censure on the Government for not carrying out the recommendation of the Sandhurst Committee, which was approved by this House by an overwhelming vote. Therefore, Sir, I will reserve myself, if that occasion is possible for us.

Mr. President: You will only have 15 minutes then.

Mr. M. A. Jinnah: Now, Sir, I am not going to take up much more time, if, as I say, it is possible for us to avail ourselves of the opportunity to move an adjournment . . .

Mr. President: But that will only give you 15 minutes.

Mr. M. A. Jinnah: It may be, Sir. But as I say, I shall have 15 minutes on that occasion. And if I do not succeed again in fully dealing with this announcement which the Commander-in-Chief has made, then, Sir, according to the procedure of this House, I shall avail myself of another occasion, and that is to move either a cut or the total rejection of the military grant. (Hear, hear.) And perhaps, Sir, even if you will deal with me most strictly, I shall get another 15 minutes. Therefore, Sir, I shall avail myself of the 15 minutes that are possible now. And I say, as I started by saying, that I enter my emphatic protest against this announcement. The Commander-in-Chief, Sir, has given us a long and detailed statement. But it comes to this. He says, the 8 unit scheme must remain in operation. I think he knows as well as I do that every British

officer who gave evidence was opposed to it, and every Indian officer who gave evidence was opposed to it. And yet it is not given effect to. Why? I will give you, Sir, and this House, the only reason. The Commander-in-Chief put it in a very diplomatic manner, because he thought it will be taking a risk. What risk? Of displeasing the British officers. What risk? That the British recruitment may fail. Why? Because it is only by means of the 8 unit system that an Indian will never be the superior of a British officer. And, Sir, it cannot be denied, that that is the only method by adopting which you will maintain the position that no Indian can command a British officer. And that, Sir, is clearly given as an annexure to the Sandhurst Committee's report in an extract from a lecture. This is what the lecturer said.

"We find fifty-three Indians amongst them (subalterns) out of a total of 480. Of these fifty-three, eleven belong to Indianised units, and out of the forty-two remaining, six are over forty, and twenty-two between the ages of thirty and forty. The majority of these will take their first pension and clear out, for age precludes the possibility of their rising very high. Fourteen are left, eight of whom will not become captains till they are thirty-two years of age or over. Probably these will find that age will prevent their going very far, and of the six remaining, four will be just on thirty when they get their captaincy, and only two will get their captaincy at the age of twenty-eight. A study of the Army List leads me to the conclusion that twenty years hence only a very few Indian officers out of those now serving will be left scattered about among the 131 units of the Indian Army open to British officers to-day."

With reference to the scheme of the eight Indianised units this is what he says:

"Firstly, what are the chances of a British officer entering the Indian Army to-day having to serve under Indian officers? In considering this question, remember that the average age on becoming a captain in the Indian Army is twenty-eight, and on becoming a major, thirty-seven. The figures that I give are approximately accurate and are taken from the Indian Army List of January, 1925. In the Indian Army to-day we have seven Indian captains, of whom two are about to go. Of the remaining five, two belong to Indianised units to which British subalterns are not being posted; so, of a total of 1,583 captains in the Indian Army, there are only three Indians under whom a Britisher might be called upon to serve, and two of these, owing to their age, are not likely to be promoted beyond the rank of major. So much for the captains."

Well, Sir, in the 131 units there are a few Indians that are scattered about, of which only a very few—two or three—may get a chance of being superior officers, to the British officer, and in the eight Indian units there is no chance—it obviously stands to reason—there is no chance that a British officer can ever be under an Indian officer. Now, Sir, that is the plain meaning of it, and that risk the Commander-in-Chief says he is not prepared to take, and therefore, on this ground. His Majesty's Government, with his concurrence or the concurrence of the Government of India, have decided that this system of 8 units should continue. I ask you, "Do you think you can justify this?" If you think so, I have nothing more to say.. Then, Sir, with regard to other matters, says the Commander-in-Chief, "We are not going to say anything against the recommendation of the Sandhurst Committee and we have practically turned it down. But we are going to do this. We are going to increase the number at Sandhurst and a few little things which the Committee recommended, which are matters of detail, might be carried out." Sir, that does not take us any further at all except that you may say, "Well, you had only 10 vacancies; you will now get 25." I concede that he has increased the

[Mr. M. A. Jinnah.]

number. But, Sir, that is not really what we are aiming at. You might say that while up to now Indians were not admitted into Woolwich and Cranwell, now you get 6. That is not what we are aiming at. The Commander-in-Chief knows perfectly well, and he knows better than anybody else in this House, that what we wanted was to lay the foundation, the beginning of a Military College in India, that will establish our own traditions, that will establish a system of our own, and the sooner that is done the better. And you want that the later it is done the better. That is the real issue.

I will not detain the House further on this occasion, but I may say one word. As regards the observations that His Excellency the Commander-in-Chief made, that he agreed with Sir Victor Sassoon that the military expenditure which we were paying was an insurance premium for safety, that phrase is very attractive and it conveys various meanings. But, Sir, have I got the choice of changing the insurance office? Have I got the choice to say that I could get as much safety by paying a little less premium? (Sir Victor Sassoon: "To whom?") Not to you, but to the people of this country. What is the good of saying all that here? Here is a machine. The whole machine of yours is based, as I have repeatedly said, on the principle of a garrison in this country. His Majesty's forces are stationed in this country as a garrison, that is the principle of your insurance. I do not want a garrison to insure me, but I want a national army. So the whole principle is bad from start to finish. Of course, so long as you maintain this vicious principle, so long as this machine continues with its present constitution, with its present organisation, undoubtedly you cannot reduce the expenditure very much. What is the good of His Excellency the Commander-in-Chief telling us yarns? It reminded one of the stories that one heard from one's grandmother when one was a child. He told us, "Oh, but the Army. Good gracious me! It is doing more national work, it is a better nation-building department than any other department that exists in this world. You see what we do. We give them education, we spend so much money on it. We train the people. Look at them. They are better fed, better clothed than they would be in their own villages. We do so many things. We have got our little factories. We are pioneers of every national movement in this country." Sir, I may tell His Excellency that these yarns will not do. That is not the issue. I dare say you have reduced the price of ghee, and I do not charge His Excellency with not doing his best. I do not blame him. If you were to put me there in the place of the Commander-in-Chief I would say the same thing that I want Rs. 56 crores or 57 crores, because I have got to run this machine. But that is not the issue. Why tell us these little yarns and these stories here as if that was the issue. Our fundamental opposition is to this machine. We want to turn this garrison into a national army. That is our ambition. Do you wish to help us or do you not? I am convinced in my mind that the British Government does not wish to help us. I had my faith, I served on the Sandhurst Committee in that faith. But let me tell His Excellency the Commander-in-Chief that by turning down this report and by the pronouncement that he has made, he has completely shattered my faith in the *bona fides* of the British Government.

The Assembly then adjourned for Lunch till Ten Minutes to Three of the Clock.

The Assembly re-assembled after Lunch at Ten Minutes to Three of the Clock, Mr. President in the Chair.

STATEMENT OF BUSINESS.

The Honourable Sir Basil Blackett (Leader of the House): Sir, with your permission I should like to make a statement regarding the probable course of business in the week beginning the 12th March. Monday, the 12th, Tuesday the 13th, Wednesday, the 14th and Thursday, the 15th, have been allotted for the voting of Demands for Grants. For Friday and Saturday, the 16th and 17th, a continuous List of Business will be published in good time. It will contain the motions necessary for passing the Indian Finance Bill, the Indian Merchant Shipping (Amendment) Bill, the Indian Tariff (Amendment) Bill, the Steel Industry (Protection) Bill and any other Bills of which the Select Committee reports are laid either to-day or on Saturday, and it will also contain motions for the appointment of the Standing Finance Committee, the Railway Standing Finance Committee and the Railway Advisory Committee, and a motion for filling the vacancies on the Public Accounts Committee.

With regard to the order of the Demands for Grants, I have been approached by representatives of the various groups in the House with a view to some modification in the numerical order being allowed. I have accordingly arranged that the procedure should be as follows, after consulting you, Sir. On Saturday and Monday we propose to go straight ahead with the numerical order of the Grants. On Tuesday, after finishing any Grant that may be left over unfinished on Monday, it is proposed to take Grant No. 72, "Miscellaneous". When this is finished the next Grant to be taken will be No. 82, "Secretary of State for India," then No. 40, "Central Board of Revenue," then No. 74, "the North West Frontier Province, No. 38, the Army Department and No. 54, "Education." If before the end of Thursday evening those Grants have been disposed of, it is then proposed to return to the numerical order. That arrangement has been made after consulting leaders in various parts of the House with a view to giving the House an opportunity of choosing the order in which Grants shall be taken.

Lala Lajpat Rai (Jullundur Division: Non-Muhammadan): May I make a correction? So far as my Party is concerned, we have selected the item "Executive Council" and not "Education."

The Honourable Sir Basil Blackett: I am willing to alter it. My information was that "Education" has been selected.

Lala Lajpat Rai: That is wrong.

The Honourable Sir Basil Blackett: Then that will be altered.

Lala Lajpat Rai: Our number is the 6th.

THE STEEL INDUSTRY (PROTECTION) BILL.

PRESENTATION OF THE REPORT OF THE SELECT COMMITTEE.

The Honourable Sir George Rainy (Member for Commerce and Railways): Sir, I present the Report of the Select Committee on the Bill to provide for the modification of certain import duties relating to the protection of the steel industry in British India.

THE GENERAL BUDGET—GENERAL DISCUSSION.—*concl'd.*

Mr. President: The House will now resume the general discussion of the Budget. Mr. Jamnadas Mehta.

Mr. Jamnadas M. Mehta (Bombay City: Non-Muhammadan Urban): Sir, to-day, after five years, is the day of judgment for the Finance Member of the Government of India; it will be the unanimous verdict of all independent sections of public opinion in this country that he has been weighed in the balance and found wanting, and this verdict of contemporary opinion will be confirmed by posterity. The other day, Sir, during the debate on the Simon Commission, the Finance Member claimed that he and his side were better Swarajists than the whole lot of Congressmen on this side; it is also the claim of his apologists and friends that there never has been a more brilliant Finance Member in the history of this country than Sir Basil Blackett; both these claims are preposterous and I challenge them categorically. In the very year in which the Finance Member took his office, Sir, he advised the Governor General to certify the salt tax. That was his first constitutional achievement. It was not necessary to impose a higher salt tax, because there was that windfall from the enemy ships which was known to him at that time; and yet with that full knowledge he made his debut as a "Swarajist" by advising the Governor General to certify the salt tax. Almost the last act of his career was the amazing attempt to introduce a Bill on the Reserve Bank question while another Bill was already pending in the House; thank God, Sir, to the admiration of all of us here and outside and to the admiration of independent opinion everywhere, that attempt was defeated by you. So much for his "Swarajism." I shall now mention two striking examples of his financial genius. Honourable Members will remember that he converted the 7 per cent. loan of 1921 into a 3 per cent. loan by doubling the face value of the bonds. He has undertaken to pay Rs. 200 for a bond of Rs. 100; but he claims that he has reduced seven per cent. interest to six per cent. There is thus a saving of one per cent. of interest. Now, Sir, if the currency of the loan be some fifty years or so the saving of one per cent. might act as a sinking fund, and when the loan matures it might, along with the normal sinking fund and by accumulating at compound interest, give us an amount equivalent to the face value of the bonds; but such does not appear to be the case; the loan is being already liquidated, and the only question is, what is the extent of the loss which the Indian tax-payer has to suffer by the conversion of the 100 Rs. bonds into 200 Rs. bonds? The second and the latest financial achievement of the Finance Member has been that last year he borrowed by Treasury Bills five millions in the London money market when money was cheap and recently, when money was dear, he has borrowed $7\frac{1}{2}$ millions as a long term loan at $4\frac{1}{2}$ per cent. to repay the £5 millions of Treasury Bills. He should have floated the long term loan when the rate was low; but he did not. He should have borrowed by means of Treasury Bills, when the rate of interest was high. Again he did not. These are some of the constitutional and financial achievements of the retiring Finance Member. There is a proverb

3 P.M. in Hindustani, Sir:

"Dunia Zukati hai, Zukanewalla chahiye"

which means:

"The world is credulous and can be gulled successfully if there is only the adequate amount of brass and cunning."

The truth of this proverb has been time and again illustrated in the career of the Finance Member of the Government of India during the last five years. He has shown an incorrigible obstinacy, a self-confidence unparalleled in its intensity and amounting almost to conceit, and he has never concealed his contempt for the opinions of those who had the misfortune to differ from him; by these means he has managed to create an impression in some quarters that his régime has been a landmark in the history of this country. For instance, the other day the *Statesman* observed "that it will be many long years before India will come across a Finance Member like Sir Basil Blackett"; but the absurdity of the claim was promptly exposed by the *National Herald* of Bombay which said:

"We are prepared to wait for those many years, and if we come across such a Finance Member again it will be by accident. We shall not trouble to search for him."

This is the verdict of independent Indian opinion on the régime of the Finance Member, but there is no doubt that many unwary people are misled into a belief that the Finance Member has rendered some great service to us.

Sir, I shall therefore now deal with the budget figures of this year to show that this claim of the Finance Member cannot be sustained. The five years' régime of Sir Basil Blackett has been one of unqualified disaster and calamity to the economic growth of India. Surpluses have been galore and the Finance Member has distributed small presents here and there. But these advantages have been secured with the help of a heavy and crushing burden of taxation. My friends, Mr. Birla, Mr. Shanmukham Chetty and Sir Purshotamdas Thakurdas, have referred to this question in a general way. I wish to discuss it somewhat more fully. I propose to show to the House how much taxation has been levied since the Reforms, how much of it has been continued by Sir Basil Blackett, how much more has been added and how much has been remitted. Sir, the Reforms began with a contribution of 9 crores and 83 lakhs from the provinces. Then in the year 1921-22, taxation was levied to the tune of 19 crores and 17 lakhs; in the subsequent year, 1922-23, taxation to the extent of 29 crores and 15 lakhs was levied. Then in 1923-24 came the 6 crores of additional taxation by the doubling of the salt tax. The various protective measures for steel, paper, ink, cement and others, have cost something like 2 crores a year. Moreover, when the tariff on sugar and other articles was changed from *ad valorem* to bulk, we had another increase of taxation to the extent of 2 crores. Raw tobacco has been taxed to the extent of 18 lakhs a year; a duty on yarn was levied at Simla last year. In all, Sir, if we total up the amount of taxation levied since the Reforms, the figure is not 45 crores, as some people imagine, but 68 crores in all. The total burden on the tax-payer since the Reforms, which was levied partly before Sir Basil Blackett came and partly afterwards, amounts to 68 crores and 50 lakhs

Sir Walter Willson: But you have voted some of this.

Mr. Jamnadas M. Mehta: I am responsible for what I voted. And what is the amount that is remitted? The provincial contributions have been remitted; so Rs. 9 crores and 83 lakhs go. The doubling of the salt tax has also been abolished; so 6 crores more are saved. One crore and 81 lakhs have been saved on account of the cotton excise duty and reductions of railway rates and fares to the extent of 5 crores in 1926 and this year

[Mr. Jamnadas M. Mehta.]

have been secured and announced. A reduction of 80 lakhs on machinery and stores was also made last year in Simla. And altogether the remission of taxation has been Rs. 23,50,00,000.

Mr. H. G. Cocke (Bombay : European) : That is in one year.

Mr. Jamnadas M. Mehta : No; that is ever since the Reforms came into force. I say, Sir, that the total amount of taxation that was levied was 68 crores and 58 lakhs and the total amount of taxation remitted is 23 crores and 50 lakhs, which leaves to the credit or discredit of the Government of India a balance of additional taxation to the tune of over 45 crores a year since the Reforms. This taxation was levied during the War in Waziristan and as the aftermath of the Afghan War of aggression—when the prices also soared very high. But now there is no war and there is no expedition in Waziristan and prices have fallen; therefore we cannot understand the continuance of 45 crores of taxation. It is childish for any Honourable Member to clap his hands in glee at the remission of provincial contributions. After giving the fullest credit for the remission I have mentioned, the ghastly fact stares us in the face that since the Reforms we have been made to pay 45 crores of additional taxation a year.

Now, Sir, is it any wonder that with such heavy taxation nobody is safe *except* the Government of India? Budget prosperity is not necessarily the prosperity of the people of the country. The parasite may be prosperous but the person whose blood it sucks is bound to be otherwise. And the Government of India, Sir, is a perfect parasite, who sucks the blood of the tax-payer to the extent of 45 crores of rupees. The parasite is quite well-fed, strong and comfortable, but at whose cost? Poverty, misery and prostration—in fact economic collapse all round—is the background of the prosperity of the Government Budgets. There are the apologists of the Finance Member who say: "Don't you see how clever he is; how versatile he is; how very able he is and all that sort of things." But, Sir, when my pocket is being picked, I do not admire the sharpness of the pickpocket's scissors. When I am being slaughtered, I do not admire the keenness of the blade or the unerring blow of the hand that gives it. On the other hand, when my pocket is being picked, I am angry if somebody tells me that the scissors are sharp. I really cannot appreciate the praise of the pickpocket when I am actually losing my purse. It sounds so provocative to me when I am being deprived to the extent of 45 crores a year, that someone should seriously come forward and say: How clever the Finance Member is!

Sir, I shall now deal with the results of the financial policy of Sir Basil Blackett. Sir, the particulars of company flotations during the last five years are published in the *Indian Trade Journal*. I think it is a semi-Government publication.

An Honourable Member : It is a Government publication.

Mr. Jamnadas M. Mehta : We find that against nearly 70 crores of new flotations in 1914 we have 34 crores in 1922-23, 26 crores in 1923-24, 21 crores in 1924-25, 30 crores in 1925-26, 19 crores in 1926-27, and for the ten months of this year 18 crores and 35 lakhs, against as I said, the flotations of 70 crores in 1914. Most of these flotations are not new ventures but merely conversions of private firms into limited companies for the

purposes of income-tax. It will thus be seen that industrial enterprise has gone down by nearly 75 per cent.; but that is not all. To-day prices are 146 against 100 in 1914 and therefore where a rupee was then wanted to start new factories or some fresh venture, Re. 1/6 or Re. 1/7 would be necessary now so that 19 crores of fresh capital to-day represents 11 or 12 crores of 1914. This abysmal slump in the industrial world is the result largely of heavy taxation imposed and continued from year to year, and partly of Government competition in the money market. Loans in the open market and the attractive terms of the Post Office cash certificates have drained money, as if by a hydraulic press, into the coffers of Government. Six per cent. compound interest tax-free investment in the Post Office and 45 crores of additional annual taxation have drained whatever available money there does exist in the country. With these handicaps trade and commerce also have been depressed to an unheard of extent in recent years. Take the figures of the last three years. In 1925-26 the balance of trade of India was 161 crores and 13 lakhs. In 1926-27 it went down to something like 80 crores,—a difference of over 80 crores. The 10 months' balance of trade in this year 1927-28 is only 37 crores; only two months are left. Even assuming that it will be doubled in two months, assuming it at 75 crores, still there is a difference of 85 crores since 1925-26, so that in 2 years, as a result of the disastrous taxation, the trade of India has shrunk to the extent of 165 crores, and the process will go on until adjustments take place. What is the use of your petty surpluses of 3 or 4 crores if they are obtained at the cost of 25 times the amount to the traders, agriculturist and industrialist, resulting in widespread unemployment? There is one more point about the present level of taxation. The House must not forget that the real burden of the entire taxation, i.e., 125 crores is enhanced by 12½ per cent. by the appreciation of the rupee. Of course my Honourable friend, Sir Walter Willson never appreciates logic. He is more concerned with lucre.

I have shown, Sir, that both industrially and commercially India has retrogressed during the last few years. You can find that out also from the customs returns. You will find that out from the income-tax returns. The customs returns show an increase—in what? In liquors and beers; they show an increase in the articles of food and mineral waters which are consumed by the richer classes. (*An Honourable Member*: "Shame.") There is also an increase in cigars and tobacco and in motor cars; so that it comes to this: that under the new dispensation the richer classes can eat, drink, drive, smoke and be merry at the cost of the masses of the people. (*An Honourable Member*: "Only those who can afford it.") I mean those who can afford it,—the richer classes, the bond-holders, the usurers, the civil servants, and those who make money at the cost of the people of this country, they can eat, drink, smoke, drive and be merry; that is the upshot of the customs.

Sir Walter Willson: Root it out!

Lieut.-Colonel H. A. J. Gidney (Nominated: Anglo-Indians): Don't you do the same?

Mr. Jamnadas M. Mehta: No, thank you. That is the analysis of the customs revenue. Your income-tax revenue is now put at a few lakhs higher because those bonds which were free of income-tax are now subject to income-tax; the little increase is also due to the fact that tea is partly to be brought under income-tax. As a matter of fact there is no growth. The income-tax is a more effective barometer of the prosperous condition of

[Mr. Jamnadas M. Mehta.]

a country than even the railway returns. Regarding railway returns, I am sorry Sir George Rainy is not here; but the Finance Member attempted to show that the Railways were prosperous; let him refer to the Railways Administration Report and he will find that during the last three years the return on the capital invested in Railways has gone down from over 5 per cent. to 4 per cent., and on his own showing the country cannot be flourishing if the Railways are not.

I shall now refer to the question of the provincial contributions. The remission of provincial contributions is supposed to be a great effort on the part of the Government. As a matter of fact, it is well known that Bengal never paid its share except in the first year. So the remission of taxation is only to the extent of Rs. 920 lakhs; but let us see what is the additional taxation which the Provincial Governments have received from their own subjects in the meantime. I find that the revenue of the Provincial Governments in India when the Reforms began was Rs. 7,043 lakhs for all the provinces. To-day it is Rs. 8,751 lakhs; so that the Provincial Governments have already taken from the people of the various provinces Rs. 1,708 lakhs more during the last five or six years of Reforms, and even when they get the remission of the entire provincial contributions they will have paid almost double the amount of the remission in the form of additional taxation without receiving increased education, medical relief, etc. Let us see how the amount of Rs. 1,708 lakhs raised by the Provincial Governments during the last six years from the provincial taxpayer has been spent by them. Only 321 lakhs out of this amount has been spent on education, medical relief and public health, and they have spent or misspent the remaining Rs. 1,387 lakhs on other things.

Mr. President: Order, order.

Mr. Jamnadas M. Mehta: I will sum up, Sir. It is clear that the remission of provincial contributions will bring no real relief to the people of the provinces because they have been already taxed by twice that amount. We have the case of the Bombay Government which got Rs. 56 lakhs of remission last year and has spent only 24 lakhs on education, etc., and misspent the remainder on other objects.

These facts point to the irresistible conclusion that the administration of the Finance Member during the last five years has been an unqualified calamity on the central and provincial tax-payers alike. Sir Basil Blackett leaves the shores of this country as a brilliant but inglorious failure. Partly on account of temperamental difficulties, and partly owing to the fact of his being a representative of vested interests, he has most ignominiously failed to stand by this country or to serve the people whose salt he has eaten. Sir, I have done.

Lieut.-Colonel H. A. J. Gidney: Sir, I must join those Members on this side of the House (*An Honourable Member:* "Which side?") even at the risk of being called an Imperial florist in offering my bouquet of congratulations to my friend Sir Basil Blackett. Whatever has been said by the opposition against his régime, there can be no two opinions that Sir Basil Blackett has done for Indian finance what no other Finance Member has ever done, and I am sure, will ever do. (*An Honourable Member:* "He said the same thing before.")

Mr. B. Das: What about the Civil Service?

Lieut.-Colonel H. A. J. Gidney: Do you belong to the Civil Service?

Mr. B. Das: I am referring to the Civil Service Finance Members.

Lieut.-Colonel H. A. J. Gidney: Having given that bouquet, I shall now proceed to deal with a certain aspect of the Budget with which I am familiar. I do not intend to dabble in taxes and figures for, as a layman, I do not wish to cross swords with His Excellency the Commander-in-Chief, an expert on our military needs or with Sir Basil Blackett so far as finance is concerned; I shall leave that to those amateur financiers—I mean my friends on the opposite side of the House unless, of course, my friend Mr. Jamnadas Mehta wishes to dispute this.

• Well, Sir, the question with which I wish particularly to deal relates to the medical aspect of the Military Budget. I have, in previous years, referred to the wanton waste of money on this part of the Military Budget. I have frequently brought to the notice of the Finance Member, as also to the notice of His Excellency the Commander-in-Chief, that the medical administration of the Army in this country is carried out with a great waste of the Indian tax-payer's money. I am afraid my appeals have hitherto fallen on deaf ears. The Inchcape Committee, which has been quoted largely to-day, is very instructive as showing the wastage of money that was then taking place in the medical branch of the Army. The Inchcape Committee submitted its Report in 1924, and it made some very scathing remarks on the financial profligacy that was being practised by the Army Medical Department. That Committee recommended an immediate reduction of 25 per cent. in hospital beds, and that the total cost of the department, Rs. 145 lakhs, should be reduced immediately by five lakhs, excluding a reduction of 53 lakhs from provision for diet, clothing, instruments and medicines for patients and staff. That was in 1922-23. Let us compare that with the position to-day. Let us start with the personnel. In the R. A. M. C. in 1922-23 the total cadre was 332, to-day it is 279 or 243. This means a reduction of 53 during this period of five years, and yet there is an increase of Rs. 2,60,000 in their salaries; and though the I. M. S. cadre is more, yet the cost of its upkeep is less, by three lakhs, than the R. A. M. C. to-day. Take the British nurses and matrons in British military hospitals. This shows a reduction of 55 in the personnel; yet there is an increase of almost one lakh in cost. Let us take the R. A. M. C. (Ranks) who have recently been imported into the British military hospitals in India as a post-war measure. Although there is an increase of only 20 in the personnel, the increase in cost is about one lakh of rupees. Furthermore, notwithstanding this increase in cost of British personnel of nearly four lakhs (instead of Inchcape Committee recommendation of an immediate reduction of five lakhs) there has been a reduction of 3,000 in the number of beds in the British military hospitals. Now, Sir, has the Army Department carried out the Inchcape Committee recommendations? I am sure the Army Member, if he were here, would not be able to say that it has been carried out; and yet, His Excellency and the Finance Member said the military budget could not be reduced. On the contrary the expenditure has increased notwithstanding other factors which should have enabled a still further reduction last year. These being (a) the reduced personnel in the Army of all ranks, (b) a part of the Army was engaged in China during 1927 whose medical expenses the Home Government bore, (c) Aden is now outside our military control, and (d) the concentration of a combined hospital system in certain stations where British and Indian are treated in one place. All this should have contributed to a marked reduction in the military medical budget of 1927-28. In place of this, we find in the explanatory note given on this expenditure an increase of just under one lakh

[Lieut.-Colonel H. A. J. Gidney.]

for 1928-29. Now, all the increases I have referred to have been incurred on the medical personnel which has been brought to India from England for employment with British troops. And in looking through this explanatory note one is tickled to find an item of Rs. 40,000 additional expenditure for the entertainment of a corps of chowkidars to look after the hospitals. Sir, in my 20 years' experience as a military medical officer I have never heard of chowkidars being engaged to look after military sick. This is obviously the duty of the medical officer, night nurses and orderlies; who are to be found in superabundance in British military hospitals. But, perhaps, these chowkidars are being entertained to be on the *qui vive* to wake up the night nurses and orderlies who have fallen asleep to receive the orderly medical officer when going his rounds. I ask, Sir, what is the cause of this excessive expenditure? To answer this I shall give you the composition of the R. A. M. C. as it exists in India to-day. 243 is the total cadre given in 1927-28 although the Army List for October 1927 gives it at 279. There are 2 Generals, 9 Colonels, 37 Lieut.-Colonels, and 168 Majors, i.e., 216 senior officers out of a total cadre of 279, or as the Army Budget says, 243; leaving a balance of about 63 as junior officers. What do these facts mean? They mean that the Department is top-heavy with 75 per cent. of its officers as senior officers—who draw two and three times the salaries of junior officers and only perform the duties of junior officers. This is the reason of this steady increase in cost with a decrease in personnel. I have repeatedly brought this to the notice of the Army Department, and I believe His Excellency, Sir William Birdwood, has suggested certain action. Now there is no use pointing out an error if you cannot suggest some means by which it can be remedied. In my budget speeches last year and the year before, I suggested certain means by which this excessive expenditure could be remedied without any loss in efficiency. I suggested that this excess of Majors should be replaced by the employment, as medical officers of British military hospitals, of British qualified I. M. D. officers whose skilled knowledge and services were being wasted to-day. I understand that His Excellency acted in this matter. I know, for he told me himself, he intended doing so. I do know that orders have been issued to all O. Cs. of British military hospitals directing them to employ I. M. D. British qualified members. I should like to know what action has been taken by them. Had any action been taken on these orders from the D. M. S. in India, at least 40 I. M. D. men would to-day be employed and have replaced an equal number of highly-paid Majors in the R. A. M. C., and thereby effected an annual reduction in this part of the military budget of about 20 to 30 lakhs. Now, this is a really practical measure of economy which I again offer to the Honourable the Finance Member and the Commander-in-Chief and I would suggest that early steps be taken to put it into operation and so not only effect a substantial reduction in the military budget but suitably utilize I. M. D. men. The number of men to-day in the I. M. D. who have obtained British qualifications are about 60. Many of them are still employed in various British military hospitals following the medical officer in his daily rounds using a pencil or a pen as glorified clerks and compounders, but scarcely ever using their stethoscopes. These are the men, whose valuable services, at a less cost—have been neglected for years by the Army Medical Department and who have, in consequence, had to face a yearly increasing budget. I suggest—I am glad His Excellency is in the

House now—I suggest to His Excellency that he should take action in this matter at once.

The other question to which I should like to refer is about certain remarks passed by His Excellency when he delivered his speech. His Excellency said that the Indian Sepoys who went to China were able to send money back to their country in India, a remark which resulted in an undignified retort from the opposite benches. I know of some of the force who went to China who were not able to send any money whatever to India and who, instead asked to be transferred back to India because they did not receive enough money. I refer to members of the I. M. D. who were sent to China with Field hospitals and who were treated very badly. They got no separation allowance, in fact they got practically no allowances in China as were given to other units, Indian and British, with the result that they had not enough to keep two homes going, one for their family in India and the other—their own in China. I reported this officially and I hope the matter has been remedied. If not, I should like it enquired into at once.

The only other point I wish to refer to briefly here, because I wish to develop it more fully when I move my “cut” on the Army Department—if we do get to that item—is regarding the many differences in pay, pensions, accommodation, allowances and promotions, etc., that have been made between the warrant and commissioned officer in the Indian Unattached List and the I. M. D. To those members of the House who are unfamiliar with what is meant by the words “Indian Unattached List” I would say, that it refers to the old S. and T. Corps, now called the I. A. S. Corps, the Indian Army Ordnance Corps, the Military Works Department and other such allied departments. The I. M. D., as most Members in this House know, is recruited almost entirely from members of the community I have the honour to represent in this Honourable House. They are recruited from our best families. Paragraph 132 Regulations for the Army in India shows the I. M. D. is subject to the Army Act and they are admitted into the service for exclusive duty with British troops as British warrant officers, *vide* paragraph 132 (a), British Army Regulations, and, when I use the word “British” I am not having any quarrel with the Finance Department. My quarrel, on this particular point, is with the Secretary, Army Department, in connection with this marked differential treatment and his replies to my questions asked in this House. These members are taken as British warrant officers; not only this but they are given precedence over every other British warrant officer and are entered as such in the Army Lists. The Army Department has always been very careful to retain, as much as possible, the British character in the I. M. D. It spends a large sum of money yearly on the training of these men, something like three lakhs. It used to be more before. On completion of four years’ training they leave college and enter the I. M. D. with a diploma fit for use in the department only but comparatively useless for open professional competition with Civil Assistant Surgeons. They are thus sent out into life seriously handicapped and so they become slaves of the I. M. Department with ambition and initiative killed by an inferior diploma not recognised abroad. A reference to Army Administration Orders, Army Instructions, Field Service Orders and Departmental Orders will prove conclusively that in former times no practical

[Lieut.-Colonel H. A. J. Gidney.]

differences in treatment existed between the I. M. D. and other departments in the Indian Unattached List, but to-day we find the Army Department has created marked differences between them. This House will be surprised to know that a Staff Sergeant in the Indian Unattached List gets to-day as much pay including allowances and more than a Superior Service Railway Assistant Engineer. He gets Rs. 380 per mensem including all allowances while the Assistant Engineer starts on 350 per mensem. His allowances are of such a varied nature that he seems to have everything done for him and supplied him. His monthly pay is Rs. 250 and his allowances take him to Rs. 380. That is what a comparatively less educated Non-commissioned officer, a Sergeant risen from the ranks with possibly a first class military education certificate gets as compared with a highly educated scientific Assistant Engineer and the starting salary of Rs. 200 (no allowances) given to a fully qualified professional I. M. D. 4th class Military Assistant Surgeon. If you follow the progress of any Non-commissioned officer in the I. U. List and compare his pay with an I. M. D. of equal service, you will find a marked difference in his favour. Marked as were these differences before they have been made more so by A. I. (India) No. 1134 of the 22nd December, 1926, and Nos. 286 and 287 of the 27th December, 1927. The former order gives the I. U. L. higher rates of pension with retrospective effect from the 1st October, 1925; the latter sanctions higher salary and a time scale of promotion but from which benefits the I. M. D. alone have been excluded. To-day a Non-commissioned Officer of the I. U. List gets 180 more than a 4th class Military Assistant Surgeon and a married Major gets Rs. 1,100 per mensem or 450 more than an I. M. D. Major. Last year I tried to obtain an equal retrospective pension date for the I. M. D. and I have to thank His Excellency for the help he gave and I do so here publicly. I know His Excellency has every desire to see justice done to all ranks of the Army, irrespective of what they are, and I do believe that His Excellency did make a serious effort to help the I. M. D. in their revised pensions. The new I. M. D. pension rates are now published. The order says, that "members of the Indian Medical Department will receive their revised pension rates from the 1st October, 1927." Two years after the Indian Unattached List got theirs. Why? These increased salaries of the members of this Unattached List have been so great that it puts me very much in mind of a miniature Lee Commission. These salaries have been so increased as to make it almost incredible of belief and this has all been done within the last few months. But alas! the Indian Medical Department has again been left out and when I asked the Secretary, Army Department, why this had been done, his reply to my question was:

"The Indian Medical Department forms an integral part of the Indian Army. It differs from other departments in that it is directly recruited from the domiciled community."

Now, if that is so, let me inform him that the warrants given to members of the Indian Medical Department and the Indian Unattached List are absolutely the same signed by the same officer and neither of these departments can truly be said to form part of the Indian Army as contrasted with the British Army. Here are the exact words of the warrant. I am reading from a true copy of an I. M. D. warrant.

"You are hereby appointed to be a Warrant Officer of the establishment of *His Majesty's Indian Military Forces*" * * * Assistant Surgeon 4th class."

I am now reading from an Indian Army Service Corps warrant, and the same words are used,—the rank being that of a Sub-Conductor. These two men join the same force, the Indian military forces, and are recruited in India under exactly similar warrants and though the Indian Medical Department man is senior by order of precedence, he is deprived of the benefits of these new pension rates (except at a date two years later) these enhanced salaries, time scale promotions, concessions to go to the hills, and to get their children educated, etc., and yet we have the Army Department refusing equal retrospective effect to the I. M. D. revised pension rates but sanctioning an additional expenditure of Rs. 40,000 per annum for a corps of chowkidars to watch over their sick in hospitals. Could anything be more grotesque in comparison? I do not grudge these bounties to the I. U. List, but what I do say and say with emphasis is when the Army uses the Indian Medical Department exclusively for the "*British Army*" and "*never*" for the "*Indian Army*", when it forms part and parcel of the British Army with whom they fought in the Great War—their bodies are to be found buried in many a battlefield on the Continent and elsewhere—when their warrants are alike and they are enlisted in the same military force and when both Departments are recruited and employed in India and have a common Indian domicile why do you do such unjust differences? In the past each time the I. U. L. have been given increased pay or pensions with retrospective effect, a year or a few months later the I. M. D. received theirs but at lower rates. Sir, there can be no denial of the fact that the Indian Medical Department is recruited from a better class than the I. U. L. There can be no denial of the fact that he is a more educated man. There can be no denial of the fact that he has to live up to a much higher status than warrant and commissioned officers of the I. U. List. And yet he is made to suffer this inferiority complex. But the old saying is true—Once a Military Assistant Surgeon, always a Military Assistant Surgeon—a condition unknown to any branch of the civil or army administration. True if an I. M. D. man qualifies in England and is within the prescribed age he stands a chance of being selected for the I. M. S., but that is not a common occurrence and even this is being curtailed or denied him to-day, *vide* I. A. Instructions No. 382, which demands that all I. M. D. men on return from England on study leave must sign a bond for three years service from date of their return to India. Is this just or right? Officers of the I. M. S. and R. A. M. C. who go on study leave are given free passages, whereas I. M. D. men go at their own expense, often leaving their wives in India to slog as nurses, school mistresses and other sorts of work to keep the home fires burning and so help their husbands in England. And yet these very qualified I. M. D. men are used to-day in all British military hospitals as compounders or glorified clerks. What is the real reason for these differences between the I. M. D. and the I. U. L.? I have shown they are alike in every respect. To my mind there can be only one reason and that is colour prejudice. Look at the I. M. D. men who are not so handicapped. They have risen to the highest heights of the profession. We have ex-I. M. D. men as leading lights in the scientific world to-day but who in the I. M. D. would have never been allowed to pass the threshold of their subordinate existence. We have in this House in the Government Benches officers who have risen from the lowest to the highest posts by sheer ability because they were unfettered. But what is the condition to-day of the I. M. D. men? On account of their exclusion from the recent benefits of pay, promotion given to the I. U. L.? They cannot

[Lieut.-Colonel H. A. J. Gidney.]

go to their departmental clubs and messes for they are branded as inferiors by their former equals and colleagues in the I. U. L. (*Cries of "Shame"*). I do not desire to introduce any communal differences into this matter. I would however point out to His Excellency that if the Army intends to continue to recruit the I. M. D. exclusively from the sons, grandsons and great-grandsons of British soldiers who helped to make the British Army in India, then these differences must cease to exist. It cannot be denied that the domiciled community has helped to lay the foundation stones of the mighty edifice of the Government of India as we see it functioning to-day. They have made the Railways, the Telegraphs and the Customs Departments what they are to-day—sources of great revenue to the present Government of India. I beg His Excellency in the interests of fair play and justice, not to continue these differences. If the difference is to continue then I wish to inform His Excellency that the self-respecting members of the I. M. D. I know would welcome an abolition of the service rather than be branded any longer with this inferiority complex. This difference of treatment is not practised in India only. It is practised in England too. Take the Superior Police examination in England. I have the marks of an Anglo-Indian boy with me. He was Captain of his hockey team, the University College, London, played in his varsity football team—a boxer—and was Treasurer of the University Club, a born leader of men, 6 feet high and well educated (London Matriculation). He went up for the police examination. His father is in the I. M. D. He passed third in the compulsory list of subjects. He went up for the "interview and record" part of the examination for which 400 marks out of a total of 1,400 are given. On being questioned by the examiner he admitted he was an Anglo-Indian and his father a promoted subordinate. He was only given 100 marks for this which sent him low down the list.

Mr. President: Order, order.

Lieut.-Colonel H. A. J. Gidney: I shall finish soon, Sir. He therefore failed to secure admission although he passed third in the compulsory subjects. He was a splendid type of boy, a leader of English boys, not Indian policemen. His curse was that he was an Anglo-Indian and his father a subordinate. I could quote other similar instances. There is only one more point which I desire to place before His Excellency. It is this. How far has the formation of an Anglo-Indian unit developed and when may we expect to know the decision of Government.

Mr. President: Order, order.

(Colonel Gidney resumed his seat.)

Dr. B. S. Moonje (Nagpur Division: Non-Muhammadan): Honourable Sir, I formally thank at this stage His Excellency the Commander-in-Chief for the trouble that he has taken in making the statement to-day. Whatever I have to say on this point I shall speak on another occasion. My friends, Mr. Birla and Mr. Chetty, have hauled up the great financial Member of the Government of India here before the Assembly for having manipulated his Budget in a way which they think is not complimentary to him. I leave it to them. I have only to say here as to how the military Budget stands before us and how it strikes us and how it should be from our point of view. My friend, Colonel Gidney, has waxed eloquent and also indignant on the colour prejudice that he says is prevalent in the Army. If

that is so from his point of view, he being an Anglo-Indian himself and also priding himself on being an Anglo-Indian, I wonder what the Indian would say when he looks at the Budget in the way that I think he should look at such Budgets, and I wonder how otherwise an Indian and for the matter of that any man in any country can look at his military budget. I think the policy that ought to dictate the military budget should be, as it is in every other country, the free and full utilization of the native talent and native man-power to their best advantage with the minimum amount of expenditure compatible with the maintenance of the highest efficiency possible. If that is an axiom which is admitted in all countries and which I have no doubt His Excellency will also admit, let us see how the military budget has been manufactured, has been brought before this House and how the Indian looks at it. There is one point which I should give credit for to His Excellency the Commander-in-Chief for his military budget. He has plainly and frankly told us that if the Indians think, or if this House thinks, that the military budget should be reduced and could be reduced, then they are gravely mistaken. He has told us in a plain and frank and straightforward way that it can never be expected to go anywhere below 50 crores, and that they must expect it to be somewhere between 50 and 57 crores. So I can give them credit for the straightforward way in which they have put their points. He has not manipulated his points as the Finance Member is alleged to have done. Now looking to the expenditure on the defence of other countries in other parts of the world and comparing it with the expenditure which we have to meet on the defence of our country in India, what do we find? We find that England has eight times more revenue than India has, and yet England only spends upon her army hardly five per cent. of her revenue. On the entire defence England spends 14 per cent., and only 5 per cent. on the Army.

Mr. Arthur Moore (Bengal: European): What about the Navy?

Dr. B. S. Moonje: On the Navy she spends about 7 per cent., and on the Air Force about 2 per cent. Now India is made to spend as much as 41 per cent. (*An Honourable Member*: "42 per cent".) 42 per cent., and there is no knowing that it might not go beyond 57 crores even. Now look at the other countries. America spends hardly 7½ per cent., France spends 10 per cent.,—and France is always in constant dread of her more powerful neighbour, Germany, and yet India spends nearly 42 per cent. of her revenue on military expenditure.

Mr. B. Das (Orissa Division: Non-Muhammadan): What about Russia?

Dr. B. S. Moonje: I will come to that. Now Italy spends 10 per cent. Then Germany, the nation which fought against the whole world for five or six years, how much does she spend upon her army? Five per cent. Japan, which defeated Russia, spends 10½ per cent. Now Russia is put up before us as a bogey for which India is asked to spend more than 41 per cent. I think there is another country intervening between the Russian frontier and the Indian frontier. There is the Afghan country. Afghanistan is now independent. The Afghan country is preparing for its own defence and there is no need to fear any kind of Russian bogey just at present. So, from that point of view I wonder what His Excellency will have to say when I bring it to his notice that India spends 41 per cent. of her revenue and yet India is merely a dependency, while . . .

Mr. H. G. Cocke: Is the Honourable Member taking the central revenues only or the whole revenue?

Dr. B. S. Moonje: Just as it is given in your budget, and yet India is only a dependency and it is said that for many years to come India will not be prepared to undertake her own defence and therefore India will not be prepared for full responsible Government. Spending 8 per cent., spending 10 per cent., spending 7 per cent., other countries in the world have become first class powers. Now, hardly 75 years ago nobody knew of Japan and to-day spending only 10½ per cent. she is a first class power of which even England has to take note. What answer my British friends, my British rulers, who believe that they have got a trust given to them by God to look after the security of India, what answer have they to give when challenged in the discharge of their trust for India? Now, looking into the deeper details of the military administration, in India there is the British cavalry and Indian cavalry. The British cavalry consists of 5 units of 4,000 and some odd men. 4,000 and some odd of 5 units only, but how much do you spend upon them? Rs. 15 lakhs and odd. Per head the cost comes to Rs. 1,752. Now, look at the Indian cavalry. Indian cavalry consists of 21 units, not 5 units, 21 units of 15,000 and some odd. And how much do you spend for its maintenance? Rs. 8 lakhs and odd. For 4,000 British cavalry men, Rs. 15 lakhs are required and for 15,000 Indian cavalry men, only Rs. 8 lakhs. I should make a present of it to my friend Colonel Gidney because he waxed indignant over the colour prejudice. I am not putting it in colour prejudice at all. I only say that Indian cavalry fights as efficiently as the British cavalry. You have yourselves admitted that Indian cavalry, Indian soldiers, fight as efficiently and skilfully as British soldiers; and yet it does cost only Rs. 8 lakhs, while 4,000 men of the British cavalry cost us as much as Rs. 15 lakhs. Now, about British infantry, there are 45 units of 40,000 odd of British soldiers. Indian Infantry consists of—118½ units of 97,000 and odd. So, 97,000 Indian soldiers in the Indian infantry cost only Rs. 6 lakhs, while 45,000 of British soldiers cost Rs. 16 lakhs. Per head the Indian infantry man costs us only Rs. 767, while the British Infantry man costs us Rs. 1,615 per head. Now, looking at it from my point of view,—if you admit that Indian soldiers fight as efficiently and skilfully as British soldiers, and you have admitted and your best men have admitted it—three or four times the money that you are spending on British soldiers could have been very well spent on Indian soldiers and thrice or four times as many Indian soldiers could have been recruited for the same money. Is it not therefore a heartless waste of money? As regards the officers, certainly there are no officers in India because you have not trained them. Therefore, to start with, we shall require some British officers. But as regards the infantry and the cavalry soldiers, where is the need of British soldiers; why should you require them? They cost nearly 3 or 4 times as much as Indian soldiers.

Now, let us see how things stand as regards British soldiers and Indian soldiers stationed in Aden. One unit of British infantry consisting of 677 men costs us Rs. 13 lakhs, and the cost per head comes to Rs. 2,025. And the Indian Infantry in the same place doing the same kind of work with the same skill and efficiency, as you have yourself admitted, which consists of 846 men, costs us only 7 lakhs of rupees. Is it efficiency? Is it economy? And, above all, is it the way in which the finances of the country even

from the military point of view should be administered? Is it not dissipation of our finances? I have given them the credit for putting in a straightforward, blunt and frank way as to how they have prepared their Budget, but I ask the House: Is it an economical way of dealing with the finances of a country even from the defence point of view?

Now, I will give the House some other details. Take, for instance, the Royal Horse Artillery. The number of British soldiers is 760 and their charges are Rs. 7,27,410; while the number of Indians (including Indian officers and soldiers and other civilians) is 4,059 and their charges are hardly Rs. 1,20,690. So the British soldier costs us in the Royal Horse Artillery Rs. 975 per head and the Indian soldier costs only Rs. 261 per head. In fact, for Rs. 975 you can have four Indian soldiers instead of one British soldier doing the same amount of work with the same amount of skill and efficiency.

Now, I come to the hospitals. I am only giving you sample figures. There are British military hospitals and Indian military hospitals. The British hospitals serve 60,221 men in all whereas the Indian hospitals serve no less than 194,664. So nearly 2 lakhs of Indians are served by the Indian hospitals and hardly 60,000 Britishers are served by the British hospitals. Now, the amount of money spent on the British hospitals is Rs. 70,40,560, which serve, as I have said, only 60,000 Britishers. (*An Honourable Member*: "They suffer from costly diseases!") Being a medical man myself, I can assure the House that diseases are the same whether they are acquired by a British soldier or an Indian soldier. Now, in the case of Indian hospitals which serve nearly 2 lakhs of men, only Rs. 50 lakhs are deemed to be enough. That is, Rs. 20 lakhs more are spent on British hospitals of not even $\frac{1}{3}$ rd the size of the Indian hospitals.

Now, much has been said to us this morning by His Excellency that he is very kindly looking after the education of the children of the Indian soldiers without making any distinction whatsoever between the British and the Indian soldiers. He said once that he had visited the King George's Military School and the heart of any parent would be gladdened to see the way in which the children are educated and looked after there. As he himself has got children, he ought to think that the children should be looked after without any distinction as between a British child and an Indian child. But unfortunately the Budget tells a different tale. The Budget shows that there are 520 British boys who are receiving general education in what is called the Lawrence Royal Military School and the amount spent on them is Rs. 3,76,520. Three lakhs for 500 boys—British boys—and for

4 P.M. Indian boys, 574 Indian boys, only Rs. 76,000. Rs. 76,000 are enough. (*An Honourable Member*: "More than enough".) Yes, more than enough if it pleases you, for educating how many boys? 574 Indian boys. But perhaps it is thought that three lakhs and 76 thousand rupees are not enough, if efficiency is to be looked to—for how many boys? 500 British boys.

Now there is another set of schools where both soldiers and their children are educated, and that set is called Garrison Regimental and Detachment Schools separately for British and Indian troops. In these schools the children also of British soldiers receive education, but there is no mention of the education of the children of Indian soldiers. These schools for the British troops cost us 11 lakhs and 56 thousand rupees, and for Indian

[Dr. B. S. Moonje.]

troops 1 lakh and 10 thousand and four hundred and fifty rupees. 1 lakh and 10 thousand for Indian troops and 11 lakhs and 56 thousand for British troops. (*An Honourable Member*: "How moderate!")

Now look at the Staff College at Quetta for senior British officers. We have been told that India is not yet fit for an Indian Sandhurst, or a military college. India is not fit perhaps because India cannot afford the money. I don't know if there is any other meaning behind it; because they have not said that India is not fit intellectually or in its fighting capacity for being admitted into a military college; so the question only will be that there is not enough finance in India to have a military college. Now there is a college called the Staff College at Quetta, and the annual output of students is 30, and for these 30 students 7 lakhs and 30 thousand one hundred and twenty rupees are being spent. Per head it comes to Rs. 24,337. That is the way the finances of India are being squandered. Perhaps the Finance Member may not have been candid enough to admit how he has manipulated the Budget. But His Excellency the Commander-in-Chief is a military man, and military men are always blunt and candid. He has bluntly told you how the military budget has been manufactured or made up.

Now about the policy, the military policy of India . . .

Mr. President: Order, order.

Dr. B. S. Moonje: One minute, Sir, only one minute. I shall sum up the whole military policy in one minute, Sir (Loud Cheers), by quoting the Statesman's Year Book for 1927 which says:

"The Regular Army (of England), whether at home or abroad, except India, is paid for by the Imperial Exchequer"—

—India alone has to pay when England's Army comes to India, while England pays for its Army which it sends to the Colonies and the Dominions—

"(although certain Dominions pay contributions towards its upkeep); India pays a contribution towards the cost of the (British) troops at home, owing to these serving as a depôt for the regular troops in India."

We have thus to pay both for the actual service of the British troops in India as well as for those troops being trained and brought up in England, besides I believe also a separate contribution as a premium for the insurance of safety which England guarantees to India from invasion from the seas.

India's finances, from the military point of view, are taxed both ways. That is due to the military policy under which the Budget is framed. The candle of India's finances is burnt thus at both ends. I cannot therefore honestly congratulate the Government on the military budget that has been presented to us.

Khan Bahadur Mian Abdul Aziz (Punjab: Nominated Official): Sir, the discussion that has taken place in this House these two days regarding the Budget before us has impressed me with nothing so much as of the truth of the old saying that some people are never so happy as when they are thoroughly miserable. One Honourable Member of the House tried to make a very careful calculation and he tortured a certain

sum of rupees into pounds sterling and then compared it with another sum of rupees and found that the taller rupees were smaller and the smaller rupees taller and he was very angry. But why did he do it at all? If he was not content with the appreciated rupee—brighter because it has appreciated—why did he go after that yellow metal? Did he do it because it goes well with the jaundiced eye? That was yesterday; and because the Budget was prosperous a persistent effort was made to manufacture gloom out of sunshine. This morning Sir Purshotamdas Thakurdas brought in his dictum about the shattering of the purchasing power of the tax-payer in India.

Mr. B. Das: Did you follow it?

Khan Bahadur Mian Abdul Aziz: It is unnecessary for me to say that as far as the district is concerned—and there is no part of British India that is not in a district—(Hear, hear), so far as the tax-payer in the district is concerned, he does spend more every year on education. You can look at any University as a centre or any district as a unit; and you will find more people going in for education; you will find more of them going in for higher education in spite of the fact that education is getting more costly; you find more schools springing up; you will find more hospitals springing up. Now, is it implied that there is somewhere outside India a philanthropic conspiracy to help us and while we are not spending the money some one else is spending it for us? Certainly not. It is our money and the reason why there is more expenditure now than in some previous years, say 1923, is because we have more money and we spend more money. There is no other explanation.

Sir Purshotamdas Thakurdas referred to the fact that the Honourable the Finance Member did not in any previous year draw the attention of the House to the increased liability for which this country is responsible in the matter of Post Office cash certificates. The very first thing that he forgot was that while he was on the one hand talking of the shattering of the purchasing power of the rupee if he had only looked at the figures he would have found that from 1923 onwards every year these same people whose purchasing power he says is shattered—what have they done? They had put in at the end of the 31st March 1923 Rs. 3.13 crores; in 1924 it rose to Rs. 8.42 crores; in 1925 it rose to 13.12 crores and in 1926 to 20.96 crores; in 1927, on the 31st March it was 26.68 crores and now it has reached 30.86 crores. Now, Sir, Mr. Jamnadas Mehta resents this because it means that this money is not going to him; the poor tax-payer is trying to keep some of his earnings to himself and it cuts the throat of the professional money-lender with his 18 to 24 per cent. per annum interest.

Sir Purshotamdas Thakurdas: Mentality characteristic of the district officer in India.

Khan Bahadur Mian Abdul Aziz: Sir, I was told that this thing had been concealed. I was coming to the point which my friend Sir Purshotamdas Thakurdas made. He said this House never knew it, that the country never knew it, and it was a surprise sprung upon us. May I, Sir, refer to a question asked by an Honourable Member of this House in 1925 in reply to which the Honourable the Finance Member gave the information required about cash certificates? That was on 23rd February 1925. It is question No. 138 and it was put by Mr. Cocke who is here in the House, and the Honourable the Finance Member stated very clearly that payments

[Khan Bahadur Mian Abdul Aziz.]

of principal in each year were these and that balance of principal outstanding at the close of each year was so much and then he went on to explain—I will not weary the House by quoting those figures

Lala Lajpat Rai: Read those figures please.

Sir Purshotamdas Thakurdas: Do please read those figures. Read the whole question and answer.

Khan Bahadur Mian Abdul Aziz: I will read only what is necessary to refute the misstatement made by the Honourable Member . . .

Sir Purshotamdas Thakurdas: And hold back what may not support you?

Khan Bahadur Mian Abdul Aziz: The Finance Member said that it is not easy to calculate the liability outstanding at the end of each year if it is taken to mean the amount that the Government will have to provide if all cash certificates then with the public are cashed at once, while it is fairly easy to calculate the maximum liability at any convenient date on the assumption that all cash certificates then in the hands of the public would be retained till maturity. On that basis the liability at the end of December 1924 can be taken as about 3·19 lakhs, that is to say, 3 crores 19 lakhs, the capital outstanding being roughly 12 crores. Now, Sir, in his speech he fully explained that this accrued but undischarged liability for bonus will stand a sum of about 6 crores on the 1st of October, 1928. The Honourable Member who used some very undesirable terms forgot the information that had been given to the House and which probably had not been supplied to him, and also conveniently forgot the practice in other countries, though on other occasions he remembers all that when it suits him. Now, Sir, in England, there is at the present moment a liability of more than a hundred million sterling for which in the annual Budget provision is made only for the payment of that amount of bonus which is likely to accrue. For the remainder a sinking fund is provided. That is what the Honourable the Finance Member is trying to do for India and that is how is trying to serve India but, Sir, the tax-payer is being made to believe in something different by being told that all is not well. But all is not right with some of our pseudo-financiers

(At this stage the Honourable Sir Basil Blackett rose to speak.)

Mr. President (to Khan Bahadur Mian Abdul Aziz): Has the Honourable Member finished?

Khan Bahadur Mian Abdul Aziz: No, Sir.

Sir Purshotamdas Thakurdas: If Sir Basil Blackett begins his speech, Mian Abdul Aziz will finish.

Khan Bahadur Mian Abdul Aziz: Then again, it was said that the Finance Member used the public funds at the disposal of the Government of India for other purposes, though they nominally form part of the railway depreciation fund . . . (An Honourable Member: "Nominally?") Nominally in the sense that the Railways can always claim them, but those funds do form part of the general balance at the disposal of the Government of India.

Sir Purshotamdas Thakurdas: Where does the reduction of debt come in?

Khan Bahadur Mian Abdul Aziz: The Railways can use them, though they form part of the funds at the disposal of the Government of India. But my point is this, that if the Government of India use these funds as it appears to them necessary, where is the necessity for our questioning their action? The object of using these funds is simply to avoid the incurring of further debts. Everyone knows who has had anything to do with the Treasury that the wisest course is to run these treasuries with the minimum cash balance that you can, otherwise the amount of the extra cash is simply wasted. It brings no interest. Anyone knows that. If the Finance Member has used some of his cash balance and has used it in the service of the country, he has saved us from paying needless interest and he should be congratulated and not criticised; so that the real issue is concealed from the people who have not gone into the details of this question.

I have only one more word to say, Sir. Mr. Shanmukham Chetty talked about the debt question, and he said there is only one way of redeeming unproductive debt. I will take his own instance. What happens if an unproductive debt has to be wiped off, is as follows. Suppose the Government borrows 60 lakhs, 50 lakhs on which a commercial department can pay interest, and 10 lakhs on which the commercial department cannot pay interest. On that 10 lakhs the tax-payer has to pay interest. If the Finance Member or if the Department has so arranged things that in course of time the Department can pay interest on another 5 lakhs, then what happens is that 55 lakhs become productive and only 5 lakhs remain unproductive. The tax-payer is relieved of that extra burden. That is if he cares to understand the whole thing.

Before I close, Sir, I should like to tell him that a Swarajist and a very much better Swarajist than himself expressed his opinion quite recently in print about this point and I shall close with a quotation of those remarks:

"On two facts Sir Basil Blackett may congratulate himself. He has effected a clean cut between the finances of the central and provincial governments contemplated in the Reform Act; the provincial contributions have been permanently abolished. That is to say, he has done all that was possible within the four corners of the Weston Settlement. The other measure for which he may claim credit is his public debt policy. The unproductive debt has been steadily reduced, while an endeavour has been made with considerable success to avoid borrowing in external markets. Sir Basil reckons that if his methods are continued, our entire unproductive debt will vanish in twelve years. This aspect or that of his debt redemption and loans policy may be open to question; some may consider that he allotted too much to debt redemption, while others may cavil at his choice of the market and the terms he offered for certain of his loans. Making all allowance for this, it cannot be denied that his public debt policy has been characterised by a devotion to India's interests and a degree of shrewdness and wisdom which mark Sir Basil with the stamp of a far-seeing financier."

The Honourable Sir Basil Blackett: Sir, I must begin my speech in reply with thanks to those Members who have been kind enough to say kind things about me and perhaps I may particularly express what I really feel, my gratitude to the Members of the Congress Party for attending both to hear my Budget introduced and to take part in this budget discussion. I think I may particularly congratulate their Leaders on their clever interpretation of the Madras Congress resolution. It will have been observed that several of the speakers on the Congress side started their speech by the statement that they cannot congratulate the Honourable the Finance Member on his Budget. Unless I am greatly misinformed, the reason is that the Leaders of the Congress Party had decided that the proper interpretation of the Madras Congress resolution

[Sir Basil Blackett.]

that they should not take part in this discussion was that Members of the Congress Party could take part in it provided they said nothing complimentary to the Government. I am quite glad to congratulate a good many Members of the Congress Party on their success in combining the suggestion that they would be willing to compliment me with strict observance of discipline. There are certainly some Members of the Party who may be acquitted of any attempt to be courteous. (Laughter.) I will deal with them later.

The course of this debate has been one to which we have become accustomed in this House. By far the most important part of the debate has been the announcement made by my friend His Excellency the Commander-in-Chief on the subject of the increased Indianisation of the Indian Army. That announcement is probably one of the most important single announcements that has been made in India in pursuance of the policy laid down in August, 1917. It marks the steady advance of His Majesty's Government and of the Government of India towards the goal to which they have determinedly set their gaze. And it has been received in characteristic fashion. The Leader of the Congress Party, Pandit Motilal Nehru, first of all announced that whatever the announcement had been, he was going to curse in regard to it. He then proceeded to do his best to find fault with the announcement. He showed that, while he was willing to put complete faith in anything that was told him in Moscow, he was equally prepared to invent out of his own imagination what I can only describe as a gross slander on his own fellow-countrymen, the Indian soldiers. Mr. Jinnah received it in rather a different fashion. He has been telling us on and off for a good many years that he has no faith of any sort in the British Government or in the Government of India. He told us specifically three weeks ago that he had no faith whatever in His Majesty's Government and the British. And to-day the announcement has shattered his faith. It has shattered his faith.

Mr. E. K. Shanmukham Chetty: He had faith when he joined the Committee.

The Honourable Sir Basil Blackett: I will deal with one other point raised on non-financial questions. It was raised by Pandit Motilal Nehru. He was evidently rather pained by the obviously sympathetic reception which the Statutory Commission has received in Madras (*An Honourable Member:* "Has it"?) and he tried quite naturally to minimise it. There has been put into my hands since he spoke a telegram addressed to a non-official Member of this Assembly by a prominent member of the Statutory Commission which I should like to read in order to encourage Pandit Motilal to another attempt.

Moulvi Muhammad Yakub (Rohilkund and Kumaon Divisions: Muhammadan Rural): May I know, Sir, to whom it is addressed?

The Honourable Sir Basil Blackett: I will read it:

"Our reception in Madras Presidency really cordial and spontaneous. Everywhere delegations met us representing different communities and interests and also local bodies. Most striking gathering of 20,000 to 30,000 kallars yesterday morning at Usalampatti. Demonstrations against us ridiculously small in numbers and obviously organised and subsidised. Flags and placards of one standard and evidently supplied from central depôt."

I will now turn to the Budget.

Mr. H. M. Joshi (Nominated: Labour Interests): May I know whether the telegram came from a journalist?

The Honourable Sir Basil Blackett: It is from a member of the Statutory Commission. (*An Honourable Member*: "To whom was it addressed"?).

I will now turn to the Budget. I am afraid it will be impossible for me to cover all the subjects which were raised in the course of the discussion. I should like to begin by congratulating Pandit Hirday Nath Kunzru on his thoughtful speech. I am sorry that he should think that there was any attempt to conceal the increase in the Air Force. A year ago, I mentioned specifically the expansion of the Air Force in my budget speech, and if it was not followed up and if more details were not asked for, I can only surmise that Honourable Members were so much interested in the ratio that they forgot the Air Force. But there was a definite statement in my speech. Pandit Hirday Nath Kunzru also referred to our income-tax estimates. I share with him the disappointment that we have not been able successfully to estimate in advance hitherto the yield of our income-tax. Last year was a particular disappointment arising from a source which we have managed to trace to its issue and we are not liable to make the same mistake as was made last year. Obviously we have to try and find out in advance something in regard to the probable profits of the bigger industrial concerns or the industrial concerns generally in the course of the current year in order to get an estimate of what income-tax is likely to yield us next year. I feel fairly confident that the basis of our estimate this year is a sounder one than it has been hitherto and that our figure of Rs. 17 crores for the coming year is reasonably likely to be realised. But I share with Pandit Hirday Nath Kunzru the disappointment that we have hitherto not been entirely successful in our estimates of income-tax. Mr. Birla, Sir Purshotamdas Thakurdas and Mr. Chetty seem to have put their heads together to try and invent a particular line of attack on this year's Budget. The figures in regard to our debt are figures which are comparatively recent. They date from some time during my period as Finance Member. Previously the debt of India was shown simply as, broadly speaking, market debt. I set to work to get into the statement of our debt all the debt that the Government owed in various forms, including, for example, savings bank, cash certificates, provident funds, and so on, and the statement, as it is now given, which has been the same for the last three years, shows absolutely the total of the debt of the Government of India in any shape or form. It is quite true, and this is a point that I drew attention to, not in public, but in the Finance Department some considerable time ago, that the statement of our debt does not include liabilities to ourselves because that is not debt. It cannot be included as part of our debt and there is a note of mine somewhere in the Finance Department saying that when the Government of India Act comes to be revised, provision ought to be made so that we shall be able in future to show as debt liabilities which are as separate as the depreciation fund and reserve fund of the Railways are from the general finances of the country. They are not debt at present because the Government of India owe them to themselves and you cannot call that, debt. The three Honourable Members who drew attention to this seemed to think that they had made a great discovery, but exactly the same thing has been the position for the last three or four years in the statements that have been made

[Sir Basil Blackett.]

in the Budget and so why they should think that something extraordinary has turned up I do not know. Mr. Birla, I think, would on second thoughts like to withdraw the language that he used. It is not I think quite right that when statements are put before this House they should be characterised as untrue or false by a gentleman who had just previously stated that he was unable to understand them. Nevertheless, the statement of our debt does show absolutely the exact position, that is, the total of the debt of the Government of India,—the total that is productive and the total that is unproductive. I could not follow Mr. Chetty at all in his argument that you had to buy unproductive debt in the market in order to pay it off. Why you should buy unproductive debt in the market and then issue some other debt of apparently the same denomination and call it productive because it was issued for our productive purposes, I could not follow. Obviously our unproductive debt consists at any given moment of that part of our total debt which is not represented by assets which are earning for the tax-payer a sum equal to or greater than the amount of interest which the tax-payer has to pay on the debt. It may interest the House to have some analysis of our present debt and to have figures in greater detail than has been given so far. Our total debt on the 31st March, 1928, is estimated to be as follows:

	Crores.	Lakhs.
Invested in Railways	666	13
Invested in other productive forms	20	41
Advance to the provinces	126	34
Total productive debt	812	88

Our total debt is 991 crores, 61 lakhs, and this leaves a non-productive debt of 178 crores and 73 lakhs. That is to say, 178 crores and 73 lakhs is the total amount of the debt on which the tax-payer has to find the interest out of taxation. On the total of the rest of the debt the interest is found out of the productive enterprises in which the money is invested. It is in consequence of the steady growth of our productive debt and the steady reduction of our unproductive debt and the funding of large amounts of debt carrying 6 per cent. free of tax and the substitution for such debt of debt carrying under 5 per cent. that the burden of the interest charge on the tax-payer has been coming down. Either in my speech or in the Financial Secretary's Memorandum exact figures will be found of the charge which is to be met by the tax-payer out of his own pocket, out of taxation year by year, and that shows a very steady reduction. That I may inform Mr. Chetty includes the interest that we pay to the Railway Board for interest on the depreciation fund, so that the figures of the interest actually paid show the exact position of the tax-payer year by year. I hope that after this explanation some of the charges that have been made will be withdrawn. I would like to point out to Sir Purshotamdas Thakurdas that he seemed to be under the impression that a large proportion of the reduction in the unproductive debt of which I spoke was due to the fixing of the rupee at 1s. 6d. Apart from the fact that the rupee was changed from 2s. to 1s. 6d., a point which I used to dwell on a year ago, I would draw his attention to the fact that the figures in the speech take the sterling debt of 1923 for purposes of comparison at 1s. 6d. just in the same way as they take the sterling debt of 1928. Therefore, there is no question of the reduction of unproductive debt being due to an alteration in the ratio to 1s. 6d.

Mr. Jamnadas Mehta did not disappoint me. I have come to feel quite uncertain of the wisdom of anything done by the Finance Department or anything said by the Finance Member until it has received the hall mark of a castigation from Mr. Jamnadas Mehta. I do not suppose that he will desire me to try and follow him in the maze of figures chosen carefully in accordance with the thesis which suited him without reference to any real meaning in the figures with which he tried to invent a case against me. I was interested, however, to observe that when he had succeeded in inventing a case against me he discovered that I had not increased taxation at all during my period of office. That I think was the net result of his arguments. I believe that on the whole I have slightly decreased it, but not very greatly, and it has been a matter of regret to me that during my term of office the opportunity for any large reduction of taxation has not arisen. That was because we had a prior obligation to the provinces. It is true in a sense that the remission of the provincial contributions to the tune of 9 crores and 83 lakhs, or 9 crores and 20 lakhs if you leave out Bengal, is in effect a reduction of taxation, because either the provinces in order to spend what they did would have had to raise that taxation by other means, i.e., that extra amount by taxation of the provincial tax-payer, or to forgo the expenditure so that it is in effect a reduction of taxation.

Several speakers have referred to the Meston Settlement. We have now got rid of the provincial contributions and the time for some modification of the Meston Settlement is obviously approaching. Those Honourable Members who are keen on it, especially on the other side, will no doubt take the opportunity to give evidence before the Statutory Commission on the subject. (Laughter.) But even if they do not, I am inclined to think that the Statutory Commission will have their attention drawn to the Meston Settlement. The subject really raises the whole problem of federal finance. It is obviously necessary that the Central Government should be in possession of sources of revenue which are adequate for all purposes, because it is on the Central Government that the burden of an emergency must always fall. I think that it is most desirable for that reason alone that some reduction of central taxation should be possible within a comparatively short time in order that the Central Government may have a margin of taxable capacity as against emergencies. On the other hand, there is no doubt that the working of the provision giving the provinces a share of income-tax has not been satisfactory. It has never really served its object. Certain proposals were framed by the Finance Department and were discussed with the Provincial Governments and in particular at the last Finance Members' Conference. They involved a sacrifice of something between half a crore and a crore of the Central Government's revenues, but they were not considered by some of the Provincial Governments as giving them as much as they wanted, and it was felt that with the approach of the time when the whole question must be taken up by the Statutory Commission—and I may add, in view of the want of cash in the pocket at the moment of the Central Government—it was felt that it was desirable to leave the subject for consideration by the Statutory Commission. In the same connection other Honourable Members have spoken about the export duty on jute. Now I would put it quite simply. Either the export duty on jute is a bad tax which ought to be abolished at once because it falls on the agriculturist, or it is paid,

[Sir Basil Blackett.]

not by the agriculturist but by the importing user of jute, that is to say, it is either a bad tax, or it does not fall on Bengal.

An Honourable Member: Is there any other monopoly commodity?

The Honourable Sir Basil Blackett: I do not suppose the Honourable Member could have followed my logic. Perhaps if he reads the speech later, he will be able to think about it. Quite obviously, then, if that duty is falling on the agriculturist at the present moment, what ought to be done is not to hand it over to the Provincial Government but to abolish it or at least to reduce it if some part of it is falling on the Bengal tax-payer. If it is not falling on the Bengal tax-payer, if it is in fact being paid by our customers over-seas, then so long as the monopoly conditions which enable that to happen remain, it may be a good tax; but it is obviously desirable that it should be in the hands of the Central Government, so that action may be taken to reduce it the moment there may be any sign of a change in the monopolistic character of the article on which it is imposed. But you should not expose the Provincial Government to the temptation of raising revenue by imposing export duties on all and sundry articles at the expense of its own agriculturists, nor to the difficulty of having to deal with the jute duty or an export duty of any kind at a moment when world conditions may have made it imperatively desirable in the economic interests of everybody that the duty should be abolished. So far as the jute duty is concerned, or any other export duty, I think therefore that Honourable Members will be very wise to oppose very stoutly any suggestion for provincialising them. I have full sympathy with the desire of the provinces to see their revenue increased and made more elastic. I am in some hopes that some results in this direction may be secured when the Statutory Commission has reported—some arrangement that might hand over some of the non-judicial stamps to the Central Government and give in their place a really effective share of the income-tax.

I do not think that I need enter into any of the other points that were raised. My friend Sir Victor Sassoon had some complaints to make about the collection of income-tax. I am beginning to wonder quite seriously whether my Income-tax Department is not becoming almost effective. It has had a long struggle and I am sure there is still room for improvement. I do think that this House should realise that the Income-tax Department has a very difficult duty to perform. It is performing it to the best of its ability in unpopular circumstances. There are great possibilities of temptation. It has built up a very good record and I would like to add that it is almost entirely Indian. I do hope Honourable Members will think twice before making attacks, which, in the nature of income-tax, come very naturally, upon the agents of the Government of India who are engaged in collecting that unpopular tax.

Sir, I do not know whether you remember a debate on the Budget about three years ago when sitting opposite me in old Delhi you became very vociferous about the concealed crores in my pockets and I suggested that I should be afraid to meet you on a dark night, if you really believed the money was there. A good deal has been said which shows that Honourable Members still think that I have got large numbers of crores concealed in my pockets. I assure Honourable Members that that is not so. I leave

them to find the full facts in our published statements. For those who try to study them, our Finance and Revenue Account and our Financial Statement are more illuminating or are becoming more illuminating year by year and are a great deal more illuminating than they were at the beginning of the time when the Legislative Assembly came to deal with the Budget. I believe that it has been one of the effects of the Legislative Assembly's criticism and of its power to criticise and vote on Demands for Grants, that very considerable improvement has been arrived at in the whole machinery for Parliamentary control of the Budget and other finance matters of the Government of India. And it is for that reason that I am going to permit myself one last remark. What has been happening in the course of this last Session is particularly depressing to a man like myself who has been in the Assembly now going back to a date very near its commencement. During the whole of that time the principal interest of many of us, the interest really that was the driving power behind what we were doing, has been the desire to make the Legislative Assembly more and more into a Parliament. And my difficulty to-day is that I feel that at every turn this Assembly is to all appearance trying to commit political suicide. Every opportunity that is given it of showing that it has a responsibility and can use it, it takes to prove that it can be irresponsible. That does not need proving. But I do hope that, in spite of the atmosphere of to-day, Honourable Members will realise that many of us have been and are very keen on seeing that the Assembly, particularly through its control of finance, may more and more approximate to, until it finally reaches the position of, a real Parliament. (Applause.)

The Assembly then adjourned till Eleven of the Clock on Saturday, the 10th March, 1928.