

4th March 1930

THE

LEGISLATIVE ASSEMBLY DEBATES

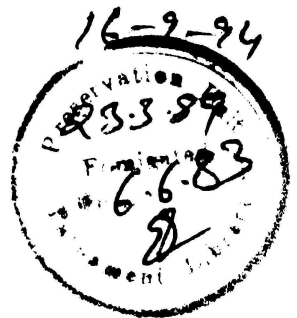
(25th February to 20th March, 1930)

SIXTH SESSION

OF THE

THIRD LEGISLATIVE ASSEMBLY, 1930

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1930

Legislative Assembly.

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THE HONOURABLE MR. V. J. PATEL.

Deputy President :

MAULVI MUHAMMAD YAKUB, M.L.A.

Panel of Chairmen :

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SIR ZULFIQAR ALI KHAN, KT., C.S.I., M.L.A.

Secretary :

MR. S. C. GUPTA, BAR.-AT-LAW.

Assistant of the Secretary :

RAI SAHIB D. DUTT.

Marshal :

CAPTAIN SURAJ SINGH BAHADUR, I.O.M.

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LEGISLATIVE ASSEMBLY.

Tuesday, 4th March, 1930.

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

MEMBERS SWORN:

Mr. Hattiangadi Shankar Rau, M.L.A. (Finance Department: Nominated Official); Rai Bahadur Satis Chandra Dutta, M.L.A. (Surma Valley *cum* Shillong: Non-Muhammadan); and Dr. R. D. Dalal, M.L.A. (Bombay: Nominated Non-Official).

THE GENERAL BUDGET—GENERAL DISCUSSION.

Mr. President: The House will now proceed with the General Discussion of the Budget.

Mian Mohammad Shah Nawaz (West Central Punjab: Muhammadan): Sir, the Budget of the ensuing year, which was presented by the Honourable Sir George Schuster on Friday last, in a very clear and frank manner, exhibits some very disappointing features. The net position is that the Government are faced with a deficit of 5 crores and 52 lakhs, which is sought to be wiped out by retrenchment in civil and military expenditure to the extent of one crore and 42 lakhs and by the imposition of fresh taxation to the extent of 4 crores and 10 lakhs. We are told by the Honourable the Finance Member that the present year has been a bad one, and the accounts of 1929-1930 would have shown a deficit of one crore and 56 lakhs, but for a special windfall which will bring to the Government of India exactly the same amount under the Treaty of Versailles. The ensuing year is certainly most discouraging, and the imposition of fresh taxation has caused considerable anxiety. At a time, Sir, when there is general trade depression throughout the world, when the purchasing capacity of the Indian people has seriously diminished, when the monsoons have failed in certain parts of the country, and at a time when floods and locusts have done great damage to the crops, economy and not additional taxation should have been the watch-word of the Honourable the Finance Member. Well, Sir, the outstanding feature of the Budget of 1930-31 is the imposition of fresh taxation on the poverty stricken people of India. The general increase in the cotton duties from 11 per cent. to 15 per cent. would certainly be welcomed, though not for any other reason, at least in the interest of the Bombay industries and possibly in the interest of the hand loom industry. But I venture to submit that a further 5 per cent. protective duty on non-British goods should

[Mian Mohammad Shah Nawaz.]

be opposed on the principle that it endorses Imperial Preference as a principle. The Honourable the Finance Member has been careful to inform us that neither the Government of India, nor the Assembly is committed to Imperial Preference as a principle, but the fact remains that liberty has been taken to introduce Imperial Preference as a principle, and on this account, the Indians have no other alternative but to oppose this item unless and until India can get all the reciprocal advantages and facilities from England and other Dominions to what it gives them, she can not willingly agree to any scheme of Imperial Preference.

The increased excise duty on kerosene oil, which it is hoped will bring 35 lakhs, and the import duty on sugar, which it is hoped will yield one crore and 80 lakhs, would certainly hit the poor and the middle classes. This item is also very regrettable and probably the non-official Members will vote against it. The rate in the increase of income-tax and the super-tax should be opposed by everybody, and it should be scrapped from the Finance Bill. Lastly, Sir, there is the re-introduction of the import duty of four annas per ounce, on silver, which in my humble opinion will hit the poor very much. The device adopted by the Honourable the Finance Member is very unfair to the poor of this country. The peasants of this country, and particularly the poor classes, purchase silver and they will have to pay, not the world market prices, but a considerably higher price, artificially created by the duty on silver.

Well, Sir, we are told that the present deficit is due to the general trade depression, is due to the unrest in this country and elsewhere, and that the Honourable the Finance Member is compelled to resort to additional taxation. But the question remains whether India or the Indian people are capable of paying the fresh revenues; whether they have the capacity to pay. In my humble judgment, the Indians have no such capacity to pay, and the additional taxation, except probably one tax, the increased duty on cotton, is uncalled for.

Now, Sir, the hard facts of the situation are these. A great section of the people utterly dislikes the present system of Government. They think that the present system is an evil, and they threaten to launch a campaign of civil disobedience, a campaign of non-payment of taxes. On the other hand the Honourable the Finance Member says that the Government mean to impose additional taxation. Hence there are two fires,—the fire of non-payment of taxes and the fire of imposition of fresh taxation. Between these two fires, the position of those who occupy a central position has become very difficult indeed. Between these two fires, I venture to submit, the best interests of India will suffer. I agree, Sir, with the Honourable the Finance Member when he says that the Indian leaders must oppose all threats of constitutional action and disclaim the repudiation of debts, and they should help Government in the maintenance of law and order. So far as the Moderates are concerned, they will help the Government. But, Sir, I do not agree with him at all when he says that the future lies in the hands of the leaders of non-official opinion, and they alone are responsible and not the Government. I say emphatically that Government are also responsible for the present unhappy state of things in this country. The clear duty of the Government is to see that the Indian people are happy, contented and prosperous. Is it not a fact that, despite the fact that the British people

have brought peace to this country, the present system of Government is defective? Is it not a fact that the Indian people have to pay a crushing figure of 55 crores,—now reduced to 54 crores and 20 lakhs,—for the maintenance of the Army? And it is a great shame, and as great a disgrace as can befall a nation that the Indians are not trained to lead their own regiments. Indians still believe that the military expenditure can be reduced, at least by one or two crores. But we are told by the Honourable the Finance Member that no substantial reduction can be made. That is very regrettable. In my humble judgment, the Honourable the Finance Member should have told the heads of the Department to adopt a system of rationing the Department, that is to say, he should have told them that their expenditure should be reduced by a certain percentage, and it would then be seen that a lot of retrenchment can be made in the military expenditure and in other services. Sir, I submit that Government either do not understand the Indian distemper or have not got the courage to administer healing remedies to the disease of unrest. That remedy lies with Government. I say this, and I say it plainly, that if the British nation, through her Parliament, is not prepared to grant immediate provincial autonomy and at least fix a minimum time limit, for the attainment of complete Dominion Status, there can be no peace in this country. My own conviction is that the Honourable the Finance Member should have waited for the result of the Simon Report and the result of the Round Table Conference; and if the result had been favourable, he could have come to this House and said, "Now the responsibility is very much yours and you had better place your financial position on an unshakable foundation". I venture to submit that at the present juncture, our esteemed and able friend was not well advised to bring forward a scheme of additional taxation.

The worst part of the Budget is that the Honourable the Finance Member makes no promise—none whatever. He does not say that the present imposition of taxation is a temporary one or is on a permanent basis. Probably he means that this should be a permanent taxation. If he had come forward with a proposal that the additional taxation to the extent of 4 crores and 10 lakhs was simply meant for such purposes as agricultural development or the introduction of primary compulsory education in the provinces, it might have been possible for some of us to vote with him; but he does not say anything of the kind. He simply says that, as Finance Member, he is bound to balance the Budget, and that is all. I submit that, whatever the difficulties of the Finance Member may be, he has to face the difficulties created in this country. The Finance Member really should have made a supreme effort to retrench expenditure which in my humble judgment he has not done. I say, Sir, that although the Budget has been presented in a very frank manner, it is certainly very disappointing in many respects, and the Finance Member will have a very hard task to see that the major portion of additional taxation is voted by the Assembly. He should expect the House to vote for all fresh revenues.

Sir, I have to say something about the military policy and the military expenditure. I have already said that it is a great shame that Indians, except an inadequate and limited number, are not permitted to get admission into the King's Commission. I really do not know why Government are not accelerating the pace of Indianisation of the Army. There

[Mian Mohammad Shah Nawaz.]

may be a risk from the British point of view, but the risk must be taken in the interest of this country. Do they mean to say that they do not trust the Indians? So far as I am concerned, and I am perfectly certain that many Indians are of this opinion, if there is any upheaval in Afghanistan or Turkestan or Russia, with a view to attack India, my country, all Indians will be united in defending their own country and the Empire. I am perfectly certain that, although I am now 50 years of age, a soldier's death would be the best thing for me. I do not know why the Britishers are distrusting the Indians,—I cannot understand that. Are they distrusting the Indians because they think that there is going to be an upheaval in this country? I think not. I think that India's heart is quite sound and that of Great Britain may be sound. We are only adopting our own ways of meeting the situation. We school our manners, act our parts, but we know that our dispositions are quite gentle, tranquil and true. The British Government must know that, after all, if the Indians are trained to command their own regiments, and if the Indian Army is Indianised, it will be immensely better in the interests of Great Britain and of India. I have, Sir, a great complaint to make about this question of the Indianisation of the Army. In my humble opinion the recommendations of the Sandhurst Committee should have been accepted by the Government without any reservation whatever. (Hear, hear.) If those recommendations are not accepted, the talk about the grant of Dominion Status is all humbug. (Hear, hear.) I cannot understand at all that Dominion Status can be granted, or even promised, if the British Government are not prepared to Indianise the Army. I cannot understand why the people of this country are not allowed into the superior ranks in the Army. Without the Indianisation of the Army, the talk of Dominion Status would be absurd, and this is the first step which the British Government should take to show their good faith and that they are prepared to grant Dominion Status to the people of this country as quickly as possible and at any rate within a short time-limit. The Indian opinion is unanimous on the point that the attainment of Dominion Status cannot be deferred for long. I say these are the healing remedies to the disease of unrest. Indians are quite prepared to place the Indian finance on an unshakable foundation. But it is the clear duty of the Government to see that the legitimate desires and aspirations of the Indian people are fulfilled without further delay. The real root cause of present unrest is that the Indians are dissatisfied with the present system of Government and they want that it should be changed, and changed root and branch. If the Government are prepared to do that, the Indian people are prepared to help the Government to their utmost capacity, and I am perfectly certain that the Moderates and all right-minded Indians are prepared to nip in the bud the Independence movement and the movement of civil disobedience provided also that the Government play their own part well and give helpful promises to the Indian people. Without those the financial position will remain more or less unstable. If the British people fulfil their own part of the obligation, everything will be all right. I concede that the Britishers have brought peace to this country. I concede that the Civil Service is a very efficient service. I grant that you have brought prosperity, by Posts, Telegraphs, Railways, and large irrigation schemes. But at the same time, it cannot be denied that it is not a

Government of the people. It has many defects, which I have already pointed out, and those defects must be remedied and the remedy lies in the hands of the Britishers. In the matter of the Indianization of the Army, delay has given rise to bitter unbelief. I have, Sir, expressed these thoughts as they have come; I have expressed these thoughts with perfect frankness. They may not be liked by some people, but I have done my duty. I request the Government to consider them seriously. (Applause from Non-official Benches.)

Sir Hugh Cocke (Bombay: European): Sir, I was very interested in the remarks of the Honourable Member who has just sat down, but I thought the tributes he paid at the close of his speech were a little difficult to reconcile with some of his earlier remarks. But at any rate, he referred to his belief that leaders would, under certain circumstances, be only too anxious to nip in the bud any attempt at civil disobedience in this country, and I am quite sure that everybody in this House realises that if that is nipped in the bud, and if we have a peaceful year, it will be reflected very much in the figures with which we shall be presented a year hence. Sir, when we have got to consider large additional taxation, I think it is perhaps desirable that one should look some years back in order to ascertain some of the reasons for that additional taxation, and I have been studying Appendix I of the Financial Secretary's Memorandum to look into the figures not merely of this year and the Budget for next year and those of the previous completed year, but to make a comparison between the first of the years given in Appendix I, namely 1923-24, and the budget estimate for 1930-31. A study of those figures, I think, gives very substantial reasons why today we are faced with a deficit of four crores or so, requiring additional taxation.

Turning to the main items, it will be noticed under Customs, our revenue—it is our biggest head of revenue—has increased roughly from 39 crores to 52½ crores in that period of seven years, that is by 13½ crores, a very substantial increase. But taking the next item, Taxes on Income, our figures have remained stationary. As a matter of fact, the figure for the first year and the budget estimate of next year both show over 17 crores, but in none of the other years is the figure over 17 crores. Actually our figure for 1930-31 is 89 lakhs less than the income revenue for 1923-24, so that under that head there has been no progress at all. Under Salt, we are 3 crores down for that period. Our revenue in 1923-24 was roughly 8½ crores and it is now 5 crores and 71 lakhs, a drop of approximately 3 crores. In Opium, we are slightly up by 40 lakhs, which is rather extraordinary of course in view of the fact that we are reducing our revenue from Opium. But it just happens that the 1923-24 figure is particularly low. In the matter of "Other principal heads", our revenue is down by 50 lakhs, and then we come to the chief item of all in connection with the decrease of revenue, of the Central Government, and that is the Provincial contributions. In 1923-24, our revenue was nearly 9 crores, and today it is nothing at all. In Railways we are 70 lakhs down compared with 1923-24. In total revenue we merely show an increase of 1½ crores in those seven years.

Turning to the expenditure side, we find it mainly increased. Irrigation has gone up by 5 lakhs; Debt Services, 19 lakhs; Civil Administration, 8½ crores; Civil Works, 14 lakhs; Miscellaneous Expenditure on the other hand is a little down. In Posts and Telegraphs, we have increased our net expenditure by practically 1½ crores, because in 1923-24 we had a surplus of 71 lakhs and today we have a deficit of 71 lakhs. Military expenditure

[Sir Hugh Cooke.]

shows a reduction of nearly 2 crores, and the total expenditure shows an increased expenditure of $8\frac{1}{2}$ crores. In other words, our revenue in the past seven years has been going up at the rate of 20 lakhs a year approximately, and our expenditure has been going up at the rate of about 50 lakhs a year, but if provincial contributions are excluded, our revenue has increased from 76 crores 80 lakhs to 87 crores 21 lakhs, an increase of 10 crores 41 lakhs. That revenue increase was necessary to balance the provincial contributions which were cancelled, so that I think having regard to one increased expenditure, we have got to face the fact, as the Honourable the Finance Member said in his speech, that we have *not* made up the gap that occurred as the result of the elimination of the provincial contributions, and really we are imposing fresh taxes in the Central Government today to make up for those provincial contributions, or in other words, to provide for expenditure which the provinces have at last been able to meet but which they could not meet as long as they had to contribute to the Central Government—expenditure which we hope is in the nature of nation-building expenditure such as education, sanitation, etc. Therefore, if we take a broad view with reference to the new taxation, we have to realise that, in the main, it is being put on to benefit the provinces in contrast to the position when the Central Government received a substantial revenue from the provinces.

It is distinctly disappointing of course that the Post Office, as a commercial department, shows no progress, but very much the reverse, the main reason being, I think, the increase of pay of the postal servants, which I think no one regrets. But I noticed the other day that the Post Office in the United Kingdom shows very remarkable figures. The commercial profit there is £9 million. This figure is arrived at after charging interest on capital and meeting a deficit on the Telegraph service of three quarters of a million sterling. It is pointed out that, if the postal rates were reduced from $1\frac{1}{2}d.$ to one penny, it would cost the Post Office a revenue of anything between £5 and $£7\frac{1}{4}$ millions sterling, but even if that change took place, there would still be a profit of about £2 millions for the State. Well, in India, we have to carry our letters further and we do not carry so many of them, and we are faced with the fact today that the Central revenues are actually contributing to the Post Office about Rs. 70 lakhs in the current year, namely, in 1929-30 Rs. 78 lakhs; in the coming year's estimates nearly Rs. 72 lakhs.

Another important factor, of course, which the Honourable the Finance Member has had to face, and which is an additional reason for the increase in taxation which is proposed, is the fact that he has to face facts in connection with the accumulated interest on Postal Cash Certificates. That obligation has been increasing year after year. Sir Basil Blackett was attacked, I think, because he made no proper provision for that. His reply was that he was merely following the course followed in the United Kingdom. Whether that course is still followed in the United Kingdom I do not know, but certainly up to that time he was merely following the same course that was followed in the United Kingdom in connection with the National Savings Certificates. Since then, the interest obligation has been mounting up year after year. I think nearly ten years have nearly elapsed since Postal Certificates were first on sale, and therefore we have got an accumulated interest obligation of 10 years on many of these Postal Cash Certificates, which were sold at Rs. $7\frac{1}{4}$ or thereabouts and are to be redeemed at about Rs. 18 after 10 years.

It is interesting to note, I think, as pointed out in the Honourable Member's speech, that the sum required for the reduction and avoidance of debt has risen materially since 1923-24. The amount has risen from Rs. 3 crores and 62 lakhs to Rs. 6 crores. The convention which was established six years ago now has run its time, and is to be reconsidered, as pointed out in the Honourable Member's speech. I hope that, in the reconsideration of that problem, no material reduction will be made in the amount which is provided annually, because I believe sound principles in connection with a country's sinking fund are very essential, and they react on the rate of interest at which one can borrow. Sound finance obviously means a cheaper rate of interest on the money that one borrows.

Coming to the question of income-tax, I am not prepared to oppose the increases which have been made. One regrets perhaps that it has been necessary to depart from the round figure of one and a half annas and propose one anna and seven pies. That perhaps is more or less a sentimental objection. I find that for a man with an income of a lakh of rupees, if my calculations are correct, the additional taxation he has got to pay is Rs. 781, i.e., he now pays in income-tax and super-tax, Rs. 14,062 and he will be called on to pay Rs. 14,848 so that the increase is very small and is not one which I think should be attacked. As regards the other increases of taxation, I for one see no material objection to any one of them, because it seems to me they do not impose a very serious burden on any consumer. If any Honourable Member could show me that the contrary is the case, I should be prepared to reconsider my view, but the taxes on kerosene and sugar and the cotton import duty appear only to impose a very moderate burden on the consumer. I think we have got to pay the bill because it is very essential that the deficit should be met. I regret that there was no promise in the Honourable Member's speech about any reconsideration of the companies' super-tax, because such a tax in the name of a corporation profits tax was removed in England many years ago now, as it was only imposed as a war measure, but here we have still got the companies' super-tax, which is strongly objected to in business circles on the ground that it amounts to double taxation. It is, however, satisfactory to note that business losses will be brought into account in future, and the Finance Member has also promised to reconsider the question of double super-tax on companies, particularly in connection with holding companies.

Sir, reviewing the whole Budget, it seems to me that, although it must excite considerable criticism when a large additional amount is required from the country in taxation, one has got to consider the matter as a whole. One thing we have to remember in particular is that, to some extent, this new taxation is required to meet the increased pay and contentment of the working classes. Whether it is in the Postal Budget, or in the Railway Budget, or in the Central Budget, I think if the calculation were made, it would be found that the additional amount paid to labour in the last few years amounts to a very heavy sum indeed, and therefore in essence we are taxing the country today additionally for kerosene, sugar and so on to meet the increases which have been given to labour in this country in the last few years. No one regrets those increases, because most of us believe they were necessary, and probably still further increases may be necessary to adjust matters between different sections of labour. But, in order to meet that bill, we have got to broaden the basis of our taxation, and it seems to me that none of the proposed taxes really hit any one branch of the community severely or harshly, and if I am right in that conclusion, I think the House might well accept this Budget.

Mr. Amar Nath Dutt (Burdwan Division: Non-Muhammadan Rural):

Sir, while thankful to the Honourable the Finance Member for his very careful exposition of the financial position of the Government, we can hardly congratulate him for the very distressing statement he has presented before us. The frank confession of a deficit budget, with a careful review of the causes in detail, and a genuine and sincere desire to meet the deficit with as little hardship upon the taxpayer as possible, discloses the utter helplessness of a great financier under the present system of Government. While appreciating the limitation of the Honourable the Finance Member, to give any relief to the Indian taxpayer, I shall be failing in my duty if I merely criticise the figures from the standpoint of an economist, overlooking the larger problem from the standpoint of a statesman. I wish the Honourable the Finance Member had been bold enough to take his stand upon a higher pedestal than that of a mere financier registering the decrees of an irresponsible bureaucracy. He has taken the demand of the Executive Government as a matter of course and has prepared the Budget on the basis of that demand. Sir, the budget of a government is not merely an official statement of the revenue and expenditure, but also a measure of the devotion of the rulers to the interests of the ruled; and in the few observations that I am going to make, I shall keep that point in view, leaving canons of finance to be discussed by those who are more competent to deal with the same.

Sir, I am painfully aware of our helplessness in the matter, but we have to declare from our place in this Assembly, as representatives of the people, that we neither approve of the imposition of new taxes, nor do we acquiesce in the increase of expenditure, more than half of which is non-votable. To have to discuss a Budget without being allowed to exercise our vote, is depriving us of an effective weapon of control, which no responsible government can dream of. Yet that is our lot in respect of the military expenditure and other demands which are non-votable. Ordinarily, one is expected to incur expenditure according to his income, instead of spending with a view to supplement the deficit by loan or robbery. Yet the latter is the course that is being adopted in the case of the Indian Budget, as a result of which, not only our debts have increased by leaps and bounds, but it has imposed heavy burdens upon the poor peasants by robbing them of the barest necessities of life. If the Finance Member had tried to cut his coat according to his cloth, India's budget, far from showing a deficit, would have shown a clear surplus. Instead of asking for further taxation, he would have been in the enviable position of relieving the poor Indian taxpayer of some of the crushing burdens of taxation. Sir, India is mainly an agricultural country and no Finance Member who cares for the well being of the teeming millions working in the fields would place any unjustifiable burdens upon them. The Finance Member himself admits that the export duty on rice, at its present level, is a burden on the economic life of the country, and further reductions may become desirable, yet he has dismissed a question of such vital importance by saying that rice exports have been considerably more encouraging. I am very much surprised that the Honourable the Finance Member should make such an irresponsible statement from his position in this House. I would like to invite him to witness the miserable condition of the ill-fed and half-clad tillers of the soil in the villages, who have been reduced to the verge of starvation, not only because of bad monsoons, but also because of the financial policy of the Government. The abnormally low price of paddy in Bengal has been

such this year that the peasants have been obliged to part with almost the whole of the produce of the year to pay rent and taxes, leaving very little to feed themselves for the next eight months, before they can grow another crop. This is a serious state of affairs, which no Government having the least concern for the welfare of the agricultural population can ignore. Your Agricultural Commissions and policy of development of agricultural research will not avail them, unless you see your way to devise means of leaving sufficient grain for the consumption of those who produce it, and I ask the Government, with all the emphasis that I can command, to take up the question for solution, without delay, if they are really sincere in their professions of sympathy for the masses.

The Honourable the Finance Member has said that it is essential that, at this transitional stage of the constitution, there should be full confidence, wherever possible, between the Government and the Legislature, and I therefore invite the serious attention of the Government to this dark spot of their financial policy. The inevitable struggle between capital and labour is the outcome of industrialisation, which has not brought peace anywhere in the world; and he must be a very bold man, who can state that the problem will be solved by the Royal Commission on Labour. The real solution lies in de-urbanisation and allowing the villages to flourish amidst the peaceful and happy surroundings of agricultural pursuits, and not in the slumlife of towns.

As regards the appeal of the British Government for Imperial Preference, although the Finance Member does not ask us to commit ourselves to its principle, he has curiously enough asked us to adopt it in India's interests at a critical juncture. In spite of his assurance, we must inform him that Indian opinion will refuse to accept Imperial Preference in any shape or form.

I began by saying that the Government ought to keep in view its income while framing the programme of expenditure, and should never allow itself to frame a budget in the hope of raising a loan or imposing taxes. But unfortunately this canon of sound finance does not appeal to the Government of India, who may ask how they are to carry on the administration of this vast country with the amount that is available, without incurring loans and imposing new taxes. My reply is in two words—reduce expenditure. If you yet ask what expenditure can be reduced, I shall point to the military expenditure and high salaries of civil officers. If you had brought down your military expenditure to at least fifty crores, as prescribed by the Retrenchment Committee, you could have avoided the deficit budget, but you do not reduce the military expenditure on the plea of enabling the Army to carry on their plan of re-equipment, and only show a little decrease by spreading the programme of re-equipment over three years instead of two years, which is thus no real reduction.

The Brussels Conference has laid it down, with the full concurrence of the Government of India and the representatives of the India Office, that the military expenditure of a country should in no case exceed one-fifth of the revenues. I ask you to accept this standard and reduce your military expenditure. This can be easily done by Indianising the Army at once, which will serve the purpose for which the Army is maintained, according to the Report of the Army Commission of 1879, *viz.*, (1) preventing and repelling attacks or threatened aggressions from foreign enemies beyond our border, (2) making successful armed disturbance or rebellion, whether in British India or feudatory states, impossible, and (3)

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watching and overawing the armies of feudatory native states. But overlooking those weighty observations of the Army Commission, the Indian Army is retained for the maintenance of balance of power, not only in Asia, but in the whole world. The present Premier of England, Mr. Ramsay MacDonald in his book "The Government of India" has said:

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

The North West Frontier from the Pamirs to the sea is the most important land frontier of the British Empire, and its defence and maintenance should not be saddled upon the Indian taxpayer alone; we can justly claim to be freed from at least a major portion of this burden, and I commend this to the very serious consideration of the Government of India and the Home Government. The Esher Committee has laid down that, so far as the question of Imperial defence is concerned, the military policy of the Government of India must be in consonance with the military policy of Imperial defence, and in this view, are we not entitled to demand that the Imperial Government should also share the burden with us?

Besides, Sir, if you eliminate the British element to the extent of at least half of its present strength, and replace them by Indians, you can reduce the expenditure by more than five crores, for it has been pointed out by the Inchcape Committee that the cost of an Indian soldier is Rs. 631 per annum, while that of the British soldier is Rs. 2,503 per annum. But then it will be argued that the British soldier has got greater military qualities than the Indian soldier. (*An Honourable Member*: "Question.") That argument is belied by history. The Rajputs, Sikhs and the Mahrattas, as also the Gurkhas and Pathans, make as good soldiers, if not better, if they are given the necessary training.

It is said that the ideal which is kept in view about military expenditure is an Army in India, not larger than is essential in India's interests, adequately equipped and fully trained, so that India might obtain the maximum service from a fully efficient force at the minimum cost. If I ask His Excellency the Commander-in-Chief, whom I do not see here, whether the above ideal has any place in the military policy of the Government of India, His Excellency's answer is bound to be in the negative in view of the facts stated above.

As for the expenditure on civil administration, I am not aware of any other country in the world where its officers are so highly paid compared with the average income of the masses of the people. In a poor country like India, Rs. 1,000 per month should be the maximum salary, and the best intellects will always be available, when we find the flowers of Indian Universities serving at even a less salary than that. The gentlemen on the Treasury Benches, who would not like to be there on this salary, may make room for patriotic Indians, to whom salary will be of no consideration. (Laughter.) At the present moment you have at least one such patriotic Indian in the person of the Honourable the Law Member, whom I do not see here, who has sacrificed a princely income at the Bar in the prime of life to serve his country according to his lights, and I can assure you that there are many who will be willing to accept much less for the sake of service to their motherland. In this way, if you reduce

the high salaries all round, you will be able, not only to avoid a deficit, but will be able also to reduce greatly the burdens of taxation. Sir, year in and year out, we have been pressing for a reduction of high salaries, but the Government have not thought fit even to consider this aspect of the question

Mr. D. K. Lahiri Chaudhury (Bengal:Landholders): How can you compensate for the five crores?

Mr. Amar Nath Dutt: They can compensate for it by replacing half of the British element in the Army by Indians. And the reason for not considering the question of reduction of expenditure is obvious for you want employment for men for whom England cannot provide, and through them you want to carry on the exploitation of this country by having a market for your goods, which you cannot sell elsewhere, and by getting cheap raw materials for your factories. So long as India can be treated as the milch-cow of the Empire, there is hardly any hope of reduction of expenditure or taxes.

The Honourable the Finance Member has a fling at us for what he considers to be an insistent pressure for increased expenditure on particular projects, such as improvement of conditions of service, education, hospitals and sanitary arrangements, agricultural endowment, police, roads, etc., while admitting a general demand for retrenchment and economy. He forgets that, while we ask for improvement of conditions of service, we do not ask for luxurious saloons for their travelling or overseas allowances in addition to high salaries. What we ask for is that the ill-paid Indians should get such remuneration as will enable them to feed the mouths and clothe the bodies of those that are dependent upon them, and a fulfilment of this demand would bear but a very insignificant proportion to what is spent for the advancement of the members of the superior services. I regret, Sir, that this should be made an excuse for increased expenditure without really doing anything substantial for the mitigation of the sufferings of the ill-paid members of the subordinate services.

As for demands for expenditure on education, hospitals, sanitary arrangements, agricultural endowments, etc., you have done nothing save and except the creation of some high posts which benefit none except the fortunate recipients of these posts. The only solution for the reduction of expenditure lies in bringing down high salaries of civil and military officers and formulating a scale of salary on the basis of the average standard of living of the Indians, and if the foreigners wish to serve in India, they should be asked to accept that standard.

But, Sir, I forget that the central fact round the Budget is the powerlessness of this House to assert itself, for we are painfully aware of the exercise of autocratic powers for the restoration of the budget cuts and certification of taxation Bills. We have been asked to exercise a calm and judicial spirit in pronouncing our judgment, for the times are not ordinary, as within a few months the representatives of India will meet the representatives of Great Britain to discuss, in the fullest and frankest way, the future of this great country, and much will depend on the spirit in which they meet. Sir, we are prepared to meet, in all humility, the representatives of Great Britain if they are prepared to listen to the doleful tale of foreign exploitation of this ancient country under their rule and would agree to a constitution for the future Government of India which will make the Indians the arbiters of their own destiny to enable them to march forward towards peace and prosperity, as she did, in days

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of yore. Sir, while on this subject I may be permitted to point out that delay in this matter has been the cause of the attitude of some political leaders to which the Honourable the Finance Member has referred in his speech, and further delay in announcing the personnel and time of the Conference may stand in the way of peaceful and orderly evolution, responsibility for which, according to the Finance Member, rests with the leaders of public opinion as represented in the Assembly and outside. I do not agree with the view that the responsibility rests solely on our shoulders. The responsibility lies equally with the Government, and in order to create an atmosphere of perfect peace and goodwill, there should be a general amnesty to all political prisoners and withdrawal of all pending political cases. However much you may disapprove of the methods of those that have been convicted, you cannot deny that they were actuated by the highest motive for the amelioration of the condition of their countrymen by the establishment of Swaraj, to which you are pledged by the solemn declaration of your Sovereign and the British Parliament. I ask not for a temporary suspension of differences, but for a complete eradication of the seeds of mutual distrust and the establishment of goodwill between England and India, whose course of historical evolution and destiny has been mixed up by an all-wise Providence.

The goal lies through rocks precipitous but not insurmountable, leading to the summit of Sumeru, where rests the golden star of Swaraj, and if you help us in attaining it, it will be one of the proudest days in the annals of England, as was prophesied by a great Englishman nearly a century ago.

I can do no better than conclude with the hope contained in the lines of a great Bengali poet, Nobin Chandra Sen :

Sanmukhey Ajnata Sindhu,

Vasey Krishnapadatar;

Ei tiray Sandhya

Usha Anyatirey mugdhakari

"Though before us, the unknown ocean lieth,

We shall steer with divine faith

Through the darkness of night

To a glorious morning light."

Mr. R. K. Shanmukham Chetty (Salem and Coimbatore *cum* North Arcot: Non-Muhammadan Rural): Mr. President, though there was a tone of subdued optimism in the speech of the Honourable the Finance Member last year, he was not unconscious of the anxious times that were ahead of him; but the feeling of optimism prevailed in the whole of his speech, because summing up our general financial position he then said, "I think one is justified in feeling confident as to the future". While that was the feeling of the Honourable the Finance Member, the general financial situation of the country was viewed with mixed feelings on this side of the House. While some felt cause for disappointment, others were very anxious about our financial future, and in my speech last year I ventured to state this :

"I do not want to concentrate upon the bad patches in the financial situation of the country. Even without concentrating one's attention on the bad patches alone, I must be excused if I venture to remark that, if there is no cause for alarm, there is cause for anxiety, and certainly no cause for jubilation."

Sir, subsequent events have proved that we had sufficient cause to feel anxious. But it must, in fairness, be said to the Finance Member that, in spite of his feeling of optimism, even in his last Financial Statement he disguised none of the difficulties, and exaggerated none of the favourable features. But, Sir, after the lapse of one year, we see that the difficulties that he anticipated have proved to be of a more permanent character and that the favourable features of the Budget have proved to be temporary.

In considering the Financial Statement for the coming year, I must congratulate the Honourable Member for the very vivid picture that he has given of the financial situation. He has attempted to give us a very

12 Noon. full picture in which he has presented, in very clear and unambiguous terms, the difficulties that lie ahead of us. Looking back on the last two or three years, we find that the gap between revenue and expenditure, which many of us thought was probably temporary and might be bridged over, has proved permanent and is growing wider. Sir, what has been the revenue and expenditure position for the last three years? In 1927-28, the anticipated deficit of 168 lakhs has proved to be an actual deficit of 221 lakhs. In 1928-29 an anticipated surplus of 29 lakhs has turned out to be a deficit of 105 lakhs. In 1929-30, the budget deficit of 90 lakhs has turned out to be a revised expectation of a deficit of 410 lakhs. The gap during the last three years has therefore been about 736 lakhs; and this gap has been made good from three sources. 295 lakhs of the Revenue Reserve Fund has been utilised. 289 lakhs, representing abnormal revenue receipts in the current year, have come to the help of the Finance Member, and 156 lakhs of the German liquidation fund have been taken to balance the Budget. But to appreciate the true position for the last three years, you must not forget the fact that, in addition to these three sources, we have utilised $7\frac{1}{4}$ crores of the uncovered liability in the Post Office Cash Certificates. Assuming that the abnormal revenue receipts are legitimate revenue receipts, and that the entire Revenue Reserve Fund was the result of revenue surplus, the fact still remains that 156 lakhs of the German liquidation fund and the $7\frac{1}{4}$ crores of accrued liability in the Cash Certificates have been utilised to balance the Budget. The real deficit therefore has been over 881 lakhs, leaving aside the revenue surpluses. The Revenue Reserve Fund, which the Honourable Member's predecessor set apart for an entirely different purpose, has been utilised to balance the Budget. The receipts from the German liquidation fund, which, according to sound canons of finance, about which we are reminded often by the Treasury Bench, should have gone to the Sinking Fund, have been utilised to balance the Budget, and the accrued liability of the Post Office Cash Certificates has now been added to our permanent debt. The whole situation then comes to this, that we have lived on borrowed capital and extraneous windfalls during the last three years. When the financial position of the last three years is reviewed from this point of view, Honourable Members will realise that the gratification that we all felt over the extinction of the provincial contributions must be tempered by the true state of affairs which has been disclosed since then. The Financial Relations Committee, which fixed the measure of provincial contributions, expected that the help from the provinces was meant to tide over the temporary difficulties of the Central Government, but, Sir, subsequent events have proved that those expectations have failed, and the temporary difficulties of the Government of India have proved to be more of a permanent character.

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Even in his last year's Financial Statement, the Honourable Member had warned us to be prepared for fresh taxation, if necessary. He said :

"But I wish to leave Honourable Members in no misapprehension on this matter. If additional taxation proves to be necessary in the following year, the need will have to be boldly faced."

He has now told us that the need has arisen, and he has attempted to face the need boldly from his point of view. In asking us to be prepared for fresh taxation in the coming year, the Honourable Member gave us what he considered to be proper rules of conduct for his guidance in this matter. He said that, before resorting to fresh taxation, he must be convinced that revenue will not expand any further, that he must be convinced again that expenditure is now at a level beyond which it cannot be curtailed, and thirdly he wanted time to study what will be the avenues of useful and the least harmful taxation. So far as the expenditure side is concerned, I am afraid I cannot agree with the Honourable Member's conclusion in this matter. His position comes to this, that the Government of India have now reached a stage when it is not possible to curtail expenditure any further. The utmost that they can do is to see that if there is any increase in expenditure, it will be counterbalanced by a corresponding retrenchment in the various departments. It will serve no useful purpose for me to say in what respects expenditure may still be curtailed. I will be driven to the inevitable Military Budget and various items of expenditure in the Civil Budget. But our experience has shown that it is absolutely of no avail to give any suggestions in these matters. So far as his estimate of the revenue side is concerned, I entirely agree with him. We have now reached a stage when the normal expansion in the growth of our revenue has come to a standstill. That is the estimate that the Honourable Member himself makes of our financial position, and I entirely agree with him. This only shows that the fears that we on this side entertained for the last four or five years have been justified. We have very often said that the industries of this country have been crippled, and that the purchasing power of the masses has been reduced; but we have been told that we are weeping like Jeremiahs when there is no cause for it. Sir Basil Blackett was of opinion that we were taking an unduly pessimistic view of the whole situation. But if the Honourable Member himself has been forced to the conclusion, that the normal growth of the revenue has come to a standstill, it only proves that the fears that we entertained have been justified by subsequent events. My Honourable friend has attributed this state of affairs to world causes. Certainly world causes have operated in bringing about a depression in which we also have to take our share. Added to these world causes, the artificial appreciation of currency which was brought about in the teeth of non-official opposition has accentuated the whole situation. The appreciation of the currency and its effect has been further accentuated by a steady fall in world prices. When the Currency Bill was discussed, I pointed out from the index figures of the United States that there was a gradual fall in the gold prices of the world, and that an appreciation of our currency at such a period will accentuate our difficulties. Sir Basil Blackett challenged my statement at that time. He relied upon the policy of the Federal Reserve Bank to keep the prices of the world at a certain level, and he was of opinion that there was no cause to apprehend a further fall. But the index figures that my Honourable friend has given in his financial statement have now proved that our contention was

correct. As a result of all these various factors, some of which are unavoidable and some of which, in our opinion, could have been avoided, we are now faced with a deficit budget, a deficit which, according to the calculation of the Honourable the Finance Member, is a permanent deficit and must be provided for.

Sir, at this stage of the discussion, I do not propose to examine in detail the merits of the various proposals that the Honourable Member has made for fresh taxation. These I propose to reserve for the time when the Finance and the Tariff (Amendment) Bills are taken up for consideration. But on this occasion I would like to make only one or two general observations.

My attention is naturally drawn to the duty on cotton piece-goods in the first instance. In so far as the Government of India have responded to the repeated call of the cotton textile industry for a measure of protection, the proposals are certainly welcome. But unfortunately the situation has been complicated by the introduction of Imperial Preference. While talking of Imperial Preference, it is difficult to avoid a certain amount of prejudice and to escape from pre-conceived notions. Sir, I might state my view of the situation at the outset and it is simply this. I do not object to Imperial Preference simply because it is Imperial Preference.

Mr. B. Das (Orissa Division: Non-Muhammadian): Since when have you changed your mind?

Mr. R. K. Shanmukham Chetty: Nor am I prepared to say that I will accept Imperial Preference as a policy.

Mr. B. Das: Hear, hear.

Mr. R. K. Shanmukham Chetty: So far as I know, except the voluntary preference that the United Kingdom has given to certain Empire products, no country in the British Commonwealth has yet declared in favour of Imperial Preference as a policy. Some years back, while I was in Australia on the Empire Parliamentary Delegation, I attended a Conference of Empire Statesmen where the subject of Imperial Preference was discussed. Speaker after speaker from the Australian Parliaments said that, in their Tariff policy, they would be guided solely by the consideration of the interests of Australia first and foremost. And may we not be permitted to say that, in the framing of our tariff proposals, we shall be solely guided by the fiscal and economic interests of India and India alone? If it is possible to devise a scheme of tariff by which Indian industries will be able to get all the protection they want, by which the Indian consumer will not be affected, and by which you will give some sort of preference to Empire products, then certainly I, for one, will not object to it. (Hear, hear.) But, Sir, so far as I have studied this aspect of the problem, I think it is very difficult to devise a scheme of tariff which will satisfy these three conditions that I have mentioned. It must give all the protection that the Indian industries want, it must not prejudicially affect the interests of the consumers in India. When the time comes to examine these proposals in detail, I shall develop this argument and I shall then try to show whether the scheme of tariff that has now been proposed will conform to these three principles which I consider ought to weigh with us. I would leave the matter at that.

I would now like to say a word on the silver duty. The proposal for the levy of duty on silver is mixed up with the situation caused by the

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Government of India in the sale of silver. My Honourable friend, I know, would not agree that the fall in the price of silver has been brought about by the action of the Government of India but he cannot deny that the situation has been accentuated by the sales of silver by the Government of India. I am not one of those who would ask the Government not to sell silver under any circumstances. On the other hand, looking forward, as I do, to the establishment of a gold standard currency in our country, I want that the silver in our currency reserve must be replaced by gold, because the longer you postpone this operation, the longer you will postpone the realisation of a gold standard currency. But what does the Honourable Member do with the proceeds that he realizes from the sales of silver? If he had replaced it by gold, then I would certainly have had no objection. But if he proposes, as he has done in the past, to utilise the proceeds simply to meet the expenses of the Secretary of State, then I strongly object to such a policy. The proposal to levy the duty on silver, as I said, is connected with the action of the Government of India in disposing of their surplus silver. No doubt the duty that he now seeks to impose will to some extent increase the value of the silver hoardings in which the poorer people have invested their money. This aspect of the question also will again be examined in greater detail when the Finance Bill is taken into consideration. But there is one aspect of the question to which I would draw the attention of the House at this stage.

Mr. President: The Honourable Member is now exceeding his time-limit.

Mr. R. K. Shanmukham Chetty: I am sorry, Sir. May I know what is the time-limit?

Mr. President: The limit is 20 minutes.

Mr. R. K. Shanmukham Chetty: The Honourable Member proposes to levy a duty of 4 annas per ounce, which comes to very nearly 20 per cent. But he does not propose to increase the duty on silver ware and silver thread, which now pay a duty of 30 per cent. If the silver duty is necessary, then I would submit that, as a corollary to that, there should be a corresponding increase in the import duty on silver ware and silver thread.

Sir, as you have already reminded me that the time at my disposal is coming to an end, it is not possible for me to go into any other points. I would only conclude by saying this, that the Honourable the Finance Member, by his proposals for new taxation has certainly balanced the Budget, but as a representative of the Central Government, he has got a greater duty than merely to balance the Budget. The Central Government and the Central Legislature, as the custodians of national finance, have to devise ways and means for increasing the national wealth of the country, and thereby to increase the resources at the disposal of the Provincial Governments, so that the Provincial Governments may in time take on hand great schemes of social and other beneficial legislation. With this object in view, it is high time that the Honourable the Finance Member should concern himself, not merely with the task of balancing the Budget, but of improving the general economic situation of the country, improving the agricultural and industrial situation in the country and in that task, may

I give him a suggestion? He must appoint an Economic Advisory Council, on the lines of the Council recently announced by the Labour Government, so that such a Council might, from time to time, advise the Central Government as to the measures that are to be taken for developing the vast natural resources of the country, and thereby increase the national wealth of the country and place at the disposal of Provincial Governments funds for nation-building services. (Hear, hear and applause.)

Sir Purshotamdas Thakurdas (Indian Merchants' Chamber: Indian Commerce): Sir, I think it is a tragedy of fate that the year for which promises were held out to us by the previous Finance Member that this House would be able to gloat over surplus balances and dole out all sorts of contributions to nation-building departments and make remissions of taxation should be the year when the Honourable the Finance Member is forced to put before us a Budget proposing additional taxation going up to not Rs. 5 crores as the Honourable the Finance Member estimates, but nearer to Rs. 7 crores. The past three years, whatever may have been the estimates at each budget time of surpluses, have in actual fact resulted in deficits. In 1927-28, the deficit was Rs. 2·21 crores, in 1928-29 Rs. 1·06 crores, and for 1929-30, it is estimated at Rs. 1·56 crores. Add to this the loss which the Honourable the Finance Member estimates for the next year, that is Rs. 4·10 crores, making a total deficit of Rs. 8·93 crores for four years. But this does not enable the Finance Member to wipe off the liabilities which were left uncovered, and he proposes to regard as permanent debt the accrued liability on Postal Cash Certificates, which amounts to another Rs. 7½ crores, and the total thus amounts to Rs. 16½ crores, including the next year. This has been met, or, is proposed to be met, by adding Rs. 7½ crores to the permanent debt and by utilising what are called windfalls of the German liquidation account of Rs. 1½ crores and by utilising fully the revenue reserve of Rs. 2·95 crores. The total by this means amounts to Rs. 12 crores, leaving an amount of Rs. 4·42 crores to be recouped from taxation. I will quote, Sir, the exact words in which the "undertaking", according to one Honourable Member who spoke last year on the Budget, was given by the previous Finance Member, Sir Basil Blackett, regarding what his successor would be able to do:

"From 1929-30 onwards it will be the privilege of this House and of my friend and successor, Sir George Schuster, whose acceptance of the post is a matter of great personal satisfaction to me, to find no outside claimant to the recurring surpluses which I hope it will be their good fortune to enjoy in the coming years and they will be free to turn their minds on the one hand to new directions in which money can be usefully laid out for India's advancement and on the other hand to the readjustment of the burden of taxation and to those reductions of taxation, so welcome to tax-gatherer and taxpayer alike."

(At this stage Mr. President vacated the Chair, which was taken by Mr. Deputy President.)

These, Sir, were the hopes held out to this House when a certain currency policy had to be forced in the teeth of our opposition in 1927, and it is a tragedy of fate that we should today be faced with a situation where the Honourable the Finance Member has to urge this House to agree to fresh taxation, taxation not for the purpose of spending more money on nation-building activities, but for the purpose of putting the finances of the Government of India in, what I may call, a solvent condition. It is a tragedy

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of fate for us, but as far as the Government which during the regime of the previous Finance Member pressed upon the country this policy in the teeth of our opposition is concerned, one can hardly sympathise with them. All that one can say is that while the suffering is the country's, as far as the Government are concerned, they well deserve the anxiety which must be theirs too.

The Honourable the Finance Member now says that he is left with no option but to ask the Assembly to consider fresh taxation, and before I proceed to examine, in broad details, some of the heads of new taxation, may I touch upon one subject in connection with which I find it somewhat difficult to understand the intention of the Honourable the Finance Member. I refer to paragraph 23 of his speech. Whilst there is a deficit which he wants to be made up by fresh taxation, the Honourable the Finance Member asks us to agree to an equalisation fund, a reserve fund as far as the interest on the Gold Standard Reserve is concerned. In fact he has already made up his mind to start that fund with £100,000 and he proposes to put another £50,000 this year to it. A sum of £150,000, in these days, when fresh taxation is said to be inevitable cannot be overlooked. It is something like 20 lakhs of rupees. I wish to ask the Honourable the Finance Member what justification he has, even on the most conservative lines of finance, for asking us to approve the creating of this fund. If he can do away with it, his demand for fresh taxation would be smaller to that extent. He explains by saying that the securities held in the Gold Standard Reserve have to be revalued at certain intervals, and I understand that this revaluation is to be almost monthly. I do not object, Sir, to the securities in the Gold Standard Reserve being kept at the correct market rate from month to month or even, week by week. That is our security against paper currency, and I am anxious that the paper currency, which we all want to be increasingly popular in India, should have as true and substantial a backing as possible. But is it necessary, Sir, where the securities in the Gold Standard Reserve are short term, to debit the revenues of the country with the temporary discount which may prevail in the market rate? I have in my hand, Sir, the latest report of the Controller of the Currency for the year 1928-29, and I see that the securities amounting to £88,189,000 consisted of British Treasury Bills and Treasury Bonds maturing in April 1929, February 1930, May 1930, in 1930-32, in 1931-33, 1932-34 and 1933-35. These short term maturities, in case of set backs in market valuations, hardly require to be provided for by taking away lump sums from the revenue for the simple reason that in one or two or at the most five years, as the case may be, these securities are repayable at par. I suggest to the Honourable the Finance Member that, unless he wishes or expects to have to sell these securities in the Gold Standard Reserve in the near future, it is not necessary for him at all to provide for the depreciation—temporary depreciation—in the market value of these securities out of our revenues. I do not know whether it can be the intention of the Finance Member to touch the securities of the Gold Standard Reserve for supporting the Government's pet ratio of 1s. 6d. But I should be extremely sorry for the people of India and for the Government of India if Government's thoughts were running in that direction. I wish very strongly to protest against anything being debited to the revenues of this country for these temporary

depreciations in these short-term securities of the Gold Standard Reserve. I do not wish to pursue this any further. I hope the Finance Member will see the point of what I am urging. Either he wishes to sell the securities in the near future and wishes to provide for depreciation on it in anticipation, or if that is not his intention, I suggest that it is unnecessary and this provision of £150,000 should not be approved of by this House.

Now, Sir, to return to the question whether taxation is justified in these circumstances or not. The Honourable the Finance Member says, in paragraph 87 as follows:

"It will be unwise to allow such an argument to prevent the introduction of new taxes sufficient to meet the situation as I have to present it today;"

This makes me feel that my Honourable friend is not prepared to base his Budget on the prospects of revenue going up. In fact, if I may put it more clearly, he apprehends that, as far as India is concerned, we may not be out of the wood yet, and the unprecedented depression which is at present overshadowing the commercial, industrial and agricultural operations may not be the worst that is in store for the country. A very cautious stand, I concede; but at the same time it is one which does not give a good omen for the year 1931-32. His main reasons are contained in paragraphs 88 and 89. He pleads that:

"Some of our present sources of revenue are likely to disappear, and, in the case of others, reductions may become desirable."

He particularly refers there to opium. The reduction therein is Rs. 30 lakhs a year, if I remember aright, and by 1935 the whole of the opium revenue, which amounts to about a crore and 40 lakhs of rupees net, is likely to disappear. I fully realise that this will have to be provided for, but there is no reason why we should provide for all that this year when trade, industry, and the general conditions of the masses are at their very worst.

His next reason is:

"New needs for expenditure are constantly likely to press upon us and I have already referred to some of the new services which are now being developed."

If he has faith in the conditions not growing any worse, may I not ask him to pin his faith on the normal development of revenue as happens in the ordinary course? Anything over and above that need not be undertaken, and I do not think fresh taxation can be said to be justified on this ground of his.

His third reason is in paragraph 89:

"Yet another consideration is this. We have, in my opinion, been working in the past three years with a dangerously low margin. In a country like India, subject to great risks of loss of revenue from failure of rains or from floods it is desirable to have some margin of revenue," etc.

I agree that every person who has got to manage the finances, be it of a corporation or a country, always likes to have something in hand on which to fall back. If it was a question of his sitting on what he had in hand as against his having to distribute it in remission of taxation, I might sympathise with this reason of his. But where it is a question of drawing more out of the people by way of taxation in order that he may have a comparatively comfortable berth in which to travel next year, I am

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afraid we must protest and ask him to carry on as Government did in the past, when we were told that the margin the Government of India had in hand was ample. It is the same Government of India that asks us today to approve of new taxation and we must remind them of what they carried on with in past years, when they misled the country into the vicious circle the country is in.

Sir, as far as retrenchment in civil administration is concerned, the Finance Member has come to the conclusion that there is not much room for that. He however has frankly told us in paragraph 19 that :

"A time-scale basis has been adopted in practically all departments, and this is an inevitable commitment, and, unfortunately, we have not yet approached anything like the peak figure."

The increase under this for the year 1930-31 is Rs. 25 lakhs. Obviously, once such liberal increases are made on a time-scale basis, Government must find it difficult to go back upon same. Naturally they cannot now expect any sympathy from this side of the House. When these increases, the details of which I need not go into now, were made, they were made on an extravagant scale, without considering the capacity of the country to stand fresh taxation, and one can only insist that Government must reverse their extravagant policy even now.

The main point, however, is regarding military expenditure, and I cannot help wondering how the Finance Member reconciled himself to the trifling reduction of Rs. 80 lakhs for the next three years in the Military Budget. I wish to remind him of what the Inchcape Committee said in their general conclusions on the Military Report. They said, and I am now reading from the general conclusions in Part I, paragraph 3 :

"We, therefore, believe that the adoption of our recommendations will enable the estimates in subsequent years to be reduced to about Rs. 57 crores irrespective of any savings due to further economies or falling prices."

The fall in prices of articles required by the Military Department has been in two directions. There has been a substantial fall in prices of those articles which the Military Department use,—food grains, fodder, piece-goods, both cotton and woollen, iron and steel, motor cars and other articles of transport—these have all substantially gone down since the Inchcape Committee submitted their Report in 1928. But above all, the very substantial expenditure in sterling which the Military Department incur in London has had a great windfall in the appreciation of the rupee. In no Department of the Government of India can there have been an automatic reduction in two directions, and a reduction not from 1s. 4d. to 1s. 6d. only, but from something under 1s. 4d. gold, as the exchange prevailed in 1923, to the 1s. 6d. which Government are struggling to stabilise today. I would very much like the Finance Member to have a statement prepared showing the drop in prices of the various articles which the Military Department require for their use from day to day in a year, and also what has been the saving in rupees in the sterling expenditure of the Military Department in London. I cannot help coming to the conclusion that this aspect was not examined by the Finance Department of the Government of India when they concluded their arrangement for a reduction of Rs. 80 lakhs for the next three years. On a very rough and casual calculation—and I do not claim that it is accurate—I have come

to the conclusion that the saving in the military expenditure for the above reasons alone should be somewhere in the neighbourhood of Rs. 4 crores. There is a further saving. I see from the Explanatory Memorandum of the Financial Secretary that there has been a reduction in the pay of British troops, owing to new recruits being taken on on reduced rates of pay, amounting to Rs. 25 lakhs. With all this, to tell us that the reduction for the next three years agreed to has been on the basis of Rs. 80 lakhs on the whole is, to my mind, to rely a bit too much on our credulity. If this House had a free vote on military expenditure, I mean if the whole of this expenditure was votable, one would say to Government, "You have got to make the reduction from the Military Budget because it is not only fully justified but it is over due." (Hear, hear.)

I would further like, Sir, to draw the attention of the Honourable the Finance Member to what the Inchcape Committee said under the head, "Royal Air Force". The budget estimate for the year 1922-23 on this was a crore and 41 lakhs of rupees. The Inchcape Committee have only ten lines in their Report under the Royal Air Force. But they conclude with this very significant sentence which, I am afraid, the Government of India in the Finance Department may have forgotten now. They say:

"And (since) there is a possibility that the extended use of the Air Force might result in economies in expenditure on ground troops" (*Hear, hear.*) "we make no recommendations."

Has anything been done in this direction or have Government been agreeing to the Military Department spending more on the Royal Air Force without making any reduction either in our ground troops or in our cavalry or in any other paraphernalia of war? If so, all that I can say is that, whilst the British Cabinet has been working for disarmament in the whole of the civilised world, here in India our Government have been steadily increasing their resources in that direction. (*Hear, hear.*) Do Government expect us to be a party to fresh taxation when they continue to do something quite different from what the British Government have been pressing on the whole civilised world with what looks to me like so much justification and—if I may say so—with so much credit to the Premier, Mr. Ramsay MacDonald? Sir, the conclusion that I, therefore, draw is that this deficit of about Rs. 4½ crores ought to be met by a reduction in the Military Budget, and no further taxation is wanted. But knowing as we do the handicaps of this House in voting on the Military Budget, I have no option but to notice the taxation proposals of the Honourable the Finance Member, with a view to point out where he is really recommending to us taxation which is unjustified.

What is, Sir, the worst feature of the Budget as far as taxation is concerned? The proposed taxation holds out no promise to us of the money being spent in any direction which can be said to be of a nation-building utility. In fact, it is to provide Government with the money with which to put their House in order after the mess made in 1927. In fact, in the words of the Honourable the Finance Member himself—he says this in his concluding paragraphs:

"Secondly, principles of financial soundness are being doubly reinforced. No financial weak spots are being left as regards debt redemption and the cash certificate liability, while I have provided for a margin of safety in case events next year prove unfavourable."

[Sir Purshotamdas Thakurdas.]

A very negative advantage, Sir. My reply is—there should have been no weak spots left at any time, in the finances of the country. Is ~~this~~ a confession and a condemnation of the policy of the Government since 1926-27?

(At this stage Mr. President resumed the Chair.)

I feel, Sir, that the other prospects held out to us by the Honourable Member also require a little further examination. He says:

“Thirdly, we are making a substantial start towards a constructive economic policy and opening the way for beneficial expenditure.”

One must always sympathise with the Government in that direction; but in view of the past history of the Government till now, one cannot help asking the question, have the Government of India ever had any consistent economic policy to follow which would build up the masses and the people of this country? This is, I dare say, a blunt question to ask. The question by itself carries its own condemnation; but one cannot help asking that question in all frankness when the Honourable Member asks us to console ourselves at the time of voting new taxation, that we should look forward to help a constructive economic policy. But if the Honourable Member knew all the various promises made by the Government in the past whenever fresh taxation was asked for, and how great hopes given and expectations raised were set at naught as soon as there was any deficit to fill up in the Government reserve owing to something else happening, he perhaps would not have asked us to rely upon this so much. I wish to ask him, if the Government of India, less than six years back, appointed an Economic Enquiry Committee presided over by Sir Visweswarayya, and has anything been done with that Report at all, or is that Report simply put on the book-shelves of the Government of India to be looked at and referred to when somebody on the floor of this House refers to it? I want to repeat, have the Government till now had any economic policy which they have laid down and consistently followed? I do not wish to call this a good bait for us. I believe my Honourable friend is too straightforward and honest to put before us any bait as such; but I cannot help reminding him that this will not catch as far as we are concerned. Is he prepared definitely to earmark any surplus that may be had out of this new taxation, after meeting a deficit of Rs. 4 crores and odd, for this constructive economic policy? I know he would say there is no precedent for it and no Government can do it. If that be so, I am afraid I cannot help having to heavily discount this particular attraction which he holds out.

Mr. President: The Honourable Member will have other opportunities.

Sir Purshotamdas Thakurdas: I propose to utilise every opportunity in that direction.

Mr. President: The Honourable Member's time is up.

Sir Purshotamdas Thakurdas: Is it so? Just one word more and I will conclude. I notice that all through the Budget the Honourable Member does not refer at any length to the masses of the country or to their condition. There is only one reference to them and that is in paragraph 112 where he says:

“It is clear that the condition of the agricultural classes of India must be seriously affected, and it may be that, in order to maintain their position, they have to part with an undue proportion of their own production.”

I feel that, in presenting a Budget of the Central Government, it is necessary for the Honourable the Finance Member to take a review of what has happened during the current year regarding the condition of the masses of India. The short statement I have just referred to is significant but requires elucidation.

But the most serious and thought-provoking part of the lines of policy referred to in the same paragraph runs as follows:

"In the second place, it is desirable to encourage industrial development"

and these are the words which I would like Honourable Members to mark—

"provided that this can be done in conjunction with, and as a supplement to, the agricultural life of the country."

Is this, I ask, the policy of the Government of India? Is it the ideal of the Government of India to encourage industrial development, provided that it can be done "in conjunction with, and as a supplement to, the agricultural life of the country"? Does that mean that they do not think that the cotton textile industry of India requires their most earnest solicitude, that the iron and steel industry requires their attention? Is it only when an industry directly benefits the agriculturist that the Government of India will pay attention to it? I see that an import duty of almost 100 per cent. on sugar is acceptable to Government, but an import duty of 15 per cent. is to be the maximum for piece-goods from the United Kingdom. If what I have just quoted—and especially the way in which I read it—be correct, it explains to us the step-motherly attitude that the Government of India have adopted in this Budget regarding the cotton textile industry. I propose, Sir, to follow your suggestion and to deal with the details of this and other items of taxation on the relative Bills as they come up.

Mr. N. C. Kelkar (Bombay Central Division: Non-Muhammadan Rural): I am quite content to exercise the privilege of a back Bencher and to have my say on the Budget at an early stage of its discussion. But I confess I never felt the time limit for speeches so galling as I feel it today, being face to face with such a budget. I will, however, try to be as brief and as terse as I can.

Last year, when I heard the budget speech of the Finance Member, it sounded to my ears like the cautious treading of the soft padded footfall of the tiger. But this year, the tiger has drawn out his sharp claws, and we have before us an unrelenting budget with its pointed fingers digging into the vitals of the Indian people.

After I carefully read the budget statement at home, I was just scratching my head and wondering what good word one could possibly say for it. One such word I ultimately found, and that was that it was a lucid budget, not in the sense, however, of sanity, but in the sense of clarity. A friend was sitting by me and he wondered at my charitable frame of mind. He was simply excited over the Budget and he tried to correct me by saying, "Oh, the Budget is not lucid, but it is lurid". I at once willingly accepted the correction, and only added that the very lucidity of the Budget made its luridity more obvious. For the Budget is lurid in this sense, that in its darkness are to be seen red and blue flames, which make the spectator uncomfortable.

[Mr. N. C. Kelkar.]

Coming to close quarters with the Budget, I find that the Budget is really better in form than its average predecessor.

It is obvious that the Finance Member wanted this time to concentrate on only a few points in his budget statement. We, therefore, find no reference at all in his speech to the policy, for the year, underlying some of the departmental administrations; e.g., he has not said one word about the working of the Postal and Telegraph Department, and owing to an unfortunate convention, other departmental heads make no speeches. Perhaps there was not much to be said by way of disclosing anything like a new policy for the Postal Department. But I take this opportunity to express my sense of the general approval with which the policy of the head of this Department for the last five years has met at the hands of the critics and general public. I think, it is only fair to say that the Honourable Sir Bhupendra Nath Mitra was always anxious to better the condition of the subordinate staff. During his tenure of office, he redressed many grievances of his Department, which was the most useful, but also the most neglected at one time. The Finance Member has said very little about the Military Department. The only remark I wish to make in that connection is that there is still greater need of economy in that Department than he seems inclined to admit.

The Budget, I have said, is clearer than usual. But even then, one feels that more information should have been given to the public on certain points. Personally I would like to learn more about the reparation amount which comes first on the field, and in this connection, one would like to get more information as to the share of India's total cost, in relation to the War, and the share of the reparations she is getting.

The second thing one would like to have is a full statement about the gold resources of India. An enormous amount of the gold resources has been dissipated in the Currency Department since the new ratio was enacted. Also a full statement as to how the gold reserves were being established, as was recommended by the Currency Commission, with a view to enable India to come on to a full, real gold standard. But even greater was the expectation of a full statement about the sales of silver operations. Admittedly, an enormous amount of Government's silver has been sold, and one would like to know, what was the net loss in these operations. We laymen have no idea of these things, and some of those who know better tell me that the loss has gone up to very many crores. The question, therefore, is how has this loss been made good? Is it made by mere contraction of currency and *ad-hoc* securities? Also was this purchase money of silver used for buying gold or gold securities? I do not here go into the vexed question of the wisdom or unwisdom of silver sales at a time when silver prices have fallen considerably. But one feels curious to know whether the total loss involved in the sales of silver was greater or less than the amount to be eventually made up by the interest on the gold securities substituted if any. One would similarly like to know whether the sterling loan of 12 million raised this year in England was indispensable, and whether the needed amount could not have been raised in India itself or in any other country at a cheaper rate. My impression is that it would not have been difficult for the Finance Member to raise a rupee loan for the required amount in India itself. I mention these few points as instances of points about which we

should have liked the Finance Member to give us more details in his budget statement itself. For he knows that, on all these points, the Indian public take a very keen interest, and if I may say also, feel very suspicious about the underlying policy of Government.

Turning to the Budget itself, as disclosed in the Finance Member's statement, no doubt he has set out some six points as being the main features of his Budget. But we on this side also have our own view of its features, and I would summarise them as follows:

- (1) It is a sadly deficit budget.
- (2) It is marked by extravagance and almost hopeless inability of the Finance Member to control the growing expenditure.
- (3) It imposes new taxation when the country is not obviously able to bear it.
- (4) It is niggardly in its provision for essential beneficial services.
- (5) It is marked by a revived tendency to go in for foreign loans.
- (6) It shows an obstinate tendency to accept the new ratio as a settled fact.
- (7) It shows general callousness towards the depressed condition of the country.

Let us take these points briefly in order. In his valedictory budget statement, Sir Basil Blackett prophesied that "the era of deficits had come to an end". But what we now see is just the opposite of it. The deficit may partly be due to the failure of the natural development of the revenue resources, but it is even more due to the extravagance of the Government. If one analyses the expenditure side of the Budget, it will be seen that enormous amounts are being spent on protection. Some functional development must of course take place in the Government, but the expenditure on it seems to be out of proportion to the benefit realised by that development. There is as yet no inrush of democratic programmes in this country. And yet a large amount seems to be spent on gratifying the instinct merely for imitation; and the least share of expenditure has fallen to essential beneficial services. A shrewd observer has remarked that "increases in Government expenditure have become so common, that economists can now deduce general laws governing that phenomenon. Some of the causes of increased expenditure are industrial revolution and transformation of the economic and the social life of nations. Technical efficiency is another of these reasons. Many nations have used their technical knowledge and equipment for war purposes, and forced themselves to engage in a rivalry and supremacy in military and naval display of preparation that leads them to bankruptcy." And yet there is another reason for the increase of expenditure, *viz.*, mere imitation. This critic says:

"Public expenditure have increased, even in some countries in which the progress both of industrial technique and of democratic principles has been slow. These countries, backwardly political and undeveloped industrially, have imitated more progressive people at least in so far as it concerns implements and paraphernalia of warfare. Cannon and gun boats they must have though even schools and sanitation be lacking. In some cases the rulers learnt the trick of public credit, and while this resource lasted, they were able to indulge in wild orgies of extravagance."

[Mr. N. C. Kelkar.]

I think India can fairly be said to fall under this description, when we compare the expenditure of Government on the Army, aviation, broadcasting, foundation of Capitals, and the erection of palatial Government houses, and the building of garden cities as in New Delhi, and appointment of committees and commissions, unnecessary and useless.

Retrenchment Committees made well considered recommendations, but extravagance seems to laugh at the wisdom of those who made those recommendations. The Finance Member has promised to appoint a new Retrenchment Officer. But that is, I think, mere eye-wash, for he has in more places than one taken up in the Budget itself a definite position that the new demands for expenditure are irresistible, and I wonder, if his Retrenchment Officer will be able to suggest or the Government will carry out economies which come up to the money to be spent on the Retrenchment Officer himself and his Staff! (Laughter.)

As regards the new taxation, I will not say much on that head in my present speech, because that subject by itself is likely to come up for discussion later on. But I cannot allow this opportunity to pass without briefly touching the proposed cotton duties, for they are introducing for the first time in this country the principle of Imperial Preference. The proposals for taxation in this respect are interlocked. We can make no changes by way of increasing the duties. All that we can do is, either to take the proposal as a whole or to reject it. The Finance Member has put the country in what I call a cruel dilemma. If we reject the proposals, we have to refuse the protection to the Indian mill industry, to which it is entitled in its present misery. On the other hand, if we accept the proposals, we have to recognise and accept the vicious principle of Imperial Preference. I wonder, if the present duties are an advance guard of the Empire Crusaders, who are out for protecting the Empire by internal free trade and external tariff walls. As the *Manchester Guardian* has said, "Empire Free Trade means only an empire surrounded by imperial tariff walls for the protection of Great Britain". No doubt, in recommending his proposals, the Finance Member has tried to carry us into an elevated region of dignity. He has disclosed to us the correspondence between this Government and the Home Government, and has tried to persuade us that the convention about fiscal autonomy is a rock-reality, and that in this case, we have to hold our hand against Lancashire, because His Majesty's Government have not commanded us to do the needful, but come to us with representations and appeals. "Was greater proof needed," says the Finance Member, that "India was a really self-governing country? Is there not here one more piece of evidence, one more external sign of India enjoying Dominion Status? What more should India want to gratify her pride and honour?" But India, I assure the Finance Member, is not so gullible. She knows that the Fiscal Autonomy is not a rock reality, but a mock reality. And India is not so dense-headed as not to perceive the "Imperial Preference" which my friend Mr. Birla has said "is now coming by the front door". The Dominion Status that is indicated by the so-called humble supplication of the Cabinet to India is obviously as artificially appreciated as the present Indian rupee. Nor do I believe that our acceptance of this preference is going to give us anything more in return than vacant possession of Dominion Status, if I may use a somewhat legal phrase in a literal

sense. I am convinced, therefore, that the elected Members of the Assembly would be utterly unfaithful to their constituencies and to the country, if they accepted the Imperial Preference proposals in the foolish hope, that they would bring Dominion Status any nearer to them.

I am nearing my time, and would like to conclude with only one point, and that is, that the present taxation proposals betray what I may call a spirit of callousness in the Budget. One wonders how the Finance Member could make himself bold enough to advance such proposals, when he knows and even admits that "the country is in the depth of depression". We are still in the throes of a painful process of adjustment of price-levels owing to the new ratio. Stocks of manufactured goods are lying idle and are not moving. Agricultural produce is of course being exported, but is being sold at very low prices. Even supposing there is a visible increase in the exports, it does not necessarily mean that a proportionate increase in its money returns is being realised. Internal prices are admittedly low, and yet the markets are dull. This can be accounted for only by the fact that the people have lost their purchasing power. India's credit has admittedly suffered a set back, as is evidenced by the terms of the sterling loan abroad and the rates of interest for even short term Treasury Bills in India. There has been a serious contraction of currency. The value of silver holdings has decreased enormously. What remains perhaps to convince the Finance Member of the insolvency, or the approaching insolvency of the country and the Government, is that currency notes have not yet depreciated. But if the present ruinous course is persisted in by Government, who knows that even that may not happen, as it has actually happened sometimes before. And in the face of all these facts, if business people and Indian economists lament the present situation, they are simply told that they are mischievous malcontents, who preach messages of despair without justification. The theory of the Finance Member is said to be that, in the whirligig of universal post war depression, India was bound to have its turn sooner or later, and it is only a coincidence that this deferred depression comes to India at a time when there were causes for a special depression of its own. In fact he takes Indian business men to task, as if they were mere croakers and selfish augurs of evil. He has been preaching to them a homily on the uses of adversity and the virtues of hope. But I would reply to him only in the words of the poet:

"All all forsook the friendless guilty mind,
But hope, the charmer, lingered still behind
Thou, undismayed, shalt over the ruins smile
And light thy torch at Nature's funeral pile."

Sir Hari Singh Gour (Central Provinces Hindi Divisions: Non-Muhamadan): Sir, we are now at the tenth Budget of the Legislative Assembly, and I think Honourable Members would like to know what we have been doing during all these ten years, what we have been impressing upon the Government, and what the Government have been doing all these years. In the very first year, Sir, of the first Assembly, we drew the attention of the Government to the excessive military burdens which the people of this country were called upon to bear, but the Government said that the military expenditure was intended to protect the people of this country and that it could not be reduced. We took a different view, and we cut down the general expenditure by a percentage and forced the hands of the Government to retrench by passing a Resolution, in spite of the

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strenuous opposition of the Government, a Resolution which culminated in the appointment of the Inchcape Committee. Sir, I was not satisfied with the terms of reference to the Inchcape Committee. The terms of reference were limited, but in spite of the limitations addressed to the Inchcape Committee, that Committee recommended a drastic reduction in the military expenditure. *Pari passu* with the sitting of the Inchcape Committee, or a few months before the Resolution which led to the formation of that Committee, there was a memorable Conference of the world financiers in Brussels in which, Sir, India was represented. And what was the unanimous verdict of that Conference of financiers? I shall read to you a few sentences from the conclusions of the Brussels Conference. They said:

"The statements presented to the Conference show that on an average some 20 per cent. of the national expenditure is still being devoted to the maintenance of armaments and to preparations for war. The Conference desires to affirm with the utmost emphasis that the world cannot afford this expenditure. Only by a prime policy of mutual co-operation can the nation hope to regain their old prosperity and secure... the resources must be devoted to strictly productive purposes."

These are the memorable words addressed to the world at large, and to India in particular, by the expert financiers at Brussels. What was the response? So far as India is concerned, the response is contained in this table which I shall briefly read to the House. In 1910-11 the net expenditure on the Army was,— I am giving it in round figures,—19 million pounds; in 1920-21, in ten years' time, it was 81 million pounds. In 1928-29 it came to 55 million pounds. Honourable Members will thus see that, during the last twenty years, the military expenditure has gone up from 19 million pounds to 55 million pounds. And what is the reason of it all? In a very frank statement made by a leading newspaper in England on the question of military expenditure in India, the *Manchester Guardian*, I find, Sir, the following statement. This is what the *Manchester Guardian*, in its leading article, says about the military expenditure in India. Dealing with the Viceregal pronouncement on the question of Dominion Status, this is what the *Manchester Guardian*, says:

"There are two chief reasons why a self-regarding England may hesitate to relax her control over India. The first is that her influence in the East depends partly upon her power to summon troops and to draw resources from India in time of need. This power will vanish when India has Dominion Status. The second is that Great Britain finds in India her best market and that she has a thousand million pounds invested there."

This, Sir, in a nutshell is a statement of England's case against India. The Budget is the result of the interplay of these two forces: the one produces the deficits, the other the Imperial Preference. England cannot afford to relax her control over India or reduce the military expenditure, because the military expenditure in this country is intended for the protection of England's Eastern possessions, and she cannot possibly allow any economic development of the country because, by doing so, England will lose her best market in the East. (*An Honourable Member from the European Group*: "Quite so"). This is, as I have pointed out, the main reason why the military expenditure in India has continued to be what it is. We are not here concerned with the plain arithmetical figures which my friend Sir Hugh Cocke gave to this House, that you want so much money, you have got so much money, you have got therefore to receive so

much more money, and therefore you should get it by additional taxation. What the elected representatives of this House demand is a clear statement from the Government as to what action they have taken since 1921 to change their policy regarding the military expenditure in this country. We have been complaining, and complaining times without number, that the military strength in this country bears no relation whatever to the military requirements of this country. We have been told, and we were told, that one third of the Army in India was kept for the defence of the frontier, one third for peace and security of the country, and one third for what is known as covering troops. Sir, we know as a matter of fact, and as is pointed out in the Inchcape Committee's Report, that since then there has been a great development in the Air Force, and a military officer of great repute contributed an article in one of the journals of this country in which he pointed out that, with the development of the Air Force, the reduction of ground forces has become necessary. Now, what has been done? The Government of India, far from reducing the white troops, far from reducing the burden, are treating the civil and military expenditure of this country as if it has been standardised, and it is against this standardisation of the expenditure by the Government of India that this House has annually protested ever since the advent of the reforms. What we therefore want is a change of policy. What we want is that the entire resources of the Government of India should be submitted to the annual vote of this House and we shall then be in a position to advise the Government of India as to how far they should be able to incur fresh taxation if and when necessary. So long as this House is only a partner in the raising of taxes, but has no voice in determining as to how that money is to be spent, this House must be extremely careful not to vote one single rupee to the irresponsible Government unless it is absolutely satisfied that that amount is necessary. But is it necessary in the present case? For the last three years we have been living from hand to mouth, and the secret has now come out that, during the last three years, we have been passing three annual budgets with recurring deficits, and we have been able to tide over the difficulty by merely relying upon adventitious windfalls. We have also got this year a windfall in the German reparation payments of a crore and a half. In spite of these windfalls, we still find ourselves in a region of deficit budgets, and the reason for it is this that the expenditure of the Government of India remains what it is and is going on increasing from year to year.

Now, Sir, I do not care as to how you raise the money, but what I do care is to see how you spend it, and so long as Members of this House are not in a position to scrutinise every item of the Budget, I think they would be perfectly within their rights to refuse to grant additional supplies. We feel morally justified in saying that, if the Members of this House were taken into confidence by the Government of India and if the Government placed all their cards upon the table, they would get the support which they badly need from the elected representatives of this popular Chamber, to press the authorities at home for the reduction of military expenditure. It is an open secret that the provinces, including Burma, are crying out for separation, because they say that the Central Government expenditure is too high. In Burma the cry is raised that Burma must be separated from India because the defence problems of India are not the defence problems of Burma, and the Government of India have made Burma the milch cow, and other provinces equally so. All the nation-building departments in the provinces are suffering on

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account of the elastic sources of revenue being appropriated by the Government of India and the inelastic sources of revenue being left to the provinces. The remission of the provincial contributions was only a temporary relief, but it is nothing compared to what the provinces would be able to do if the expenditure of the Government of India were brought down to a reasonable figure and the surplus made over to the provinces.

We have been offered a bait. The Honourable the Finance Member says, "If you allow my proposals to go through, I shall provide a small tiny nest egg for the future government that might come into existence". Well, Sir, if Members are here three years' hence, they will probably hear that all this money kept for the development of the nation-building departments has had to be spent because of some expedition here or because of some economic distress elsewhere. I would ask the Honourable Members of this House to make no provision for the future. The future will take care of itself. When the future Government comes into existence, that Government will know how to deal with the Central Government, and the future Governments, Central and Provincial, will decide the inter-dependent financial questions. I do not think that we should permit the Finance Member to over-budget against this future contingency, and I submit, that is my justification for refusing additional taxation. I think the Honourable the Finance Member expects to get, if I mistake not, about 1½ crore of rupees from the import duty on silver and from which he wishes to lay aside about a crore of rupees for the future nation-building departments in the provinces.

Sir Purshotamdas Thakurdas: Where do you get your figures from? He did not say that? Your figures are not accurate.

Sir Hari Singh Gour: I do not stand by my figures. I stand by my statement. I repeat, whatever may be the figures, two crores as the Honourable Member opposite estimates, or only a crore on a conservative estimate, as the Finance Member has estimated, the fact remains that the Honourable the Finance Member has said that he is going to lay aside a certain sum of money to be made over to the provinces. . . .

Sir Purshotamdas Thakurdas: In certain contingencies.

Sir Hari Singh Gour: Yes, and those contingencies, as the Honourable Sir Purshotamdas implies, may or may not arise. But that question apart, we are here first of all to ask the Government of India as to what retrenchments they have made in their civil and military expenditure. I have dealt with the question of military expenditure. I shall say one word about civil expenditure. As regards that, Honourable Members are aware that we have protested emphatically against the increase in the Civil Budget. The Lee Commission was appointed, and large increases were made in the pay of the all-India Services. This House protested, and in spite of them, the increases were sanctioned by the Secretary of State. The result is that we are faced with an expenditure of 25 lakhs of rupees on account of the time-scale of pay being fixed in the case of certain civil administration officers. I submit that we are not in sympathy with either the growth of civil or military expenditure, and this House would be well justified in resisting to the utmost every proposal for the increase of taxation.

One word more about the cotton duties. I am one of those who feel strongly for the protection of the industries of this country, but if, with the proposal for the protection of the industries of this country, there is coupled a noxious proposal which differentiates between duties leviable against one country and another, I ask, is this justifiable? As one of the speakers said, we are not entirely opposed to Imperial Preference. We are all anxious that the Round Table Conference should be successful and that British opinion should not be exacerbated unnecessarily, but at the same time our primary duty is to our country, and unless we are satisfied that the duties that have been proposed for the protection of the cotton industry in Bombay and elsewhere are in the best interests of the country, we should be entitled to oppose that proposal. On these grounds, I would advise the House to resist not only the proposal for additional taxation, but also the proposal for the levy of cotton duties, unless the Finance Member satisfies this House on what grounds the differentiating rates which he suggests are justifiable. It is quite clear that, in his speech, he has not made it very clear perhaps because he intended to elaborate it later on. I do not know what the facts are. Elected Members of this House are of the opinion that *prima facie* no case whatever has been made out for Imperial Preference upon its own merits. Unless the case of Bombay is exceptional, the elected Members of this House would, at any rate, vote against what is a subtle form of Imperial Preference.

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

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

Mr. President: The House will now resume further discussion of the Budget.

Pandit Hirday Nath Kunzru (Agra Division: Non-Muhammadian Rural): Sir, in presenting his first Budget last year, the Honourable the Finance Member told us in effect that he had a difficult legacy to administer. His review of our financial position, though not alarming, filled us with anxiety. He refrained, however, from imposing new taxation, and gave three reasons for the course that he adopted, one of them being that, before imposing new taxation, he wanted to have fuller opportunity of reviewing the expenditure side of the Budget than had been possible in the limited time since he took over office. The Budget which he has now placed before us shows how considerably our position has deteriorated during the last twelve months. He has pointed out to us all the factors that have led to this deterioration. We have to find not merely a sum of about four crores in order to balance expenditure, but have also to bear in mind that certain sources of revenue will soon be extinguished. On the other hand, however, I think we may legitimately hope that certain causes, which have brought about a fall in our revenue, will disappear before long. The deterioration in the Railways and the Posts and Telegraphs account, in the coming year, for a deficit of about 99 lakhs. I hope

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that the Railway Department will soon be able to show better results, and that we have not reached the limit of expansion so far as our railways are concerned. As regards Posts and Telegraphs too, I entertain a similar hope. I see from the figures that it is not so much that the Post Office expenditure has increased, as that the Post Office revenue has not risen to the extent that was hoped. To an appreciable extent, the recovery in our Postal revenue is dependent on the removal of the present trade depression. When that will take place exactly, nobody knows, but we may legitimately hope that, with the return of a more prosperous year, even the Post Office revenue will show better results than the Honourable the Finance Member expects it to do during the coming year.

These are, Sir, the factors that we might well bear in mind in order to relieve the gloom of the picture presented to us by the Honourable the Finance Member. In the main, however, we must depend for an improvement in our financial position on the economies that we are able to make. Now, the Honourable the Finance Member tells us that he has already made economies to the extent of 62 lakhs in civil estimates and 80 lakhs in military expenditure. But the item of 62 lakhs relating to the reduction in civil estimates is really made up, as he himself says, of certain previous non-recurring items and of other variations. To the extent, then, that economy has been enforced, or that, more accurately speaking, expenditure has been prevented from rising by finding money for new items by eliminating old items, we are really making no permanent economy. Apart from that, Sir, we know that the sale of silver has resulted in a book loss of 6.88 crores in the Paper Currency Reserve, and the interest on this would amount to about 85 lakhs. This is shown on the expenditure side, and is also credited to revenue. I have been given to understand that this sum is included in the figure of 62 lakhs, mentioned by the Honourable the Finance Member. If it is so, then the reduction in our civil estimates is purely nominal. On the other hand, it is fair to point out that the deficit also will be less than the Honourable Member has shown it to be by about 85 lakhs. I do not know, Sir, what the limits of retrenchment on the civil side are, but I will take the word of the Honourable the Finance Member for it, and accept his statement that no considerable economies are possible in that direction. We have, therefore, to turn to the military estimates to see whether any large and permanent reduction in expenditure can be made.

I will place before the House three or four concrete instances to show to what extent economies are still possible in the Military Budget. I am not now dealing with the general question of military expenditure, which is much too high in proportion to our resources. Whether you accept the Brussels Conference percentage of 20, or you take any reasonably higher figure, 30, 35 or 40, our expenditure will appear to bear too high a proportion to our revenue, and to be far beyond our capacity to pay. I wish, however, to deal with specific instances of the manner in which the expenditure on the Army can be reduced. My first instance relates to a subject with which my Honourable friend the Army Secretary is familiar, as I have referred to it more than once in this House previously. The Retrenchment Committee, after recommending reductions in the British and Indian forces, suggested a reorganisation of the infantry reserve, and

pointed out that very considerable advantage would result if its recommendations were accepted.

"The proposal to increase the period of enlistment with the colours," it said "would also ultimately reduce the number of recruits required annually. This in turn would reduce the establishment of the training battalions and the strength of the recruiting staff and result in considerable further economy."

Now, the recommendation of the Inchcape Committee was that the peace strength of the infantry battalions should be 20 per cent. below their war strength. The war strength of an infantry battalion, they suggested, was to be 766, 5 per cent. reduction of which would mean a reduction of about 153 or 154 men per battalion. My Honourable friend Mr. Young told me in 1928 that at the time Government announced their acceptance of the recommendation of the Retrenchment Committee to reorganise the infantry reserve, they reduced the strength of the infantry battalions by 64 men per battalion. I do not know whether anything has been done during the last two years to decrease the strength of the battalions further. If such a thing had been done, the fact would certainly have been made known to us. In any case, the Military Budget would not have been silent on that point. I take it therefore that we are still where we were in 1928. This means that, according to the recommendations of the Retrenchment Committee, a reduction of 90 men per infantry battalion has yet to be effected. Now, as we have 80 active battalions, the acceptance or rather the carrying out of the Inchcape Committee's recommendation would mean a decrease of about 7,200 men. There would, as the Inchcape Committee pointed out, be in consequence also a reduction in the establishment of the training battalions, the purpose of which is to train new recruits for the active battalions, and also to provide for wastage during a war in its initial stages.

But this is not all the economy that in my opinion ought to result from the recommendation of the Inchcape Committee to reorganise the infantry reserve. We have frequently complained that the proportion of one British to 2.5 Indian soldiers is unnecessarily high, and that it betrays a distrust of Indians on the part of His Majesty's Government. But even so long as the present ratio is maintained, if the strength of the Indian battalions is reduced in accordance with the recommendation of the Inchcape Committee, it ought also to result in a corresponding reduction of about 2,800 men in the British forces, and as a British soldier costs about four or five times as much as an Indian soldier, this source of economy cannot by any means be neglected. In fact it ought to yield a large sum. Now, when my Honourable friend the Army Secretary spoke last on this subject in 1928, he told us that the reason why Government could not proceed to the extent recommended by the Inchcape Committee was that the reserve was not full. There were still deficiencies in the authorised strength. I understand, however, now that the reserve is completely full. That is the information I have received from the Military Financial Adviser. If that is so, we should like to know what steps Government propose to take in order to carry out the recommendation of the Inchcape Committee which they accepted in principle in 1928 or 1924.

The other point which I should like to draw the attention of the House to is the capitation rate, which involves us in a charge of about two crores annually. Honourable Members are aware that this subject has been discussed more than once. The Government of India have, at least for half

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a century, been protesting against the heavy charges debited to India in connection with the training of British officers and soldiers in England. The matter has been repeatedly considered during the last 60 years. In 1923 it formed the subject of consideration by the Inchcape Committee which recommended that, "a fresh regular settlement should be expedited", and suggested that:

"The most equitable arrangement will be to base the payment on the number of troops sent out and the cost of training them, to fix a separate rate for the technical services, and to allocate the cost to the War Office of training recruits between the India Office and the War Office *pro rata* to the normal colour service in each country, subject to a due allowance for the potential value to the British Government of returned men available for the reserve."

Whenever this question is raised in this House, we are told that the matter is still under discussion. How long is it going to be under discussion? I can understand my Honourable friend the Finance Member saying that these are all questions of policy which cannot be decided at once, and that we must await the decision of His Majesty's Government. But surely if these questions of policy involve heavy charges to India, if because of our financial position heavy taxation has become necessary, it is up to the Government of India to take advantage of our present position and to press on His Majesty's Government the absolute necessity of coming to a speedy decision on these points. This is the time when they can use our needs as a lever to bring pressure on His Majesty's Government to do tardy justice to us in these important matters.

Just one more concrete instance of the feasibility of reducing military expenditure and I will pass on from this subject. It was pointed out to the Welby Commission that the British Government ought to make some subvention to the Indian revenues in aid of military expenditure, and that Commission amongst other things recommended that:

"As a measure justifiable in the circumstances half the cost of transport of troops to and from India should be defrayed by the Imperial Government."

At that time I understand the cost of transport was about £260,000 and His Majesty's Government therefore agreed to pay annually £130,000 to the Indian revenues. This expenditure has however risen considerably since

3 P.M. then, but the Imperial Government still gives us only about £130,000, which translated into Indian money comes to about 18 lakhs of rupees. The cost of transport of troops is now about 76 lakhs. The share of His Majesty's Government, on the basis recommended by the Welby Commission, ought to be about 38 lakhs. I want to know whether His Majesty's Government have been asked to increase their contribution by 20 lakhs. It is a small sum. It will not of course enable us to dispense with the need for fresh taxation; but there is no reason why His Majesty's Government should not fulfil their obligation in this matter.

There are other instances I could give of reduction in military expenditure, but we shall have an occasion of thrashing the matter out when the Military Budget is under consideration. I wish, therefore to pass on to another subject which was dealt with by my Honourable friend, the Finance Member, in his budget speech. I refer to the provision made for the reduction or avoidance of debt. My Honourable friend's announcement

came to me, frankly, as a disappointment. He told us that this subject had better await the examination of the convention relating to the separation of Railway finance. I am in sympathy with a large part of what fell from him in connection with the contribution made by the Railways to the general revenues. It may be that at the next revision, the Railways will be called upon to make a large contribution; but the principle which I have referred to can be discussed independently, I believe, of the examination of the convention. The question that we have to decide is whether a productive debt should be amortised. If that principle is accepted, then no matter how the Railway convention is revised, the grievance of the House in this matter will remain. It is true that the general revenues may benefit if the Railways are called upon to make a larger contribution; but so far as the Government of India as a whole are concerned, so long as the present policy of amortising the productive debt is maintained, they will not benefit by a mere re-arrangement of this kind. The importance of this matter may be realised from the fact that the increased charge on account of the reduction or avoidance of debt will be about 60 lakhs in the coming year.

Mr. President: The Honourable Member must now conclude.

Pandit Hirday Nath Kunru: Yes, Sir. I will, before sitting down, just refer to one other important point in the Budget, that is, the levy of an import duty on cotton goods. As my time is up, Sir, I cannot discuss the question at great length. But I should like briefly to point out that, while we are not insensible to the appeal made to us by His Majesty's Government, and do not desire to take any course that would unnecessarily hurt English interests, what we are asked today practically is to tax foreign imports for the benefit of Lancashire. All the imports that we receive from foreign countries do not compete with us. To the extent that this is true, the levying of a duty on them means an advantage to Lancashire goods in competition with other goods. This, Sir, is a very large principle. This goes far beyond any question of hurting British interests. A similar question came before the House in connection with the Steel Protection Bill. The Tariff Board considered this matter in 1924. But after discussing the various means of having recourse to protection which would affect only the cheaper kinds of continental steel and not the dearer kinds of English steel, it saw that the only way of differentiating between the two kinds of steel would be to have recourse to Imperial Preference. It was not prepared to recommend such a step as the policy underlying it had not been accepted by the Government of India. The position, Sir, seems to me to be the same as it was then, and I do not think that the House can be called upon at this stage to accept the principle which was not recommended by the Tariff Board in 1924. I know that the Honourable the Finance Member has assured us that the present arrangements will remain in force only for three years, and that, even in the meanwhile, the acceptance of the Government's proposals would not be regarded as an acceptance of Imperial Preference. But, Sir, it is an assurance given practically only on behalf of the present Government in England. We know that when Lord Birkenhead was in office, it was believed that, notwithstanding the recommendation made by the Joint Parliamentary Committee, it was for His Majesty's Government to decide what protective tariffs should be imposed in this country. The position of the Labour Government is none too secure. They have won on critical occasions only by a few votes, and

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if a new Government comes into power before these three years are over, we do not know what advantage might be taken of the acceptance of the proposal that has been placed before us by the Honourable the Finance Member. Sir, I do not wish to take up the time of the House any further; but it seems to me that the proposal which the Honourable the Finance Member asks us to accept does involve the principle of Imperial Preference, and that as such, it requires much more serious consideration than has yet been given to it. We have to remember that, in the past, the Government of India themselves have been against a policy of Imperial Preference. The repercussions of that policy must be examined. It must be remembered that the Dominions themselves have not accepted it, and that the return of General Hertzog to power in South Africa definitely means that there will be no discrimination in that country against foreign goods as against goods coming from England. In these circumstances, Sir, we may be pardoned if we are not prepared to adopt a different policy, and we trust that our view point will not be misunderstood, and that we shall not be unjustly accused of deliberately trying to hurt British interests without gaining any corresponding advantage for ourselves thereby.

Mr. M. K. Acharya (South Arcot *cum* Chingleput: Non-Muhammadian Rural): Sir, I propose to make just a very few remarks on behalf of the rural population whom I have the honour to represent in this House. We have heard the proposals of the Finance Member. He has come and told us that a deficit Budget is inevitable, that fresh taxation has to be imposed; and nobody will deny, Sir, not even the Honourable the Finance Member, that after all, directly or indirectly, all this fresh taxation will fall upon the shoulders of the bulk of the people the poor toiling masses. (*An Honourable Member*: "Question".) Sir, when the question is more seriously raised, the answer will be more seriously given. Sir, it may further be not out of place to raise the question here as to what has happened during the past twelve months, since the last Budget was presented which will justify us to accept the proposed additional taxation. What has happened in the political sphere? What in the economic and what in the agricultural and industrial spheres of the country? How far have the interests of India been safeguarded, promoted, by the Government in order that they may come to the representatives of the people and say, for this and this and these other benefits that we have conferred upon you in this and this and these other spheres, we now want more money from the taxpayer, and we propose that you should grant us additional taxation?

What has happened, Sir, in the political sphere? During the last year a bomb was thrown in this House. A number of young men were arrested; some have been punished, others are under trial, and although I do not want to use that much objected expression "repression"—you can call it what you like—crime has been on the increase, certainly not on the decrease; followed by repression as the order of the day. In fact, crime and repression are, as it were, always correlated; though in no country, in no period in the history of any country in the world, has repression succeeded in eliminating political crime. Therefore, the question arises, so far as the bulk of the people are concerned, who is responsible for it all? Not surely the young men whose blood is boiling with the not ignoble desire to see their country freed; certainly not those who are ready to lay down their lives in order to win by any methods, which they consider

suitable, however, violent to us they may appear, the liberty and freedom of their country. Who is responsible? Who has made these young men take to these violent methods? Certainly not those whom I represent. We have never called upon any of these young men to wrench, by violence, Swaraj from the British rulers. But it is not at all an irrelevant question whether the policy of the Government during the past ten years, whether the policy of sitting on the fence during the past ten years particularly, is not responsible for inciting these young men to active violence. It may be, Sir, that we may brand them as traitors, we may brand them as criminals. After all, it may be said of these with but one word altered in the poet's lines:

"For Freedom's battle once begun,
Bequeathed by *branded* sire to son,
Though baffled oft is ever won."

And, Sir, in this connection I cannot help referring to the demand made in this very city by authoritative leaders of the people before the representatives of the Government, before His Excellency the Viceroy, as the head of the Government, that political prisoners ought to be set free, and that a new era of peace and reconciliation regarding the political problem should be inaugurated and announced immediately. If that demand had been treated with the consideration that was expected or that was required, it might very likely be that we would have in this House today those who were leaders of the Opposition till last year. And therefore, I, Sir, who once belonged to that party, cannot but deplore that the policy of the Government—deliberate, it might have been inevitable, it might have been impossible for them to change it,—without going into these details I cannot but deplore that the policy of the Government has resulted in driving out of the House those whom it might have been possible to have kept in the House for the better administration of the country, both from the standpoint of Government and from the standpoint of the people at large. What next, Sir, has been the progress made during the past year in the sphere of economic development? Well, I do not profess to be a great economist; I am not a capitalist; I am not a millowner, but those who are qualified to speak, the finance and commerce Members of the Opposition here, my friend, Sir Purshotamdas Thakurdas, and my friend, Mr. Birla, these have not the slightest hesitation in saying that the effect of the wrong currency policy of the Government has been to make India poorer and poorer every day. Has there been a denial of that statement? Yes; many denials and counter-denials. Even today specific charges have been made that the currency policy of Government is responsible for the great havoc that has been played upon Government's own financial position. I daresay that there will be some kind of justification; there never has been a time when there was not justification for any argument that might be put forward or for any action that might be taken rightly or wrongly in any sphere. Therefore, whatever Government may say, the trusted leaders of the people, who have studied the economic figures carefully, swear that the currency and financial policy of Government has been responsible for a great deal of economic depression, trade depression, and agricultural depression; and all these facts, whatever the causes, have been admitted by the Honourable the Finance Member himself. When he comes here, therefore, it is up to him to come forward and say what the specific reasons are for all these kinds of depression;

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whether it is all due to the financial policy of the Government, or to their artificial currency policy; or to what other specific causes the depression in trade, the depression in commerce, and the depression in production are due.

Lastly, Sir, what shall we go and say to our electors? Shall we go and say that the additional taxation should be cheerfully borne because, during the past year, during the last Session, the Government chose to come down and interfere not only with our economic and political rights and liberties, but even with our religious institutions? Should we give you more money because you imposed on an unwilling people, imposed upon us all, a law which was not of our asking? It was sinful, immoral, absolutely diabolical. Is it for that that you want more taxation from the people? How are Mr. Sarda and his reforming friends going to answer their electors if they are asked why they did support this absolutely uncalled for interference in the religious institutions of the people? Government may not care, but our elected friends will have to give an answer. However worthy your motives I am not concerned with that; that is not what I am asking today. The best of intentions you may have; yet on that ground your reforms cannot be thrust down the throats of an unwilling people. Having done that, you want to impose additional taxation on necessities. You might impose perhaps additional taxation on luxuries. Excepting the proposed increase in the income-tax rates, all the rest of the new taxes fall directly upon the poor people, upon the masses. Cloth is going to be taxed from 15 to 20 per cent.; sugar, an article of necessity, is to be taxed more. It is annoying even to tax silver more, which, though a minor commodity and not so much a necessity or an article of food, will become dearer to the common people. I repeat why do you tax things which the ordinary people want badly? Why don't you tax articles of luxury? Why do not the heroes and heroines of the Sarda Act pay for their sins, for their silks and soaps and for all their dainties, for their motor cars and cigarettes and things of that sort? Why do you ask the common labourer, the man who has to earn his living by hard work—why do you ask him to pay more for the cloth he wants to cover his nudity with, for the sugar he wants to cheer his crying children with, and for the kerosene with which he wants to light the darkness of his cottage? Is this, according to any moral standard, a reasonable demand to make upon the poor people of any country? I am sorry to read in the Honourable the Finance Member's speech a comparison made of the duties on sugar imposed in other countries. He says it is 11s. 8d. in England, 10s. 3d. in America and so on. What is the average income per head in the countries which the Honourable the Finance Member has mentioned, and what is the average income per head of the toiling men and women of the United Provinces and Madras? The Honourable the Finance Member might as well have given the average income per head in England and the average income per head in India. It is easy to show that in other countries (*An Honourable Member*: "Who grows sugarcane in India?") conditions are different. My Honourable friend over there says that India grows sugarcane. Yes; India does grow sugarcane, but even then we want more sugar, we have to import additional sugar.

Therefore, Sir, it seems to me to be adding insult to injury to say that other countries like Great Britain and France levy heavier duties:

they are forced to buy the article; England can afford to pay twice as much as she pays now and France could afford to levy thrice as much duty as she now levies. But India is an agricultural country and can grow her own sugar. With better facilities and with a better industrial policy adopted by the Government, India need import no sugar at all and need not pay any sugar duty at all. It may be all right for rich people to say that this will not affect the poor people to any great extent. I claim to know the facts better. I, Sir, as representing the poor people, am not against any help being given to Bombay if she is in need of it: but in good truth it is not that her present condition touches my heart to any great extent. Let the Bombay millowners suffer a little now; they made a lot of money in the old days and they can afford to put their hands into their pockets a little now when the times are bad; it does not matter to me one bit. After all, everywhere in this world there must be ups and downs; it is inevitable; it is not possible in this world of ours always to be absolutely successful in business; and so, however much we may sympathise with the millowners in their present plight, I do not see why the poor man, who wants to purchase eight yards of cloth or a pair of *dhoties*, should be made to pay more by means of this 15 or 20 per cent. duty, or anything else more than what he pays now, in order that the millowners of Bombay or elsewhere in India should be able to run their mills profitably. I do not see where the logic of it comes in, or the ethics.

• It is then said that the hand-loom industry will be benefited by the imposition of this additional duty. What a great concession? What great benefits is the hand-loom industry going to get? Let us consider for a moment what is the production from the hand-loom industry and to what extent this additional duty is going to help it. I really do not know how far this is going to benefit the hand-loom weavers. It is all something like the lamp of Aladdin in the old Arabian Nights.

Therefore, Sir, these baits do not attract me; and I feel it is my duty to enter my very humble protest against what I consider to be the imposition of additional taxation upon the bulk of the people of this country who have not been benefited during the past twelve months by any of the measures that have been adopted by the Government. It has been said "The real remedy is to grant provincial autonomy and then most of these complaints will disappear". But, Sir, I do not believe in this talisman; for what do we find? Have the present reforms put more power into the hands of the people directly? Can the people manage even their own village forests, or village irrigation, or village trades? Have they the power to manage even their own village schools? How has provincial autonomy given any real power to the poor man in the cottage and to the people in the villages to manage their every day affairs? If full Dominion Status is granted tomorrow, and if you give say, to my constituency of 20,000 odd voters, more power, you will perhaps allow them to send one more representative to this Legislature through whose election they will have to pay only more taxes! How is this going to help them? You will tax them still further; the then Finance Member will have to impose more fresh taxation; and the poor man will feel that he has got his reforms at a fairly high cost indeed!

For these reasons, Sir, I consider it my duty to enter my strong protest against the proposals contained in this Budget, and I hope that the very many suggestions that have been placed before the Finance Member will

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be carefully considered—it is not for me to suggest any more—especially in regard to the Military Budget. I hope the Military Budget will be very carefully revised; it has been already pointed out that, in the normal course, there should have been a saving of between 4 and 5 crores in the military expenditure alone. If that had been effected, justice would have been done; equity would have been done, and the need for fresh taxation would have been avoided. In regard to other items of expenditure also there have been many items which have been pointed out to the Finance Member where he could bring his shears into operation against the enormous expenditure in various departments. I say, Sir, it is high time that some such thing was done. If the Finance Member had done that, and then said to us, “I have done my best and cut down expenditure as much as I could possibly do; give me a little more money to carry on”, then perhaps we could consider the matter more sympathetically. If he does this next year—I do not know which of us will be here then and which not—then perhaps the matter will be considered more favourably.

For all these reasons, Sir, I feel that the average man whom I represent cannot at all feel thankful to the Finance Member. Every department has got to be carefully scrutinised before any additional taxation is imposed. It is our plain duty to oppose all proposals for fresh taxation, even though we may sympathise with Bombay and with other centres where mills are operating, and although Bombay may have good reason to support those proposals. Somebody pointed out, that if you impose additional duty against Japan, Japan may be forced to exclude your rice; and then what will you do? I have been told that already there is some such proposals for retaliation against India, and I would not like to invite retaliation at the hands of Japan in order to please Lancashire.

I hope these and other objections will receive full consideration at the hands of the Finance Member, and that he will answer them in a perfectly candid manner before he expects any vote from those who, like me, represent, not the millowners, not the capitalists, but the average man in the street.

Mr. Kikabhai Premchand (Bombay: Nominated Non-Official): Sir, as a member of the business community, which is so vitally interested in the administration of the finances of this country, and in the fiscal policy pursued, I rise to give my support to the Budget under consideration. The first point which emerges from a careful study of the Budget is that the financial position of the Government of India—I will not say the financial embarrassment, for that is too strong a word—arises from causes not directly of its own making. If the Government had not been so anxious to relieve the provinces of the burden of their contributions under the scheme of 1919, they would have been in a position of substantial financial ease.

Mr. B. Das: On a point of order, Sir. Can a nominated Member speak on behalf of the provinces?

Mr. Kikabhai Premchand: World forces have worked against realising the anticipation of a normal growth of revenue to fill the gap caused by these remissions. But we have this consolation; the funds transferred from the Central revenues to those of the provinces have brought relief to administrations faced by the great growing heads of expenditure, and

if they have not in all cases brought ease, they have strengthened the position in the provinces, and made it possible to deal more effectively with the great nation-building agencies which are their principal responsibility. We have to face the consequences of this courageous policy, and the direct result is that the Government of India undoubtedly need additional sources of revenue.

With one qualification, I am in agreement with the proposals to raise this additional revenue. The increase in the revenue duty from 11 to 15 per cent. on imported cotton piece-goods is a wise and equitable measure. It is only right that this great head of imports should bear a fair proportion of the general tariff, which furnishes the principal source of revenue. The addition of a special protective tariff of 5 per cent. for three years on all plain grey goods from outside the British Empire, has also my support. The claim of the textile industry, and particularly of the Bombay mills, to a stronger measure of protection has been amply substantiated, and a sigh of relief went up when it was decided to impose it without further inquiry. The textile industry is weary of inquiries, and the depression which is so pronounced a feature of our industrial position would have grown disastrously deep, if, instead of help, Government had offered it another committee. The special difficulties of the Bombay industry spring not only from foreign competition—severe as that is—but from a long series of labour disputes in which the operative class has stubbornly resisted every attempt to reorganise labour conditions in the mills, or to secure a better return for the wages paid. The industry stands in clamant need of breathing time. The proposals of Government offer it, and in conditions which impose on the industry the imperative duty of proceeding rapidly with those measures to cut out the dead wood, to rationalise production, and to establish co-operative buying and selling, which are by common consent necessary to secure permanent health. I only wish, Sir, to endorse the principle underlying the duty—that it is a barrier behind which the industry must effectively reorganise itself, or the justification for the shelter will cease to exist.

There are certain features of a protective duty of which this House, as the guardian of the interests of the whole community, must take account. The first essential is that it shall be effective—that it must so stimulate internal competition that the burden thrown on the consumer is only temporary.

That need is fully met in the proposals before us; the new duties will fully safeguard the industry against the foreign competition which threatens to crush it. The second essential is that the protective duty shall not press unnecessarily on the consumer. The imports which most directly compete with the Indian mills are plain grey goods from outside the British Empire; the direct competition from Empire goods, textiles, is small, and is amply met by the increase in the general tariff. No good case has been made out for this protective duty on Empire textiles, and therefore there would be no justification for taxing the community in respect of them. I am quite aware that this differentiation is a form of Imperial Preference. I am not afraid of the term; on the contrary, I am strongly in favour of the principle when it can be applied without detriment to the interests of India.

I would invite the careful attention of this House to policies which are gathering strength in the great industrial countries. Not only is rational-

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isation and consolidation proceeding apace in the production of manufactured goods, and the combination of vast interests in selling organisations; but combination is now developing in the control of the purchase of the raw material. India as a great exporter of many raw products is vitally interested in this development. We see it at work today and not to our advantage, in the important trade in ground nuts, where prices are largely governed by one great corporation. In this intense struggle we stand to gain immensely from a special position within the vast orbit of the Commonwealth if we share in the schemes for the development of the Empire as a single economic unit, which will give our produce a privileged position in these huge markets. Both because it is specially applicable to the particular proposals before us in relation to the textile industry, and because of the much larger interests I referred just now. I welcome the introduction of Imperial Preference in this scheme of duties. I am convinced that it is to our present and future economic and political advantage

Mr. B. Das: Certainly not.

Mr. Kikabhai Premchand: The raising of the sugar duties will not be felt at a time when prices of this commodity are so low and should give a further stimulus to the indigenous production.

The silver duty is a timely one, not only because of revenue, but because it will raise the value of a commodity in which the savings of the people are so largely invested. When this duty was part of our fiscal system, it was not felt by any one, and there is a special justification for its restoration now when large classes have been affected by the decline in values. The decision of the Finance Member to take into account world conditions in any disposal of surplus stock is a matter for great satisfaction. Silver producers have shown no special tenderness to India's interests in the past and should deserve no special consideration from us now. We should be prepared to take our part in the stabilisation of world prices, but not to take isolated action to our detriment; the interests of India must come first.

I should, however, enter my protest against the proposal to raise the income-tax and super-tax at this juncture

Mr. B. Das: Why?

Mr. Kikabhai Premchand: I will tell you why. In doing this, I would not have it thought that I have any particular consideration for the income-tax and super-tax payers, or am insensible to the truth of the general proposition that there must be a fair adjustment between direct and indirect taxes. My objection is based on other grounds. The greatest need of India at the present time is, and will be for many years to come, an abundant supply of liquid capital. Speaking broadly, I think it is true to say that indirect taxation is drawn from capital which is not liquid; it is money which would otherwise be spent in various directions instead of finding an outlet in investment. On the other hand, income-tax and super-tax are drawn from a supply of liquid capital which is always inadequate to our requirements. For this reason, I think it is most inopportune to raise these taxes at such a juncture. The estimated yield from these taxes almost exactly balances with the surplus provided in the Budget. I should press the Finance Member to reconsider this proposal and take the risk of a balanced Budget rather than to aim at a surplus. But although there are signs that the clouds are lifting, the outlook is still too uncertain

to justify any risks. I claim, however, that the necessity of strengthening the supply of liquid capital outweighs the possible benefit of adding to the resources of the Provincial Governments if a surplus is realised, and would ask the Finance Member for an assurance that, if all goes well, he will treat these taxes as a temporary impost and remove them next year if the financial situation justifies it.

Most of us here who have any knowledge of the intricacies of finance will share the regrets the Finance Member has expressed that, under the present system, the Government have to bear the brunt of capital and exchange transactions, which in other countries are borne by the Central Banks and other institutions. That is the price we have to pay for the rejection of the scheme for a Central Bank. I believe that, until the need is supplied, our financial organisation will be defective.

There has been criticism of the terms of the recent loan in London and of foreign borrowings generally. I cannot subscribe to them. Indian credit sustained a great set-back, partly from world conditions and partly from the foolish talk of repudiation of the national obligations by certain elements in this country. It was essential to restore that credit and it has been done. True, the terms of the loan were stiff; but it is for a short term. If the measures taken were to be effective, a striking dramatic success was imperative and that was accomplished. The heavy over-subscriptions to the loan induced a greater feeling of confidence all round, which at once reacted on the values of all Indian securities. If we set the gain from this appreciation affecting an enormous body of investors against the rather high interest on the new loan payable for a few years, then it will be seen that the benefits immensely outweigh the disadvantages.

I cannot share the view that borrowings abroad are bad in themselves. There are large capital resources in the country, but they do not always meet our requirements. Whilst it is a sound policy, not unnecessarily to add to our foreign debt, it is not wise to retard productive works out of undue deference to this principle. There have been larger purchases of India's foreign debt of recent years, and I think it is sound practice to have recourse to the London market when our own is inadequate to requirements, and to leave the Indian capital free for investment in industrial enterprises.

There has been some criticism against the issue of Treasury Bills in India. Wisely administered, they play a useful part in our financial mechanism. They help Government in controlling the credit situation, in obtaining sterling remittances, and in providing a means of short-term investment and so checking seasonal fluctuations in Government securities. They also act as a financial balancing reservoir in times when there is no demand for money, and effect a truer approximation between the Bank and the market rate in the slack season. The money market does not therefore look upon Treasury Bills with disfavour so long as they are issued at the proper time and give a reasonable yield.

I believe that Government have acted wisely in drastically reducing their capital commitments. The security market, like the mill industry, stands in need of breathing time. The curtailment of the capital programme, requiring only Rs. 7·4 crores of new money in the coming year, will exercise a tonic effect. Our railways and other public works will not, in the long run, be worse off for having to draw in their horns a little and

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to exercise rigid control over new works; the money will come in time and probably in the long run be spent to better advantage.

Surveying the financial scene in India today, I think we may say that it is brighter already for the Budget before us. There is a greater feeling of confidence abroad and confidence is the life blood of commerce and industry. Our great national manufacturing industry, the spinning and weaving of cotton, breathes more freely and faces the future with a more assured confidence. Whilst therefore there is need for caution and prudence, on the whole, we face the future in far better heart than seemed possible a month or six weeks ago. There is only one cloud on the horizon, and that is bigger than a man's hand. It is the threat of repudiation of the national obligations that is in the air, combined with the revival of that form of lawlessness which is called non-violent disobedience. I do not now want to introduce politics into this discussion; my interest is in the business side of the Budget. The foundations of business, and of the industrial and commercial structure, which is of such vital importance to all sections of the community, is confidence, confidence in the sanctity of contractual obligations, whether national or private, confidence in the rule of law. Neither can be sapped without disastrous consequences to the welfare of the whole community. In this matter I look far beyond the immediate present. I try to visualise the India which has won responsible government and Dominion Status in the Empire. What will be the position of those charged with the immense responsibilities for the governance of this land if they have to build on a foundation of lawlessness? None can say what the year before us will bring. We do feel that the outlook is brighter than we dared hope and that the Budget before us has contributed to that end. But we feel equally that these hopes can be realised only in an atmosphere of confidence and respect for law, and I express the strong hope that the Government will see that the law is respected, by whomsoever it may be challenged, and that in this duty, they will have the support of all responsible elements in the country. Only along this path can we win the goal we have set before us.

Mr. W. Alexander (Madras: European): I wish to congratulate the Honourable the Finance Member on the Budget presented, and particularly on the way in which he has tackled a situation full of great difficulty. No one likes fresh taxation or any kind of taxation, but there are, as stated, indirect advantages in each new item of increase in this Budget. Now, as regards income-tax, with an increase of one pie in the rupee, well, there are cases worse than ours. We are now hearing of a Budget shortly to be introduced in another country in which it is said that income-tax is likely to be increased to the extent of about the equivalent of 5 pies per rupee. However, my Honourable friend, Sir Hugh Cocke, has dealt with the various items of the Budget. I only propose to speak with regard to the cotton duties, and I would like specially to refer to the changes which it is proposed to make in those duties. In the call for additional revenue, and also owing to the parlous state into which the mill industry in Bombay has fallen, the necessity for some increase is quite clearly seen. It would not be of any assistance at present to go into all the causes which have brought about this mill trouble. In the Simla Session of 1927, we had long debates on this question, and turning them over today, one wonders if there was a word left unsaid as to all the unfortunate circumstances.

surrounding the industry in Bombay. Today the urgency of the case is so very great that I feel called upon to press a point or two in respect to the means which are now being adopted, or which it is proposed to adopt, in the effort to bring this Bombay industry back to the state of prosperity it used to enjoy.

First, there is the question of finance. No doubt, in certain quarters in Bombay, reserves have run down or become depleted, but it is also a fact that there are large resources left, and that with those resources pooled, and the necessary assistance from outside, there should be enough finance available to carry the whole thing through. It has been done and is now being done elsewhere and can surely be done in Bombay.

What I am more concerned about, is the prospect with regard to re-organisation, the rationalisation of this industry, which means as described by a well-known authority :

"The attempt to adjust the means of production to the probable means of consumption and so to regulate prices that, instead of curves rising and falling like the contour of the Alps, there should be a fairly level roadway of prices along which trade and commerce may move. In this way the consumer of any material may base his own estimates for future years and the standard of living of peoples may be established with some degree of certainty."

Here is an outstanding instance in actual working. Over 75 per cent. of the entire wheat production of Canada is now sold through one co-operative pool, linked in turn with a similar organisation in Australia, and with combinations of farmers in America and Argentine. But there is no need to go so far afield. So long ago as before the War, in Britain, there were a number of industrial groups, some of them with as many as 70 and 80 different concerns linked up in the arrangement and covering a greater capacity than all the mills in Bombay put together. I have no wish at this time to criticise Bombay, but I must say that I cannot understand why they were not working out their salvation at that time. I am talking now of the years when some of those Home groups were constructed, the years of 1908 up to the time of the War. And this more particularly as Bombay was then, and is now, placed in a more favourable position to carry out such schemes, through contiguity. Some of the groups of which I have been speaking have concerns in them working at a great distance apart, say, 200 or 800 miles, whereas in Bombay one could cover all the mills with a pocket-handkerchief, so to speak. So, in that way Bombay is very favourably placed, but unfortunately she has never taken advantage of it.

Sir, what I fear is this. I fear that the changes necessary to bring about the reduction of the cost of production will not be properly faced, and that there will be fear and shrinking in the same way as a patient shrinks from an operation, which may mean life or death. It is not an easy matter. In the comparatively short history of some of those British industrial groups, works have been rebuilt three or four times, always with a view to reducing the cost of production and the results of those changes have been successful.

Now, Sir, the days of secret systems and processes in regard to industrial organisation and manufacture generally are over, and it should be quite possible for the Bombay mill interests, in this great question of the rationalisation of the industry, to get on the absolutely right course to pursue. The only question is, will they take it? Will they do it? There is a tremendous amount depending on that. I do not like to contemplate the

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other side of the picture, but if they pursue the right course, as I sincerely hope they will, then there is very little doubt that they will win through.

There is another matter to which I would like to refer. For some time past there has been considerable anxiety in certain districts among the hand-loom weavers, through doubt as to the possibility of an increase in the yarn duties. That doubt and anxiety have now been removed, and whatever may be said regarding other controversial points in this Budget, Government have the satisfaction of knowing that they have earned the thanks and deep gratitude of the hand-loom weaving community. They number about six to seven million people throughout the country and have been described as "the most inarticulate, the poorest paid, and withal the most industrious people in the country". I only hope that it will be possible, before long, to entirely abolish those cotton yarn duties which have been condemned by the Fiscal Commission, the Tariff Board, and by every reputable authority who has gone into the matter and fully understands the implications attached and the evil of taxing a half-manufactured article. Now that Government are proposing to adopt a more constructive economic policy than in the past, I trust this may be one of the first questions to receive consideration.

I have said nothing with regard to the differential 5 per cent. duty, but I would like to point out to my Honourable friends that this duty is primarily aimed "to help a lame dog over a stile". I have no intention of preventing that lame dog from getting over the stile if it is possible to assist him. All I would say is that, having regard to this question of Imperial Preference, I hope the lame dog who happens to be 15/16ths Indian will also be considered.

Mr. B. Das: Sir, when I heard my Honourable friend from Bombay, while he was reading out his speech, I thought it was as though I was listening to the columns of the *Times of India*.

Sir Hugh Cocke: Is the Honourable Member referring to Sir Purshotamdas Thakurdas?

Mr. B. Das: I am referring to his friend Mr. Kikabhai Premchand. When I read the minute of dissent by Mr. Kikabhai Premchand on the Central Committee's Report, I also thought it was as though I was reading from the columns of the *Times of India*. However, he has tried to represent the provinces. I do not know if the other Back Benchers on the Government Benches, who are the representatives of the provinces, agree with the remark that the Government did not act rightly in abolishing provincial contributions. If the Back Benchers on the Treasury Benches, who come from different provinces, will support the dictum of Mr. Kikabhai Premchand, I am very much afraid that they will not have to go back to the provinces, but will have to remain with the Central Government.

Sir, the most outstanding issue of the Budget speech of this year is the message which the Honourable the Finance Member has transmitted from the British Cabinet. He wanted us to treat it as an important factor. Sir, I would like to treat it as an important subject, but I would ask him to transmit a message to the British Government that, when India becomes an equal partner in the British Empire, by this time next year, I would like to discuss this very subject on its own merits. I will then be in a

position to discuss whether preference can be given to the United Kingdom—it is not the British Empire, but the United Kingdom. The Honourable the Finance Member, during his short stay in India, may know and must know, that we Indians are very gentlemanly and very hospitable, and when we call somebody our friend, we like to extend our friendship to him. It is in this light that I would like him to transmit a message to the British Government.

Sir, my Honourable friend, Mr. Birla, gave an interview to the Press and said that Imperial Preference has come in by the front door. That is also the view on this side of the House. None of us on this side will tolerate Imperial Preference in any shape or form. Sir, four years ago when the Steel Protection Bill was being considered, I was the first man on this side of the House who damned Imperial Preference. (Hear, hear.) Thereafter, whenever Imperial Preference has been introduced through the backdoor, we on this side have condemned it to our heart's content, in spite of Government carrying it through the support of my friend, Mr. Kikabhai Premchand, and others who are sitting on the Treasury Benches. Sir, my friend, Mr. Kikabhai Premchand, waxed eloquent and said that the trouble of the Bombay mills has come through the labour trouble. I wish he had attended the annual meeting of the Federation of Indian Chambers and heard the President of that Federation, Mr. Birla, when he spoke about labour and its contentment. Why did not my Honourable friend, Mr. Kikabhai Premchand, who, I understand dabbles in stocks, tell the House about the over-capitalisation of the Bombay mills by the mill-owners? However, we will get ample opportunities to discuss this problem when we consider the Bill that will come up before the House shortly. It is no use laying the whole blame on labour. The capitalists are to be blamed for their mismanagement and for their great greed in the past.

I will just speak one word about my Honourable friend, Sir Hari Singh Gour. While he was speaking, he condemned lukewarmly the principle of Imperial Preference, but he wanted that somehow we should offer a bribe to the British Government, because three or six months hence, we are going to meet at the Round Table Conference. Sir, I am not one of those who will offer any bribe to anybody, and I want to meet on equal terms, at the Round Table Conference, the Members of the British Cabinet and the British delegation. If we cannot come to a settlement, we want to retire honourably, and then I will decide whether I will not join the movement of civil disobedience which my Honourable friend, Mr. Kikabhai Premchand, had the audacity to condemn on the floor of this House.

Now, Sir, I must speak one word congratulating the Honourable the Finance Member for his bold courage in taking stock of the present financial condition of India. He diagnosed well, he did very well in pointing it out, but so far as the cure he has suggested is concerned, he has gone about it wrongly. The cure he suggests is certain taxation, Imperial Preference or protective duties; that is not a proper cure. Sir, it was given out in the budget speech of the Honourable the Finance Member that Mr. Jukes would be the Retrenchment Officer to look into the retrenchment of civil Departments and of civil budgets, and see if they are capable of any retrenchment. As everybody knows, on the civil side, there can be very little retrenchment unless it is abolition of the post of a *chaprasi* here or a clerk there. On the civil side, there cannot be any real retrenchment.

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When I spoke on the Railway Budget, I said there should be a Retrenchment Committee to see whether the heavy increase of expenditure to the tune of 10 crores which has grown up during the last five years, could not be reduced. I realise, Sir, that the Railways, irresponsible as they are, do not want to give the Honourable the Finance Member any extra share of their surplus profits. Therefore, they go on spending large sums of money, as much as they like, in the working expenditure, in repairs and maintenance, which the railways would not be spending if they were under the direct administration of the Honourable the Finance Member. Although certain Honourable Members of this House differ from me, I still maintain that there should be direct control of the Honourable the Finance Member over the Railway Budget. I do not think Mr. Jukes can put his finger into the pockets of my Honourable friend, Mr. Young, who has got too much, though it has been reduced by 80 lakhs this year. Still he has got too much money and can well afford to part with some crores. There should be a Retrenchment Committee appointed. It is no use appointing a Special Officer for this purpose, especially one who is on the point of retirement, and who has, for over thirty years, been trained in the spirit of the Civil Service and their clamour, to which we are all so accustomed. He cannot very well point out or lay his finger where the mistakes lie. After all, how much can he show as retrenchment? There must be a Committee and that Committee should go into the railway head, into their finances and into the military account, and also they will have to lay their fingers especially in places where the military expenditure lies concealed in the expenditure on the civil side and also the railway side. I will point out two or three heads where expenditure, which properly belongs to the military side, has been shown in the civil side. There is expenditure of so many lakhs on radios, so many lakhs in aviation and so many lakhs on broadcasting and so on. We do not want all these luxurious hobbies of radios or broadcasting or aviation in India at present, especially because India is a very poor country. We can very well abolish those departments. Then, there is that other department—meteorology, the expenditure on which is growing every year and which properly speaking should come under the Military Budget. If it is a military expenditure; let it be charged to the military head, and let the 54 crores and odd of the Military Budget cover that expenditure. Then, there are also certain hospitals and scientific departments and institutions which purely come under military expenditure, but they are still being charged on the civil side, and the Honourable the Finance Member cannot find the money to meet the civil expenditure. Lastly, I need not once again point out the special concessions in rates and freights given to the Army.

Sir, much has been said about taxation, and I do not want to touch that on silver, the abolition of which has been well supported from this side of the House. I will say one word about kerosene. If Government need this taxation on kerosene, why this differential treatment, why not equalise the tax on kerosene? The money that is invested in Burma is purely British money, it is not Indian money and we also know about the agitation that has been going on for the last three years regarding the separation of Burma from India. Why should we give the British capitalists in Burma an advantage over other oil-producing countries?

Next I want to touch upon this preferential duty a little. My Honourable friend Mr. Alexander said that the hand-loom weavers would not be

affected. Sir, I am sorry to hear that. I will prove, when the occasion comes, on the floor of this House, that the hand-loom industry in certain provinces happens to produce 40 per cent. of the cloth that is used in those provinces. My Honourable friend, Mr. Gaya Prasad Singh just tells me about Bihar and Orissa, where it is so. Then, Sir, when my Honourable friend, the gallant Baronet, Sir Victor Sassoon pleaded so much for the cotton yarn protective duty, everybody agreed that it should be for three years. Now by the back door, it is going to be extended for six years. If the Honourable the Finance Member needs a little more money, he had better double the income-tax or the super-tax. He should not kill the hand-loom weavers, who are six millions in India, while the mill hands are only four lakhs and a half. Another thing that I want to remind the Honourable the Finance Member of is this, when the Government passed the Cotton Yarn Protection Bill, what did Japan do? Did not Japan put an embargo on the import of Indian rice to Japan? They thought of doing so and also on pig iron, as my Honourable friend, Mr. Neogy, reminds me. If you want us to fight, you had better create some quarrels with the European nations or with America. Why do you create this quarrel with an Asiatic nation? We want to be in perfect amity with Japan. Why this differential treatment of Government to help either my Honourable friends from Bombay or to help the Government Treasury? Why do you want to bring about this difference between India and Japan? We do not want to have any quarrel with Japan in whatever shape. We want to remain in peace and friendship with Japan.

Then my Honourable friend, Sir George Schuster, himself has alluded to the drop in the world prices of commodities. How is it then that he has not taken any steps to abolish the Lee concessions? The Civil Services clamoured in 1922 for concessions because of the rise in prices. Now the prices have dropped. Why don't you reduce these concessions? The Honourable the Finance Member will thereby get a reduction of several lakhs—I do not know if it will not be crores—in his expenditure. I know the Anglo-Indians on the railways have even secured them and even some of them are still clamouring for these Lee concessions, on considerations which only the Departments know, and which we cannot solve on this side of the House. That is my suggestion to the Government whether a Retrenchment Committee tackles the problem or whether Mr. Jukes examines the question of retrenchment, that is, whether the time has not come to reduce these Lee concessions owing to the drop in world prices of commodities.

My Honourable friend, Mr. Acharya, spoke of the hardship of the tax on sugar. It might have been worse, the salt-tax might have been doubled. In that case, the whole country—I do not refer to special constituencies from which my Honourable friend Mr. Mody and others come, for they need not have any fear in this matter—in the case of other constituencies, there would be a huge uproar. I have, however, every sympathy with the Honourable the Finance Member, because he is only trying to ease the burden of legacy received from his predecessor, Sir Basil Blackett, who reduced the earning power of the people of India. Then he is also suffering from the action of the predecessor of Sir Basil Blackett, namely, Sir Malcolm Hailey, who left India, Indian industry and Indian conditions in such a miserable state by dabbling in high finance, that his successor after seven or eight years is feeling the pinch of it. I know Sir George Schuster

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will have to find money to meet the budget demand, but when he said that he was putting all these taxations in order that he might have a little accumulating surplus for preparing the way for a more generous allocation to the provinces of sources of revenue for nation-building services,—a most pious speech—I believe my Honourable friend wrote this when he was probably thinking of his discussions in London with Mr. Layton and others who were hatching the Simon Seven's Report. In this respect I will pay one word of tribute to the Central Committee, although I do not see eye to eye with all their recommendations. They have said that Salt, Income-tax and Customs should be provincial revenues. I whole-heartedly support that. I aspire to see soon Orissa made a separate province and I whole-heartedly support the idea that Salt, Income-tax and Customs should be provincial revenues. I was glad that that bit of common sense dawned on the Central Committee when they wrote that.

My Honourable friend, Sir George Schuster, is putting in money to be spent on new grants. I will refer to one grant particularly, the appointment of Trade Commissioners. I will welcome it. We have demanded it for the last three or four years; but if it only means that the cadre of the Indian Civil Service posts is to be increased and Indian Civil Servants will get these posts, we on this side of the House will oppose this grant completely. There will be enough Indian commercial men to fill the Indian Consular Service when it is recruited to its full cadre. It seems that there is an unholy alliance—of course Sir George Schuster is not a party to it because he does not belong to the Indian Civil Service—to send away Indians of the Civil Service abroad and thereby to replace that number by European Indian Civil Servants, so that Europeans might more and more get recruited into the Indian Civil Service. I strongly condemn that, and if it going to be the Indian Civil Service, I will oppose it in due course.

Sir, we on this side clamour for protective tariffs. Protective tariffs have become a windfall to the Honourable the Finance Member for the last four or five years. As I said last year, in the memorandum of the Finance Department which was submitted to the Simon Commission, it was mentioned that 20 crores had come from the steel protective duties alone to the pockets of the Finance Member. At that time we suggested that this money, realised from the protective tariff, should be put away for nation-building work, but it has not been done. Again, there are always clamourers, whether it is the Bombay millowners or glass manufacturers, they all want protective tariffs. That means so much money put into the coffers of the Finance Member. My suggestion is that, if the Finance Member wants to build up the nation-building departments, from this year any money collected under the protective tariffs should be set aside for nation-building departments and should be allocated at a later date, to the different provinces.

Mr. President: I had expected that Honourable Members who can speak with authority on the condition of the Bombay mill industry would participate in this debate as early as possible, but none of them rose today, and if they do not get an opportunity hereafter they must thank themselves.

The Assembly then adjourned till Eleven of the Clock on Wednesday, the 5th March, 1930.