

Saturday, 6th March, 1926

**THE  
COUNCIL OF STATE DEBATES**

**(Official Report)**

**VOLUME VII**

---

**FIRST SESSION**

**OF THE**

**SECOND COUNCIL OF STATE, 1926**



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# COUNCIL OF STATE.

*Saturday, 6th March, 1926.*

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

## MEMBER SWORN:

The Honourable Maharajadhiraja Sir Rameshwara Singh of Darbhanga (Bihar and Orissa: Non-Muhammadan).

## QUESTIONS AND ANSWERS.

### VARIOUS QUESTIONS CONNECTED WITH INDIA'S MEMBERSHIP OF THE LEAGUE OF NATIONS.

157. THE HONOURABLE MR. PHIROZE C. SETHNA: Will Government be pleased to state:

- (a) what has been the contribution, year after year, by India towards the expenses of the League of Nations since its inception;
- (b) the total number of States that are at present members of the League;
- (c) if India is the fifth highest contributor;
- (d) if India has in any year or years been made a non-permanent member of the Council of ten; if not, why not;
- (e) if the contribution by India is about 6 per cent. of the total of the contributions received from the different members;
- (f) if there is a possibility of the contribution from India being reduced; and
- (g) the total of the staff of the Secretariat of the League and the number of Indians on such staff and also what prospects there are of an increase in the number of Indians?

THE HONOURABLE MR. A. C. McWATTERS (on behalf of the Honourable Mr. S. R. Das):

	£
(a) 1919-20 . . . . .	16,234
1920-21 . . . . .	28,787
1921-22 . . . . .	54,916
1922-23 . . . . .	48,747
1923-24 . . . . .	77,799
1924-25 . . . . .	70,526
1925-26 . . . . .	53,288

has been paid to date out of an estimated total of £56,000.

(b) 55. Costa Rica has given notice of her intention to withdraw from the League.

(c) Yes.

(d) No. Non-permanent members of the Council are selected from year to year by the Assembly and India has never been so selected.

(e) India's contribution for 1926 is equivalent to 5·97 of the total contributions.

(f) The scale of allocation adopted by the Sixth Assembly is to remain in force for a period of three years. No reduction is therefore possible during this period from any member State's contribution except in so far as a reduction may be effected as the result of the liberation of a certain number of units through new states entering the League. The Honourable Member is no doubt aware that a certain measure of success has attended efforts made in the past to obtain a reduction in India's contribution. If and when the occasion presents itself, these efforts will be renewed.

(g) The Honourable Member is referred to pages 73-87 of the official Journal of the League, 7th year No. 1, a copy of which is in the Library where he will find the latest available list of the members of the Secretariat with their nationalities. The Government of India are not in a position to judge the prospects of an increase in the number of Indians.

#### THE BALLY BRIDGE OF THE EAST INDIAN RAILWAY.

158. THE HONOURABLE RAI NALININATH SETT BAHADUR:

(i) Will the Government of India be pleased to state:

(a) what is the total amount of the estimate for the Bally bridge of the East Indian Railway; and

(b) what would be the additional expense for providing two carriage-ways to it as suggested by the Government of Bengal?

(ii) Is it a fact that the cost of providing carriage-ways would now be much less than the amount of the original estimate? If so, by how much?

(iii) What additional amount would be necessary to make the girders and piers strong enough to carry the additional load of the roadways?

(iv) When will the actual operations for the construction of the bridge be commenced and tenders called for the steel work?

THE HONOURABLE MR. D. T. CHADWICK: (i) (a) and (b). The cost of the bridge as estimated is Rs. 1,31,66,276 which includes Rs. 24,74,344 for the roadways and paths.

(ii) No. The provision of 24·74 lakhs is a fair proportion of the 131·66 lakhs provided for the bridge.

(iii) 10 lakhs is required to strengthen the girders to carry the roadways, and this expenditure must be incurred now, even if the provision of the roadways is deferred.

(iv) Tenders for caissons have already been called for and the piers will be commenced when delivery of the caissons starts next October.

#### REMOVAL OF THE CALCUTTA MINT FROM ITS PRESENT SITE.

159. THE HONOURABLE RAI NALININATH SETT BAHADUR:

(a) Will the Government of India be pleased to state if there is at present any proposal to remove His Majesty's Mint in Calcutta from its present site to any other site?

(b) If so, when will the proposal be given effect to?

(c) If not, why not?

(d) Is it true that the Calcutta Improvement Trust strongly urged its removal from the quarter in which it is at present situated in order that the land occupied by it may be released for the use of trade?

(e) Is it true that the Government of India, in pursuance of this request, appointed a Committee sometime ago to report on the advisability of its removal and, if so, to select a suitable site, and that the said Committee did select a site?

(f) Is it true that, even from the financial point of view, the said Committee thought that there would be advantage to the Government if its proposals were put into execution?

(g) If the answer to the first part of (e) is in the affirmative, will the Government of India be pleased to lay on the table a copy of the report of the Committee?

THE HONOURABLE MR. A. C. MCWATTERS: (a) Yes.

(b) and (c). No decision has yet been made. The Government of India have informed the Government of Bengal that they are prepared to agree to the removal of the Mint to another site provided that no additional charges are imposed on the Central Revenues by such removal, and they are now awaiting the submission of a detailed scheme by the Government of Bengal. They understand that the Government of Bengal are not able to submit any detailed scheme until the site of the new Howrah Bridge has been settled.

(d) Yes.

(e) Yes. The Government of Bengal afterwards decided that it was necessary to reserve for port purposes the site selected by the Committee.

(f) Yes, but since the Committee reported, the value of the site of the present Mint has fallen considerably, and from the financial point of view it is extremely doubtful if the removal of the Mint would be advantageous.

(g) A copy of the Report of the Committee is laid on the table.



To

THE SECRETARY TO THE GOVERNMENT OF INDIA,

FINANCE DEPARTMENT, DELHI.

*Dated Calcutta, the 29th November 1920.*

SIR,

We have the honour to submit the following report on the question of removing the Calcutta Mint from its present to another site.

## INTRODUCTORY.

2. The question of abolishing the Calcutta Mint, and constructing a large Mint near Bombay which should be capable of providing for the needs of the whole of India, was apparently first raised in 1901. It was, however, held in 1903 that the abolition of the Calcutta Mint would involve inconvenience and expense to the Calcutta merchants and banks, and it was finally decided that the proposal should be abandoned and both the Mints retained. The late Sir Charles Allen, Chairman of the Calcutta Corporation, made new proposals in 1906 for the removal of the Mint from its present site. He was influenced by the considerations which have led to the appointment of the present Committee, *viz.*, that the large area now occupied by the Mint absorbs a valuable space which is urgently required for the development and improvement of Barabazar—one of the most congested areas in Calcutta. Sir Charles Allen suggested that the Mint might be removed to some site outside the city, for example, to Barrackpore or Ishapore, and that the land thus made available should be vested in the new Improvement Trustees whom it was proposed to constitute as a statutory body for the improvement and expansion of the city, and that this body should utilise the vacated area in dealing with the urgent problem of Barabazar. A Committee representative of the different interests most concerned with the Mint was appointed by the Government of India to consider the whole question in 1907. Colonel Porter, the then Mint Master, Calcutta, strongly opposed the proposal, and the Committee accepted his view on the ground that there was no assurance of obtaining a site which would fulfil the conditions laid down by the Government of India as essential; *viz.*, that the site must be—

- (1) not more than three miles distant from the Comptroller General's office;
- (2) not less suitable than the present site for the purposes of Government, including the import of bullion and the Currency Office work;
- (3) not less convenient than the present site for the banks and the commercial public;
- (4) Capable of being at least as efficiently defended in the case of disturbances as the present building; and finally that
- (5) the cost of removal, both initial and recurring, must not be prohibitive.

There was some disposition to think that although the development of Calcutta might render the removal of the Mint at some future date inevitable, such removal should be accompanied by an amalgamation of the Bombay and Calcutta Mints, and it was thought that the heavy expenditure which a Central Mint would entail was not at that time justified by the financial position of Government. The question was again raised by the Calcutta Improvement Trust in 1919, and at the meeting of the Imperial Legislative Council held on the 16th September 1919 the Hon'ble Mr. W. E. Crum moved the following resolution :—

"That this Council recommends to the Governor General in Council that the question of removing the Calcutta Mint to another site be taken into consideration."

This resolution was accepted with the reservation that its acceptance in no way committed the Government of India to agreeing to the Mint's final removal unless they were provided with an equally suitable site from all points of view, or if on inquiry

there should emerge other weighty objections against the proposal. The Government of India, however, promised an inquiry into the whole question and appointed the following Committee for this purpose :—

Mr. W. Alder, O.B.E., I.C.S., Controller of Currency	... President.
Mr. W. O. Grazebrook (subsequently succeeded by Mr. W. K. Dods) nominated by the Bengal Chamber of Commerce	} Members.
The late Hon'ble Rai Sita Nath Roy Bahadur (subsequently succeeded by the Hon'ble Raja Resheecase Law, C.I.E.) nominated by the Bengal National Chamber of Commerce	
Mr. S. W. Goode, I.C.S., nominated by the Government of Bengal	

The Committee's terms of reference were to advise on the following points :—

- (i) The advisability of removing the Calcutta Mint from its present site;
- (ii) if such removal is considered desirable, the site to which it should be removed, due regard being had to the efficiency of the Mint, the proper discharge of Government business, and the convenience of the public, and
- (iii) if the removal be recommended, the probable cost of the operation.

#### WORK OF THE COMMITTEE.

3. The Committee met on Friday, the 12th November; the advisability of removing the Mint was first considered. As already stated, Government have viewed this question at different times from different standpoints. In 1901, it was suggested that the area occupied by the Mint and its appurtenances was wastefully utilised, especially in view of its great value; this issue, however, was soon obscured in the more important and more drastic change which was involved in the proposal to amalgamate the Calcutta and Bombay Mints.

The late Sir Charles Allen, Chairman of the Calcutta Corporation, then gave a new turn to the discussion, when he urged the importance of obtaining the Mint site for the development of Barabazar and this is the standpoint from which public opinion seems now to view the question.

No one who knows Calcutta can question the urgent need or the enormous difficulties of replanning of Barabazar, but it is certain that the problem will be greatly simplified if 40 bighas of new land can be made available for re-housing or trade purposes. The insanitary conditions of Barabazar and the excessive pressure of population upon the soil are well known; the congestion of its narrow streets, crowded and obstructed with merchandise, for which no proper storage or handling space can be made available, renders traffic most difficult and thus seriously retards the transaction of business. It seems possible that the Mint site, if available, might be advantageously used for the concentration of important trade, which has outgrown the capacity of Barabazar. These are matters with which the town-planner must deal, but the Committee unanimously adopt the widely accepted view that—if from other points of view the proposal is at all feasible—the larger interests of Calcutta require the surrender of the Mint site for relieving the overcrowding and congestion of Barabazar.

The improvement of Barabazar is not, however, the only ground, on which the removal of the Mint is urged. The present site appears to be ill-adapted to purposes of defence. It comprises a large area which is commanded on three sides by closely packed buildings and in times of civil tumult, the main routes of approach could be easily blocked by determined rioters. Again the transit of bullion or coin through crowded thoroughfares must, we apprehend, be attended with considerable risk in the event of civil commotion in a big congested city like Calcutta. It has on the other hand frequently been urged that the removal of the Mint from the busiest portion of the town must cause grave inconvenience to the Banks, the mercantile community, the public and the Currency Office.

The Mint has business transactions with all these interests, and it is contended that it would cause serious delays and involve extra defence, if the Mint were transplanted to the suburbs. The above interests are, however, all represented on the Committee, which, after carefully weighing this objection, is satisfied that it has less validity than has often been assumed.

The Committee is supported in this conclusion by the opinions—briefly summarised below—which have been received from the important business and commercial bodies of Calcutta. We think, again, that in the interest of the Mint itself, there may be a

gain in breaking with the past and in utilising English and American experience in remodelling the construction and working of the Mint. This is of course a question for minting experts, but we have it on the authority of a previous Mint Master, who was not enamoured of the proposal now under discussion, that—

“Mints are peculiarly conservative institutions” and that the proposal at least offered “a unique opportunity for breaking with costly and obsolete methods which have long been discarded by other Mints.”

We understand that these latter words have not the same truth which they had in 1901, but it seems in any case obvious that buildings erected in 1824 and since considerably extended, cannot be the last word on Mint construction, although the architect, General Forbes, was a distinguished Engineer.

It remains to consider the financial aspect of the proposal—which is of course the crux of the whole problem.

In 1907, the Mint land was valued at about Rs. 4,000 per cottah, i.e., at over Rs. 30 lakhs for the whole site. The first Land Acquisition Collector of Calcutta is now of opinion that if the land were plotted out and sold in building blocks it might probably realise Rs. 30,000 per cottah. If we adopt a more conservative estimate—it is, perhaps, unnecessarily conservative—of Rs. 25,000 per cottah and allow for the reservation of 20 per cent. of the area for roads and other open spaces the land should realise Rs. 153 lakhs, whereas we roughly estimate (basing our figure mainly on Lieutenant-Colonel McCormick's elaborate estimates—appended to this Report) that a new Mint constructed on modern lines with ample accommodation and with quarters for the superior staff and combined with a large housing scheme for operatives, should not cost more than Rs. 122 lakhs. The financial test supports, therefore, the proposal for the removal of the Mint and assuming that a site can be found which fulfils the conditions laid down as imperative in a new Mint, we are of opinion that the wisdom of this proposal is clearly established.

#### 1 VIEWS OF PUBLIC AND COMMERCIAL BODIES.

4. It is desirable at this stage briefly to set out the views of the various public and quasi-public bodies which have been consulted regarding the removal of the Mint. The Port Commissioners favour the proposal provided a suitable site can be found elsewhere—on the ground that a valuable area will thereby be made available for general trade purposes. The Corporation of Calcutta take the same view and suggest that the Mint may be located in Kidderpore between Tolly's Nulla and the Port Commissioners' docks and that staff quarters might be constructed on some site in Hastings. The Municipal Commissioners were nevertheless somewhat doubtful as to the expediency of placing the Mint in this area as they thought its operations would cause a nuisance and interfere with the utilisation of the adjacent lands for commercial and residential areas. In this connection the Committee may mention that both Major Stace, the Acting Mint Master, and Lieutenant-Colonel McCormick recommend that the new Mint should be provided with gas furnaces which would on the one hand cause no nuisance and for technical purposes would also be desirable. The Marwari Association strongly support the proposal to remove the Mint in order that its present site may be made available for the improvement and expansion of Barabazar. They are disposed to think that there should be no difficulty in finding a suitable site for the new Mint in the northern or the southern suburbs of Calcutta; they point out—and the Committee, as stated above, agree in this view—that the protection of the Mint at its present site in the event of any civil disturbance might not prove an easy matter. The British Indian Association support the proposal for the removal of the Mint, and suggest that the new buildings might be situated on some site between the Kidderpore bridge and the docks. The Bengal Chamber of Commerce appointed a sub-committee to consider the whole question, and this sub-committee, whose views were accepted by the Chamber, were of opinion that the advisability of removing the Mint to another site was “hardly open to argument.” The sub-committee in its interesting report suggests the Hastings site, which we shall presently discuss, as the most suitable location for the Mint. It will thus be seen that there is a strong consensus of opinion in favour of removing the Mint, and the general view appears to be that the new Mint could be most conveniently located in some area in the vicinity of the Kidderpore bridge. It has been suggested that an excellent site will shortly be available on the banks of the Hooghly north of Cossipore and Barnagore, about 8 miles from the Currency Office. A portion of this is the property of the Government of India and is now occupied by the gunpowder magazine which it is believed will shortly be transferred to Dum Dum. The Barnagore Jute

Mill siding passes near the site which could, moreover, be conveniently linked up with the Barrackpore Grand Trunk Road. It would, however, obviously be undesirable to go further afield if the excellent site to which we shall now refer is available.

PROPOSED SITE FOR THE NEW MINT.

5. Before the Committee met, the Controller of the Currency had made certain local enquiries, and after discussing certain suggested sites the Committee decided that it was desirable to search for a new site in the vicinity of Hastings and Tolly's Nulla. The Committee thereafter made a local inspection of the area belonging to the Military authorities and bounded by the Kidderpore Bridge, the Canal Road and the Tolly's Nulla on the south and west, by Bakery Road, on the north and by St. George's Gate Road on the east. At first site, this area appears to fulfil most of the conditions which the Government of India considers essential in 1907 (*vide* paragraph 2 *supra*). A considerable portion of the site, i.e., the portion bounded on the north by the Parsonage Road, is covered by bustees and there would be no difficulty so far as the present use of the land is concerned in resuming it for a public purpose. The northern portion of the site is occupied very sparsely by some Laskar Lines belonging to the Ordnance Department and partly by cattle sheds belonging presumably to the same department. The Committee are not aware if the Military authorities are able or willing to surrender this northern area. They conceive that it might be practicable for the Military authorities to find some less valuable site which would not be inconveniently distant from the military area, for the housing of these cattle and for the construction of the Laskar Lines, but it is possible that the Military authorities have other schemes in view for the utilisation of this area. It is understood that the Commissioners for the Port of Calcutta have made proposals for the acquisition of the area now in question along with certain other portions of Hastings, for the housing of their superior staff. But it is presumed that if the Military Department is prepared to part with this land, the claims of the Finance Department must take precedence over the needs of even so important a local body as the Port Commissioners. It is, however, doubtful whether this site, even if available, would be suitable for the location of the new Mint. The area of this land is roughly estimated as 30 bighas, and the Committee are of opinion that this area is insufficient for the accommodation of the Mint buildings. In view of this difficulty, the Committee made further search for a suitable site; the Hastings site has, however, been referred to in some detail as the Committee think that even if the site proposed hereafter is considered suitable, it will be desirable to approach the Military authorities for the acquisition of about 13 bighas of the Hastings site to be used for the location of staff quarters for the new Mint.

The Committee then inspected the site at present occupied by the Royal Indian Marine Dockyards which have recently been closed. This site is in their opinion eminently suited for the location of the new Mint. Its advantages may be briefly stated :—

- (1) it is within easy reach of the Currency office, banks, and the commercial public;
- (2) it is close to the Fort, and in view of its splendid river frontage it could undoubtedly be more efficiently defended in the case of civil disturbances than the present buildings;
- (3) as regards the import of bullion, the proposed site has good river communication and easy and excellent road communication with Howrah station;
- (4) the site is near the Port Commissioners' railway which could doubtless be utilised for the carriage of coal and coke;
- (5) the river frontage would provide a Mint located on this site with a plentiful supply of water and enable the Mint to be operated by its own electric power plant; while lastly
- (6) there are large bustee areas existing within easy reach of the Dockyards which could be acquired and utilised for the location of workmen's dwellings.

The Committee understand that the Royal Indian Marine Dockyards covers an area of 63 bighas 1 cottah 6 chhataks *plus* 1 bigha 19 cottahs and 8 chhataks of land occupied by staff quarters, i.e., a total area of about 65 bighas. Having regard to the enormous value of the present site and the desirability of placing the new Mint in surroundings which shall be both convenient and worthy of a public institution of such importance,

the Committee suggest that the utilisation of the Royal Indian Marine Dockyards site for the purpose of the Mint is no extravagant proposal. The Municipal Assessor and the First Land Acquisition Collector of Calcutta are disposed to value the land roughly at Rs. 2,250 per cottah. The Committee are inclined to think that even if a valuation of Rs. 2,500 per cottah including buildings is placed on the land, it should not be regarded as too costly a site for the new Mint. We are informed that the Port Commissioners are negotiating with the Government of India for the purchase of a small strip of the Dockyards to give them an additional entrance from the river into the Tidal Basin. We understand further that an important Calcutta firm of builders and engineers who are being displaced from land occupied by them on the northern portion of the river, are anxious to acquire the whole of the available area of the Dockyards from the Government of India, if the land is offered for sale. The Committee are informed that the Calcutta Improvement Trust in the interests of Calcutta's commerce and industry would be glad to provide this firm with a small area having river frontage to replace the site from which they are being dispossessed, but it is understood that a site of 3 or 4 bighas should be ample for this purpose, and that the object of this firm in desiring to acquire the whole area of the Dockyards is mainly speculative. However that may be, the Committee consider after discussion and local enquiry that it would be impossible to find a site more suitable in every way for the new Mint and if, as they understand, the old Dockyards are now at the disposal of the Government of India, they would strongly urge that an area of at least 45 bighas and if possible 50 bighas should be reserved for the purposes of the new Mint.

#### AREA REQUIRED FOR THE NEW MINT.

6. The present Mint occupies an area of 38½ bighas, of which 7 bighas are occupied by the tank and 6½ bighas by the staff quarters. The Committee were shown over the Mint and agreed with the Mint Master that there is most undesirable congestion in certain departments. While some of the machinery has adequate accommodation, a layman will have no difficulty in agreeing that in other buildings there is insufficient space for the operations of the Mint. The Mint Master, Lieutenant-Colonel McCormick, prepared careful detailed estimates, which are attached as appendices to this Report, in which he estimates that the Mint buildings and staff quarters cannot be comfortably housed on a site less than 70 bighas in area. Revised estimates have been prepared by Major Stace, the Acting Mint Master. He thinks that present requirements including provisions for nickel minting, which, it is understood, will be concentrated in Calcutta, for an enlargement of the power house so as to render the Mint independent of a private company and for quarters for the whole of the superior staff of the Mint and Assay offices, would be adequately met by a site of roughly 66 bighas. He estimates that 13 bighas should be reserved for the construction of quarters which would reduce the area required for the Mint and Assay offices proper with their appurtenances to 53 bighas. The Committee in a matter of this kind must obviously be guided by the opinion of experts, but it might at the same time be pointed out that Major Stace is inclined to agree that this area of 53 bighas could, if necessary, be reduced to 45 bighas. Having regard to Major Stace's estimate and the earlier figures prepared by Lieutenant-Colonel McCormick, the Committee would propose that an area of 50 bighas be reserved from the Royal Indian Marine Dockyard site for the construction of the new Mint and that land be acquired, if possible, in Hastings, from the Military Department for the construction of staff quarters. The estimate of 13 bighas proposed in connection with the staff quarters assumes that the Military authorities would have no objection to the construction of three-storeyed buildings in this remote corner of their domain. The Committee are well aware that under the present restrictions only two-storeyed buildings with slanting roofs can be constructed within the Hastings enclave. But they are informed that the Military authorities, who were recently approached by the Port Commissioners with the object of land being acquired in Hastings for the construction of quarters for the staff of that body, were disposed to relax the restrictions on building which have hitherto been for the most part observed. As regards the intentions of the Port Commissioners, the Committee assume that the claims of a Government institution such as the Mint must take priority over any plans which the Port Commissioners may have framed for the accommodation of their officers. Some justification may be required for the Committee's acquiescence in the Mint Master's demand for an area which is greatly in excess of the area now occupied by the Mint and Assay offices and the staff's quarters. Apart from the fact that only 14 quarters instead of 24 are at present provided for the engineering staff, the Accountants and the Bullion Keeper, the Committee, as already stated, agree that the present buildings are on the whole excessively cramped and they are of opinion that in transplanting the Mint, the opportunity should be taken to make more liberal

provision for the accommodation of its numerous and extensive departments. In the first place, they understand that the strong room accommodation is quite inadequate and that at present bullion is kept in the silver melting department and other odd places which are obviously unsuited for this purpose. Moreover, all the silver operative departments and the bronze, and nickel departments which deal with blanks or coins, should have their own subsidiary strong rooms for the storage of bullion and blanks when the day's work ceases. The melting departments are said to be inadequate, and on several occasions when the demand for coin has been large, the Mint Master has had to have his metal melted in the Metal and Steel Factories at Ishapore. The Committee agree that the furnaces in the bronze melting department are at present too close together; their juxtaposition and bad arrangements make the whole building unbearably hot and work is frequently carried on under great difficulties. Several of the workshops are congested with machinery. It is understood that the Nickel Mint at Bombay has now been closed and adequate provision for nickel coinage for the whole of India must, therefore, be made. It is understood that it will not be practicable to place the heavy machinery in a second storey, although the offices and certain departments, which deal with engraving, medal working, etc., could be placed on the first floor. The storage for coal and coke appears to be inadequate and it is proposed to provide 2 bighas instead of  $1\frac{1}{2}$  bighas for this purpose since it is considered desirable to retain at least a month's stock of steam coal, rubble and coke on the premises. The power house should be enlarged for reasons already stated. As regards the settling tank, it is agreed that the present area might be halved if a river frontage is obtained. A tank will still be necessary since the river water is surcharged with silt and must, therefore, pass through a settling tank before it can be used on the rolls and for the annealing processes, etc.

#### WORKMEN'S DWELLING HOUSES.

7. The Committee are strongly of opinion that proper provision for the housing of the permanent labour of the Mint should be provided. The permanent labour forces (i.e., trained men and skilled labour) and office and bullion staff at present amount as a minimum to 700 or 800 persons, while the labour forces in the busy season increase to 2,600 workers. There is a large supply of unskilled labour available in Kidderpore even when the heavy requirements of the Port Commissioners are met, but the Committee agree with the Mint Master that it is most desirable to provide housing for a considerable portion of the labour employed in the Mint. From their inspection of Kidderpore, the Committee are satisfied that any large influx of Mint labour to this insanitary and congested suburb would be a disaster if no steps are taken to provide for their proper accommodation. Moreover, it is obvious that with the extension of the Port the demand for unskilled labour will grow and it is thought that steps should be taken to ensure the requirements of the Mint Master being met in the event of any competition for labour occurring between the Port Commissioners and himself. By providing for good housing for its labour forces, the Mint will be able to command the services of the nucleus of its trained workmen. Moreover, it is unlikely that the present skilled labour forces of the Mint would be prepared to transfer itself to Kidderpore unless inducements in the shape of proper housing were offered. Again, the Committee cannot ignore the urgent problem which the housing of labour in Calcutta presents and they suggest that the present opportunity might be seized to make some contribution towards the solution of the problem, which the Calcutta Improvement Trust is ultimately expected to solve. There are two large bustee areas situated within the easy reach of the Royal Indian Marine Dockyards. The more distant, which is about a mile from the Dockyards, belongs to the Bhukailash Raj, to the Estate of the late Prince Kamar Kadir and the Hooghly Imambara. It lies within the area bounded on the north by Ekbalpore Road, on the south by Momenpore Lane, on the east by Kailasarak Road and on the west by Bhukailash Road, while other portions extend north to Pipe Lane, east to Dent Mission Lane. This large collection of bustees possesses a sewerage system, but its surface drainage is very imperfect. The area, although it comprises several hundred bighas, is grossly insanitary. It is occupied mainly by the labour employed at the Docks, but so far as the Committee are aware, the Port Commissioners have hitherto been unable to undertake any considerable housing scheme for the labour on which they depend. The second bustee area referred to is the Sahiban Baghicha Estate, otherwise known as Watgunge bustee, which belongs to the Government of Bengal. Much of the land is at present vacant and it is understood that the Calcutta Improvement Trust are negotiating with the Government of Bengal for its acquisition in connection with the general improvement scheme. This area is bounded roughly on the north by Munshingunge Road, on the south by Watgunge Street, on the east by Nriitya Gopal Ghosh's Lane and on the west by Watgunge Square and bustee buildings. The Bhukailash

bustee is roughly valued by the Municipal Assessor (excluding some of the more valuable roadside lands) at Rs. 750 per cottah; the Watgunge bustee land (excluding the valuable land with the frontage on Munshigunge Road) may be roughly valued at Rs. 1,500 to Rs. 2,000 per cottah. The latter area, though nearer to the Royal Indian Marine Dockyards, is so much more expensive that it seems desirable to select the Bhukailash bustee for the housing scheme which the Committee recommend. The latter bustee lies close by the Kalighat-Kidderpore tramway which would provide the clerical and Bullion staff, if housed on this land with cheap transit, while the labour staff would be sufficiently near the scene of its labours. The Committee understand that it would be sufficient to provide accommodation for about 700 permanent trained men and skilled labour and for about 50 persons belonging to the office and Bullion staff. They suggest that it would be desirable to acquire 100 bighas of this bustee land and to construct comfortable quarters with a recreation ground for the workmen and subordinate staff of the Mint and Assay offices. They suggest that the co-operation of the Calcutta Improvement Trust in this housing scheme might be invited and that the Trust might be asked to prepare a housing scheme to be executed by their Engineers at the cost of the Government of India.

Plans of the Royal Indian Marine Dockyards, the Hastings bustee, Watgunge bustee and the Bhukailash bustee are appended to the report.

8. It remains only to consider in more detail the financial aspect of the Committee's proposal. Detailed estimates for the removal of the Mint have been prepared by Lieutenant-Colonel McCormick. The Committee are obviously not in a position to appreciate or criticise this proposal and they have considered it desirable to submit this estimate with some slight modifications as an appendix to this report, omitting—

- (1) the capitalised cost of the City Assay Office establishment which will be unnecessary if, as they think, the separate City Mint Assay Office contemplated by Lieutenant-Colonel McCormick is unnecessary; and
- (2) the capitalised extra cost of conveying stores. The rough estimate of the cost of the removal of the Mint would apparently be Rs. 1,22,12,942. On the credit side we have 38½ bighas (i.e., 770 cottas) of land which on a conservative estimate we have valued at Rs. 153 lakhs. Lieutenant-Colonel McCormick—admittedly on a guess—suggests that the existing power plant and motor and the Mint building might be valued at about Rs. 6½ lakhs. It is therefore perhaps not an extravagant estimate if we suggest that the present buildings and obsolete plant might yield Rs. 1,60 lakhs to the Government of India while the new Mint constructed on modern lines with ample accommodation with quarters for the superior staff and combined with an extensive scheme of workmen's dwellings will cost only about Rs. 1,22 lakhs, leaving a profit of about 38 lakhs to Government on the transaction. The Committee realise that the Calcutta Improvement Trust is not likely to consent to purchase this valuable property for the enormous sum of Rs. 1½ crores. The Trust is, however, most anxious in the interests of Calcutta to have this land made available for the expansion of Barabazar and it is believed that this body would be very glad to administer the property on behalf of Government and to provide for its proper development and gradual sale in connection with that project for relieving congestion of Barabazar.

#### CONCLUSION.

9. The Committee desire in conclusion to thank Lieutenant-Colonel McCormick, Mint Master, and Major Stace, acting Mint Master, for their valuable notes on the technical aspect of the question which the Committee was appointed to discuss. They are aware that Lieutenant-Colonel McCormick is strongly opposed on various grounds to the proposal to remove the Mint, but his comprehensive and suggestive note has nevertheless attempted to place at the disposal of the Committee all the materials which were available to assist them in their work.

(Sd.) W. ALDER, *President.*

„ W. K. DODS.

„ RESHEE CASE LAW.

„ S. W. GOODE.

SEPARATION OF JUDICIAL AND EXECUTIVE FUNCTIONS.

160. THE HONOURABLE RAI NALININATH SETT BAHADUR: (a) Has the attention of the Government of India been drawn to the reply of the Honourable Sir Hugh Stephenson to a question put by Mr. Tarit Bhusan Ray, M.L.C., that the scheme for separation of the judicial and executive functions in Bengal to give effect to the recommendations of the Committee appointed for the purpose has been under the consideration of the Government of India for 18 months or 2 years?

(b) Is there any likelihood of the matter being brought to light within the life of the present Legislative Assembly?

THE HONOURABLE MR. J. CRERAR: (a) Government have seen a newspaper report of the reply given in the Bengal Legislative Council.

(b) I cannot say at present when a decision is likely to be arrived at.

NUMBER OF GOODS WAGONS FOR WHICH ORDERS HAVE BEEN PLACED WITH INDIAN FIRMS.

161. THE HONOURABLE MR. MANMOHANDAS RAMJI: Will the Government be pleased to state, with reference to the construction of new stock provided in the Railway Budget:

(a) the number of goods wagons for which orders have been placed with Indian firms;

(b) the cost of each wagon; and

(c) the names of those Indian firms?

NUMBER OF GOODS WAGONS ORDERED FROM ENGLAND.

162. THE HONOURABLE MR. MANMOHANDAS RAMJI: Will the Government be pleased to state:

(a) the number of goods wagons ordered from England;

(b) the cost of each wagon; and

(c) the names of those firms?

THE HONOURABLE MR. D. T. CHADWICK: I shall reply to questions Nos. 161 and 162 together.

As a result of the Railway Board's last simultaneous call for tenders for wagons both in India and abroad, orders for 8,244 wagons were placed with the wagon-building firms in India and for 2,877 wagons with firms in England. A statement showing the cost of each type of wagon and names of firms with whom orders were placed, is laid on the table.



*Statement showing the quotations accepted in respect of the various types of wagons (excluding wheels and axles or subsequent minor modifications) required during 1926-1927.*

## BROAD GAUGE.

Type of wagon.	A. 1.	A. 2.	C. 2.	* C. 3.	J. 1.	K. 1.	Name of firm with whom orders were placed.
Price.	Price.	Price.	Price.	Price.	Price.	Price.	
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	
...			3,110	3,250		...	Messrs. The Indian Standard Wagon Co., Limited.
...	...	3,470	...			...	Messrs. Burn & Coy., Limited.
	3,485	3,573	...			...	Messrs. Jessop & Coy., Limited.
...	£176		...	£180	£361	£459	* Messrs. The Metropolitan Carriage Wagon and Finance Company, Limited.

## METRE GAUGE.

Type of wagon.	M. A. 1.	M. A. 2.	M. C. 1.	M. C. 2.	M. C. 3.	M. X.	—
...	£128	£133	£122	£126	£118	£204	* Messrs. The Metropolitan Carriage Wagon and Finance Company Limited.

\* Orders with the Metropolitan Carriage Wagon and Finance Company have been placed subject to a lump sum reduction of £9,500 on the total number of wagons ordered.

### REVISION OF THE PAY OF THE APPRAISERS OF THE MADRAS CUSTOMS HOUSE, ETC.

163. THE HONOURABLE RAO SAHIB DR. U. RAMA RAU: Will the Government of India be pleased to state:

- (i) whether any memorial was received from the Appraisers of the Madras Customs House praying for a revision of their pay with retrospective effect and for placing them in the gazetted ranks;

- (ii) if so, when and what action has been taken thereon; and
- (iii) whether memorials were also received from the preventive and ministerial services of the Madras Sea-Customs and outports, ministerial and out-ports Preventive Establishments, Madras, requesting revision of their pay with retrospective effect and, if so, what was the action taken thereon?

THE HONOURABLE MR. A. C. McWATTERS: (i) The reply is in the affirmative.

(ii) The Government of India have decided that there is no case for a revision of pay of the Appraisers. Orders will issue shortly.

(iii) Memorials were received from the members of the Ministerial and Preventive Establishments at Madras; but the only memorial received from the Outports establishments was that from clerks. The Government of India have decided to sanction an improved scale of pay for the staff in the Chief Port; they are not, however, prepared to allow retrospective effect. The memorials of the Outports clerks are still under consideration.

#### TAXATION OF THE PROCEEDS OF BETTING ON RACES.

164. THE HONOURABLE RAO SAHIB DR. U. RAMA RAU: (a) Will the Government of India be pleased to state:

- (i) whether the Government of Madras applied for sanction of the Government of India to levy a tax on the proceeds of betting and totalisators in connection with the races held at Guindy annually and any races held in other places in the Madras Presidency;
- (ii) whether the necessary sanction was accorded; and
- (iii) if not, what were the reasons for withholding sanction?

(b) Will the Government be pleased to lay all the connected papers on the table of this House and to state whether they propose to bring in an all-India Bill in regard to the taxation of the proceeds of betting and totalisators in races which are now being held throughout India?

THE HONOURABLE MR. A. C. McWATTERS: The answer to clause (i) of part (a) of the question is in the negative and the other clauses do not arise.

(b) The regulation of betting and gambling is a provincial subject under the Devolution Rules and provincial Legislative Councils are competent to enact legislation imposing a tax on any form of it which is permitted by law.

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#### GENERAL DISCUSSION OF THE BUDGET (PART II).

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

THE HONOURABLE MR. HAROON JAFFER (Bombay Presidency: Muhammadan): Sir, a surplus Budget must always be a matter for congratulation, and the facts that there will be no addition to the burden of taxation, that provincial contributions will be further remitted and that

[Mr. Haroon Jaffer.]

the cotton excise duty will be permanently abolished, will evoke widespread satisfaction. But it appears to be necessary to point out that the Budget has revealed the great possibilities that exist either for the reduction of the existing burden of taxation or for the provision of more liberal expenditure on economic and social improvements, or for the attainment of both the objects. On the one hand, the level of war-time taxation remains practically unaffected, and, on the other, there is a natural tendency for some of the expenditure steadily to decline. It will be generally admitted that there is yet a good deal of scope for the practice of retrenchment and economy, and military expenditure is just one such item, and the most important item, the expenditure on which can be and must be brought down. As a representative of public opinion in the Bombay Presidency, I am bound to say that the grave financial wrong which has been done to Bombay as a result of the adoption of the Meston scheme, still remains unredressed. It is stated that the abolition of the cotton excise will afford substantial relief to Bombay, but the fact is ignored that that measure will have no effect on the financial position of the Government of Bombay, which, at the moment, is most unsatisfactory. (*The Honourable Sir Dinshaw Wacha*: "Is it?") I have, therefore, to urge that the question of assigning to Bombay a larger share of growing revenue should be taken up by Government without delay. Thanks are due to Government for the increased grants to the Universities in Aligarh and Benares, and as one specially interested in the expansion and improvement of Muhammadan education, I welcome the proposed step. It would, however, have been more welcome if Government could have been more liberal towards these institutions, and I do hope that the claims of the Universities will be more generously considered at the next opportunity. I must refer, in this connection, to the grant of 50 lakhs proposed for the support of archæological research and must voice public feeling on the subject. There is an apprehension in the public mind that Indian scholarship may not receive the encouragement it deserves under the proposed scheme and that the country will not derive full benefit from the tax-payer's money that will be spent. It is indeed laudable that Government have decided to assist the archæological work of very great national and historical importance that is now being carried out in Sind, but it is hoped that the protests that are being made in connection with the subject by scholastic and other public bodies will receive careful consideration before any practical scheme is launched. It is worth while considering if it is possible to associate our Universities with the work. I must also enter a strong protest against the transfer of the Poona District Headquarters to Secunderabad, as a measure involving unnecessary waste of public money. While we are crying out against the maintenance of a high level of military expenditure, here is Government throwing away money spent on the Poona District and undertaking additional outlay at Secunderabad. It is to be hoped that the question will be carefully considered from all points of view and that no hurried decision will be taken in the matter. While complimenting the Finance Department and the Finance Member on the surplus Budget they have produced, as a representative of public opinion, I must draw attention to what lies behind it. The financial management of the Government of India will not be considered satisfactory unless the burden of taxation is substantially reduced and every pie of revenue is made to yield the maximum benefit to the Indian public.

THE HONOURABLE SARDAR CHARANJIT SINGH (Punjab: Nominated Non-Official): Sir, it is a matter of no slight pleasure that the Budget which has been presented this year is of so gratifying a description. I say "gratifying", Sir, because it is not a deficit Budget, it is gratifying because it is a surplus Budget and, above all, it is gratifying because there is no fresh taxation. It is a clear indication, Sir, that we are no longer in the wood and that we have at last come out in the open. I am sure the House will join me in congratulating the Honourable the Finance Member on this splendid achievement. I am also glad to find that, after providing for the abolition of the final cotton excise duty, the surplus is going to be used in giving relief to provinces, and I feel that I shall be failing in my duty if I did not on behalf of the Punjab thank the Honourable the Finance Member for the relief he has given.

THE HONOURABLE COLONEL NAWAB SIR UMAR HAYAT KHAN (Punjab: Nominated Non-Official): Sir, we in this House are not going to follow the practice of another place by not taking part in to-day's debate. At the outset I congratulate the Honourable the Finance Member and his Department for this year's Budget specially on two salient points—the abolition of the cotton excise duty and the relief to provinces. Coming, as I do, from the Punjab, I am very thankful for what we have got as half a loaf is better than no bread. We must give thanks for what we have got and then wait for something more in better times to come. There is one thing, however, which I must say on behalf of the Punjab and that is that we are the vanguard of the Empire and, when the time for fighting comes, we fight and for this reason we deserve, I think, something better at the hands of the one who distributes the money. Sir, I feel that no country can ever hope to make progress unless it is immune from dangers from outside. I have, therefore, as the House knows, always backed up the Army because, it is the Army which keeps the country secure. I have been noticing that the expenditure on the Army has decreased year after year. The factors which one has to take into consideration are not only the arms and the standing army, but there are certain other things also and, unless we turn our attention to them, we cannot be considered to be self-efficient. Sir, it is a well known fact that every cannon and every arm has its life. They can be used for a time and then they go out of action and, unless they are remoulded again, they are of no use. Therefore, it is necessary that we must have machinery in our own country to mould such arms because we cannot go on all the time buying arms from abroad, and in the case of an emergency it will be impossible to get arms from there in time. I think I may safely say that, unless we have machinery to make machinery—because machinery also is a thing which gets worn out—we are not only inefficient in the material required for the Army but also in many other directions. I think the House will agree with me that if the Government were to tax us to the full extent, or tax us even by increasing the salt duty or even not remitting us the cotton excise duty, and were to spend that money on that machinery to make machinery, I think everybody will welcome the idea. That would also give relief to lots of people who may get out of employment especially the agriculturists when the lands get divided and sub-divided. Sir, this is a field day, on which a variety of subjects are touched on by the various speakers. I once tried to make a record and I remember I touched on more subjects than anybody else during the budget speeches. That record

[Sir Umar Hayat Khan.]

has not yet been beaten; but to-day I only hope to take up two or three questions. I had then suggested that India should have its own Navy, because sometimes when England has to defend its shores sufficient ships or a large enough Navy will not be spared to guard India. We are very glad that we have got it now and that affords us an opportunity of also giving employment to our non-martial classes. Some people who fight on land might retreat but being on ships the retreat is cut off by the ocean, and like—

*Na bini ke chün gurba äjiz shawad,  
Bar ärad bachangäl chashm-i-plang,*

meaning—

“When the cat is cornered it might take the eyes of a tiger out with its claws.”

and I think that such brethren will have good chances in the Army. I am sorry that our illustrious Commander-in-Chief is not present, otherwise I would like to have told him that soldiers naturally obey orders and they are so much accustomed to it that whenever you tell them to decrease the army or decrease expenditure they obey. But I think that he should always put up a fight with our Finance Member and not get the Army Budget cut any more because the fighting material of India are not very pleased, when they left their situations and went to fight in the world war, that at the termination of it they should be told to leave the army and should be, as it were, thrown overboard by being disbanded. That of course they feel.

Being a Muhammadan the next subject after the Army, for me to deal with, is our position in the land. It is a well known fact that we are in a hopeless minority. Though we are not in a minority in my province, yet even there though in the majority we are kept in the minority. Our future is entirely bound up with the present Government. Civilisation is, as I sometimes call it, an organized barbarism. As the lion always kills its prey or the hawk kills the weaker, the same way the strong always live on the weak and as human nature is the same as it has been before, and will remain the same in the future, you cannot alter it. In the same way the voice of the minority will be drowned and if it comes to pass that we have to fight with a stronger community, the weak must always go to the wall. So I hope that those Muhammadans, not those young enthusiasts but those who can think ahead, will always see this that they are weak and are sure to be wiped out, and if they are not wiped out. I think human nature will not be human nature, so they should join the side of the Government and both of us then combined together may save ourselves and our existence.

Being also an agriculturist I would put in a word for that class. We find a silver lining to the clouds on the horizon because we hear that the new Viceroy has been at the helm of agriculture in England and also that the Royal Commission on Agriculture is coming at the same time. We might therefore look forward to something brighter. We were absolutely forlorn before this and we have been a prey to the moneylenders, so much so that we have been more or less used by them as a bullock is used by a zemindar. If the zemindar once gets into his clutches he never gets out of it again. I do hope that when so much money will be spent on this

Commission it will not be so handicapped. As I said the other day, all those benefits that we think are going to accrue from it may be nullified. If one regards it minutely, the lot of an agriculturist is not very easy to improve. One man cannot till under the present circumstances more than, say, 10 acres of land. Even if that was to bring in, say, Rs. 80 an acre, the income would not be much because this man is generally a married man and perhaps he has got old parents and also children. In that way if all those men have to live on land which one man can till, the income is very small, and if we, the zemindars, are not going to be helped, I think it will be a great mistake because when some hooligans in the cities try to disturb the peace they can be easily put right and made to behave like good children; the agriculturists are hardy and a fighting race and they should not be shown that they are absolutely not cared for because some of the friends of the Government, whom Government always help, may mislead them to civil disturbance or some such thing.

Generally, the policy of the Government and perhaps the right policy has been that they have always helped their enemies, and the power has been put into the wrong hands of this newly created oligarchy and not into the real hands of the people who have got a stake in the land and are the natural leaders of the people. The reason may be that this class is already strong and if it is made stronger it may become dangerous. If more power is put into the wrong hands, the day the civil Government step aside, the stronger men are bound to put down the weaker without the Government moving a finger. But the other side of the question is that, however, you may treat your enemies, you cannot make them friends.

THE HONOURABLE THE PRESIDENT: I hope the other side will be the financial side.

THE HONOURABLE COLONEL NAWAB SIR UMAR HAYAT KHAN: Sir, as the Commission which will be coming out in future to consider these problems will cost a lot of money, this matter is connected in that way with the Budget. I only put forward some of the things which they may be expected to consider.

These are some of the subjects I wanted to touch upon, and before I sit down I should like again to congratulate the Honourable the Finance Member on this year's Budget.

THE HONOURABLE RAJA NAWAB ALI KHAN (United Provinces: Nominated Non-Official): Sir, allow me to congratulate the Honourable the Finance Member on the Budget he has presented. When one recalls the series of deficit Budgets, the deficit each year higher than in the preceding year, and the feeling bordering on despair that the Budgets of the country would never improve, one realises in no small measure the change which has been brought about by Sir Basil Blackett. One of his predecessors had said that the Indian Budget was a gamble in rain. It was left to Sir Basil Blackett to prove that this statement is not an absolute truism. Although the weather conditions have not altogether been favourable and the monsoon left a good deal to be desired it has been possible for Sir Basil Blackett to present a Budget, which has received the enthusiastic support of all interested in the welfare and progress of the country, a budget in the course of which Sir Basil has been able to claim not in mere words but on the strength of facts and figures that the credit of the Government of India in London stands at the present moment considerably higher in

[Raja Nawab Ali Khan.]

the market than in 1914 or 1923. That our credit in London is better than it was before the war is a record of which Sir Basil may be justly proud, and we are all extremely grateful to him for the manner in which he has not only looked after but rehabilitated our finances. It is therefore a matter to me inexplicable that there should be an attempt in any quarter to wreck the Finance Bill. A Bill which proposes no new taxation, a Bill which carries out a long deferred wish of Indian politicians for the repeal of the cotton excise duty, a Bill which even indicates the possibility of a reduction in the burden of taxation in the no distant future is a measure which should have been welcomed as constituting a new landmark in the history of the Reformed Constitution, but unfortunately even this, it appears, will fail to exercise the right influence on the attitude of those inside and outside the Legislature who derive their inspiration from the Indian National Congress. It is indeed an irony of fate that a measure which should according to all reason and logic have been an occasion for reconciliation between friends is directly or indirectly about to be a cause of a split between the Swarajists and the Government. It is impossible to under-rate the seriousness of the position which may be created or its influence on the future progress of the Reforms. I still hope that better sense may prevail and what threatens to be a catastrophe may yet be averted. Should the course threatened be still persisted in, I have no hesitation in saying that it will amount to another Himalayan blunder of which sooner or later—I myself believe sooner rather than later—all political parties in the country will repent.

It is a matter of gratification that the improvement in the financial situation should have enabled Government to make a further revision of provincial contributions, and on behalf of my own province, I desire to offer our heart-felt thanks to the Honourable the Finance Member. What hard financial times my province has been through is a matter of common knowledge. But nowhere was the hardship felt more keenly than in the Transferred Departments. These Departments which are rightly known as "Nation Building" Departments, including education, co-operative societies, sanitation, public health, etc., have suffered severely, and the result has been unfortunate in two directions. The Departments whose welfare and progress should have been the primary concern of Government were left to stagnate. What was more, the Ministers in the provinces could not effect the improvements they desired and their inability to do so has been misconstrued and misrepresented as due to the apathy of the Government towards Departments which had under the Government of India Act been transferred to popular control. The remission, which I welcome, will, I sincerely trust, be followed by further and larger remissions next year, and I desire to assure the Government that in course of time the proper financing of the nation building departments with the improvements which would follow would prove an investment in so far as it will enable the country better to appreciate the value of the Reforms and take the wind out of the sails of the Extremists who would then be unable to describe the new constitution as disappointing and the Reforms as a farce. In this connection let me make one appeal to the Government of India which is to bear in mind the need for creating a fund for the greater development of industrial and technical education. The Honourable the Finance Member in his speech referred to the value of foreign capital to India. But if that capital is to be attracted and to prove of

enduring benefit to the country we must have enough men to take full advantage of it. That can only be possible if we turn out a large body of highly trained and qualified young men. What then can be a greater service to India than the creation of a Fund which would help industrial and technical education?

One feature of the Budget which testifies more than any other to the improvement of India's credit and financial position is to be found in the Finance Member's hope that it would be possible to raise in India the money he requires for productive purposes. It is one of the healthiest signs for which again we are grateful to the Honourable the Finance Member. In this connection I would also like to notice the success of the Post Office Cash Certificates. They have encouraged a habit of investment among men of modest means. Such investments have been of value to Government as well. But, speaking from the point of view of the small investor, I desire to appeal to the Honourable the Finance Member not to make any reduction in the rate of interest. I will not dispute with him that the yield of 6 per cent. compound interest on Post Office Cash Certificates is high, but I will urge on him the necessity of looking at this question from the point of view of the small investor, who is approached by a number of borrowers of small amounts who in the hour of their need think nothing of paying an interest of an anna or even two annas in the rupee. Such a high rate of interest appears greatly attractive to the small investor. But the risks of such investments are enormous. To the small investor a small saving means a great deal and the Post Office Cash certificates have gone a long way in dissuading him from lending money on insufficient or unsafe security. They have also kept away a number of men from speculation which has been such a great curse and the ruin of so many small families both in Calcutta and in Bombay. It is in their behalf that I make my appeal to the Finance Member not to reduce the rate of interest. Even if it inflicts some burden on the finances of the State, I venture to think that in its continued encouragement of the habits of thrift and safe investment which mean such a great deal to the small investor it furnishes a compensatory advantage which no Government can ignore.

THE HONOURABLE SIR ARTHUR FROOM (Bombay Chamber of Commerce): Sir, I trust that the Honourable the Finance Member has enjoyed to the full the short holiday so generously extended to him by the other House. Doubtless he comes here to-day full of vigour and that being so I feel that it is almost a pity that the Budget which he has presented to us leaves little room for criticism save that of a congratulatory nature. I do congratulate most heartily the Honourable Sir Basil Blackett on his Budget and on the admirable way in which he has pulled together the finances of this country during the past few years. I think one of the most interesting statements in connection with the Budget will be found to be that appended to the Honourable Member's speech. A brief perusal of this statement will reveal that after five years of deplorable deficits which ended in 1922-23, we embarked on an era of surplus Budgets well on the right side of the estimates. In 1923-24 we had a surplus of 239 lakhs; in 1924-25 we had a surplus of 568 lakhs and at the end of the current financial year it is expected with confidence that we shall see a surplus of 130 lakhs. Finally our budget estimates for 1926-27 are expected to produce a surplus of 305 lakhs, but then we have to allow for loss of revenue arising from the just abolition of the cotton excise duty.



[Sir Arthur Froom.]

Sir, to turn aside for one moment to this cotton excise duty, about to be extinguished, we in Bombay are indebted to the present Government for their decision to bring forward legislation to wipe out what has been for many years a blot on the Indian Statute-book, and I offer the Honourable Sir Basil Blackett my felicitations that the healing of this wound which had become an open sore, has been effected during his term of office. That the millowners in Bombay have not perhaps taken the full advantage of the abolished excise owing to a bargain they made in certain quarters can perhaps be better explained by the Honourable Member sitting behind me than by myself.

Sir, in my speech on the Railway Budget in this House a few days ago, I referred to the gratification which the Honourable Finance Member must have experienced at the result of the railway working during the year 1924-25, which, as the Honourable Member has pointed out, was the chief contributory factor in the improvement of nearly 169 lakhs over the estimated surplus of that year.

Turning to 1925-26 the revised surplus amounting to 180 lakhs is extremely pleasing; and although I have heard adverse criticisms in some quarters of 50 lakhs of that sum being applied to the capitalisation of an annual amount of 2½ lakhs for archaeological research, under the circumstances explained in the Honourable Finance Member's speech, I do not propose to voice any objection to the suggestion. Archaeology is not only an interesting but it is an instructive research, and who knows but that in his diggings below mother earth, Sir John Marshall may not come upon the mummified remains of some prehistoric Government! I fancy that a Finance Member in those days would have had an easier time than the Honourable Member sitting in front of me in balancing his Budget; he probably would have helped himself to what he required from the people without running the gauntlet of adverse criticism in a Legislative Assembly or in a Council of State. When referring to the 1925-26 figures, I feel that we should express to His Excellency the Commander-in-Chief and the whole of the Army Department our appreciation of their working, in that year, so closely to the budget estimates.

I now come to the budget estimates for 1926-27. First of all, I notice that the estimated surplus of 305 lakhs includes the sum of 175 lakhs which would be received from the cotton excise duty but for its proposed extinction. The reason for including receipts which will not be receipts is presumably a matter of book-keeping and possibly also to emphasise to Bombay the amount which the Central Government are refraining from collecting, as a set-off against the disregarding of Bombay's claim for a reduction in her provincial contribution. I have argued Bombay's case as regards her provincial contribution on the floor of this House on more than one occasion, and Honourable Members must well know my opinion about it, and I do not therefore propose to repeat myself now. But I am glad to observe that the Honourable the Finance Member has promised to take this question up very shortly in connection with the examination of the Report of the Taxation Inquiry Committee with special reference to their proposal for modifying the existing Devolution Rule 15, dealing with the payment to provinces of an equitable share of the income-tax receipts. That they have received annually only an infinitesimal sop from income-tax has long been the cry both from Bengal and Bombay. After deducting the not-to-be collected excise duty, we are left with a surplus of 180 lakhs.

in the budget estimates for 1926-27. Of this, 125 lakhs is to be expended in the reduction of provincial contributions in which only four fortunate provinces have a share. This leaves a margin of a budget balance of 5 lakhs, which I recognise is small enough to work upon. I do, however, wish to emphasise to the Honourable Finance Member the necessity for reduction in the general level of import duties. Nobody will deny that Sir Basil Blackett is a bold man, and he gave some show of his boldness last year in reducing the tax on petrol. His daring was more than justified, as, in spite of the reduction, the revenue received from the duty on motor spirit shows an increase. Let me recommend to the Honourable the Finance Member a similar bold line of action with regard to other items coming under the head of revenue from customs. I invite his attention to motor cars and motor tyres which are still classed under the luxury tax of 30 per cent. I would also draw his attention to the duty of 15 per cent. on certain imported tinned food-stuffs, etc., which to my mind is unduly high. In fact, I consider that the whole of our tariff under customs might well be thoroughly explored in order to see in what directions relief can be afforded. Again, we hope in the near future for some relief in income-tax and super-tax, not as a personal matter, but as an assistance towards general trade in this country. I am aware that the Indian Taxation Inquiry Committee has touched on some of these matters; but although I have not digested the Report in its entirety, I am afraid I cannot agree with all the proposals put forward. Apart from this reference to it, I will leave the Report alone for the present; doubtless we shall have an opportunity of discussing it in this House later on.

In his speech the Honourable the Finance Member made a touching and somewhat regretful reference to the salt tax and the low rate at which it is fixed. I share his regret at the discontinuance of this tax at a level which might have enabled the Central Government to have extinguished completely the provincial contributions by this time and thereby freed the Provinces to prosecute their schemes for education and for other beneficial measures more thoroughly than they are able to do under the present conditions.

Sir, I end my few remarks as I began them. I congratulate wholeheartedly the Finance Member on his Budget, and I wish him all good fortune in the realisation, or even the surpassing of his revenue estimates for the coming year.

THE HONOURABLE SIR MAHARAJADHIRAJA BAHADUR BIJAY CHAND MAHTAB OF BURDWAN (Bengal: Nominated Non-Official): Sir, with the vagaries of the monsoon in India, it must be gratifying to Sir Basil Blackett to have been able to present before the country another prosperity Budget, and as a Member of the late Committee to inquire into the whole subject of Indian Taxation, I am sure I shall get the support of the Honourable Sir Charles Todhunter when I say that we as members of that Committee welcome a prosperity Budget all the more, as it gives the country an opportunity to study many of the problems which we have had to discuss and consider in that Report, and I am sure that the Honourable the Finance Member must also welcome that it is a prosperity Budget, too, so that he can have time to consider in his Department the possibilities of future avenues of taxation.

On the Budget itself, Sir, I have very little to say. Coming from Bengal, and having shouldered the responsibilities of the executive Government there, I realised what was wrong with the inauguration of the Reform

[Sir Bijay Chand Mahtab.]

Scheme in this country in the aspect of finance, and it is therefore very gratifying to me to find that Sir Basil Blackett is pursuing the right policy of reducing these provincial contributions, for the worst enemies of these Reforms would get a complete answer, as my friend the Raja Sahib from the United Provinces who is not here just now said, if the provincial finances were on a sound footing, if the Ministers in the different provinces had money not only to give to what has been now coined and what I very freely mentioned in the Bengal Council as the nation-building departments, but also to play with a little money now and then. What is more, I think it is essential that if provincial autonomy is ever to be achieved in India in the sense that it is so often advocated, a sound financial condition of the provinces is an essentiality which none can deny, and I hope and trust that when the time comes for the Government of India to consider what they are going to do about the contributions that they had been receiving from Bengal, which is in a state of suspended animation for the moment, that it will like the cotton excise duty be abolished and never thought of again, and that other provinces will be fortunate in the same way so that the provinces may have no grouching, and the provinces who may be so fortunate may be able to carry on their work of construction and expansion with enough money in the hands of their different Finance Members.

Turning now to the speech of the Honourable the Finance Member in the Assembly, and not having in front of me the admirable speech of the Honourable Mr. McWatters and not being able to do full justice to it, I should like to make a short reference to the proposed Archæological Fund. It is a subject which fascinates me; it is a subject, Sir, in which my mind is always saturated, and I should like to see in this country more of my Indian brethren taking an interest in archæology. India is not only rich in archæological treasures, but there is a great deal of exploration yet to be done to link the open history of India with its hidden history which up to now civilization has been deprived of and humanity has not known. Whilst, therefore, I welcome the proposal for the utilisation of 50 lakhs of this year's surplus for the formation of an Indian Archæological Fund, I should like to draw the attention of my friend opposite that the amount that is spent under the head "archæology," which is given at page 236 of the Blue-book "Conservation of ancient monuments", may in future years with future prosperity Budgets be put on a sounder basis than at present.

12 Noon. I have no complaint to make of the excellent way in which the Archæological Department conserve these monuments. What I often find is that whereas the Archæological Department conserve the monuments themselves, the gardens in some places where these monuments are situated are very often managed by either municipal bodies or Provincial Governments. I should like the whole of this question to be examined, for the art of Moghul gardening is perhaps more or less a lost one. Amidst the surroundings of old Moghul buildings or those of a more ancient period, I should like to see the revival of the gardening of that period also taken up. It may be said that gardening is not Archæology. I admit it is not in the real sense of the term. But what I feel is that in our work of conservation, which has not only a historic value but also an educative value, in our desire to show what the arts were and what has been partly lost and can partly again be revived by Indian hands, I think that Indian architecture and Indian gardening or samples of it should go hand in hand. My main object in drawing the attention of the Finance Department to this is that in the same way as they have found it

essential to bring into existence an Indian Archaeological Fund they may be able to concentrate their activities to bring the work of conservation more into line.

Sir, on an occasion like this, I know from experience that the Chair gives not only elasticity but indulgence to speakers to travel over a wide field of subjects, and whilst I am in entire agreement with my old and Honourable friend—I do not mean old in age, because he is growing younger every day—the Honourable Nawab Sir Umar Hayat Khan regarding the necessity of maintaining an efficient Army and therefore considering carefully the question of either reducing its strength or cutting down the figures to any great extent, I am sorry that he should have touched, even though slightly, on a communal question, because being an Army man himself, he must realise that in discussing a Budget, the communal question should not arise. If the question has to arise, if the question has to come regarding the protection of minorities, the best way is to advocate more money for the education of those minorities and not by taking a stand behind another power or saying that that power and the Muhammadans together can make a bold stand against the majority. Hindus and Muhammadans are brothers. The sooner they realise that, the better it is for the Empire, the better for their growth, the better for the reforms, and the better for the future constitution of India.

THE HONOURABLE SIR C. SANKARAN NAIR (Madras: Non-Muhammadan): Sir, it might look ungracious, after what the Honourable the Finance Member has said about the provincial contribution, after his candid acknowledgment that he would not defend the justice of it, and after the grant of Rs. 57 lakhs to Madras, for me to stand up here and to say anything about it which perhaps may not be quite acceptable to him. But I have to do it considering the intensity of the feeling in my own Presidency on that matter. The commercial community as represented by the Chamber of Commerce, the Legislative Council in so far as it represents the people, and public meetings of various Associations have all protested to the Government of India against the treatment which we in the Madras Presidency have received. I would like to voice that feeling here; I have to say that I sympathise with it absolutely. I wish the Finance Member had seen his way to render us further help in this matter. I will not go back to the history of the matter. Those who are inclined to do so will find it in a pamphlet headed "The Milch Cow of India" published by the Chief Minister of Madras, the contents showing that he spoke on behalf of the Government of Madras. The question is also referred to in the recent Report of the Indian Taxation Inquiry Committee, and the Finance Member has promised in his speech that he will consider the whole question. Well, Sir, I would just like to explain what I have to say in this Council. The Council is aware that when the finances were separated between Imperial and Provincial, it was found necessary to ask the Provinces to contribute to make up the deficit of the Imperial finances. The Committee that was appointed to inquire into this matter—the Meston Committee—said that the proper contribution which the Madras Presidency ought to make towards meeting the Imperial deficit is 17 per cent. Now, look at the result? If we contributed at that rate, the amount that we could have been called upon to pay from 1921-22 to 1926-27 would have been 822 lakhs. What in fact the India Government have extorted from us is the sum of 1,781 lakhs. That is, they have taken from us 959 lakhs more than what they should justly have taken from us. That is what they have done. How have they done it, what is the

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justification, what is to be their attitude in future, and what should they have done in the present year are all questions which we have to look into. Lord Meston's Committee having said that this was the proper contribution from Madras, went on to say, that Madras might well be asked to contribute at certain varying higher rates. They went on to say that Madras might well be asked to contribute at 35½ per cent. in the first year, 32½ per cent. in the second year and 3rd year 29 per cent.; 4th year 26½ per cent.; 5th year 23 per cent.; 6th year 20 per cent.; in the seventh year the normal or the just rate of 17 per cent. At that rate even Madras would have paid till now only Rs. 1,411 lakhs. Now note that difference. The Committee says what the just rate is and you are taking Rs. 959 lakhs more. The Committee says that Madras might contribute more, that is, Rs. 1,411 lakhs, and yet over Rs. 300 lakhs and odd more is taken from us. That requires some explanation. Now, the Secretary of State and the Joint Committee did not accept the recommendations of the Meston Committee. But what they did was this. They got rid of this progressive reduction in our contribution and instead of that they said that the Government of India should get rid of it as early as possible. These are the words:

"They emphasise the intention that the contributions from the provinces to the Central Government should cease at the earliest possible moment."

And they laid the responsibility of doing that upon the Government of India. Let us pause for a moment to consider what this means. When you ask the Government of India in those circumstances to take steps to get rid of the provincial contributions as soon as possible, what I think it plainly means—these words give a statutory power to the Government of India and thereby impose a statutory obligation. Take all possible steps which you can take for that purpose, that is to say, give up all avoidable expenditure. Give up expenditure of this kind for instance, so many lakhs to this University, so many lakhs to that University, and so on. You must get rid of all that sort of thing because our contribution is not to go towards expenditure on those Universities. We want it all for our own education in Madras. All that sort of thing should go. All items of avoidable expenditure should go. But that is not what the Government of India have done. In spite of the statutory obligation laid upon them the first thing they did was to raise the percentage of the contribution of Madras, that is to say, by reducing the deficit of the Government of India from 988 to 920 lakhs, by remission to Bengal of 68 lakhs they in fact increased the contribution from 32 and odd per cent. to something more, because whereas they should have taken from us in the first year Rs. 826 lakhs taking the deficit to be what it really was 920, they actually levied Rs. 848 lakhs, i.e., 35½ per cent. of the deficit 988 lakhs. Now, that course of iniquitous conduct, so far as we in Madras are concerned, has been persisted in up to date and even at the present time. With respect to the statutory obligation what have the Government done? The Government have disregarded it. My Honourable friend, the Finance Member, as representing the Government of India goes to the Legislative Assembly and the Council of State and tells them, "What would you have? Would you like to have the cotton excise duty abolished or would you like to get rid of these provincial contributions as far as possible?" That is not, I submit, what he should have done? That is

shirking his duty. The Devolution Rules impose a statutory obligation on him, leave it to him to determine what he should do. The Members of the Executive Council and the Viceroy should settle it. They are to decide what the contribution should be. They are to decide what Madras should pay and they were not right to go to the Legislative Assembly or to anybody else and ask them to choose between the abolition of the cotton excise duty and the reduction of the provincial contributions. The moment they began to reduce provincial contributions, the first thing they did was to abolish altogether Bengal's contribution. I do not complain of it. Long long ago, I believe in the seventies and eighties it was Sir Henry Cunningham who said that Madras was being fleeced to benefit Bengal. We are accustomed to it. However, once a bargain was made as a matter of right constitutional practice Madras should have been consulted before the abolition of the Bengal contribution. The Government of India did not do that but went on abolishing the Bengal contribution altogether and thereby enhanced the contribution from Madras without asking Madras what they had to say. The Madras Government sent up their protest by telegram, the Madras Legislative Council protested against it. Without their knowledge, without their knowing anything about it, the Government of India altered the rules altogether and said that Bengal had not got to pay anything at all. We had to submit to everything. But we ask that at least for the present and future years we may not be so treated. This year when I left Madras I found that the Madras Government had schemes, urgent schemes which required a very large sum of money, something like Rs. 84 lakhs. We have been working at a deficit all these years from 1921 up till now, except in one year when the Government of India gave us Rs. 125 lakhs. We want now Rs. 84 lakhs. I find in the budget speech of the Finance Member of Madras, a copy of which I got to-day, that utilising the Rs. 57 lakhs which they get they still have to borrow something like Rs. 20 lakhs. I am not sure how that is made up. I know that they wanted something like Rs. 84 lakhs for schemes that cannot be put off. I would like to refer the Council, and the Finance Member in particular, to the nature of the expenditure which the Madras Government have to undergo in order that they might realize the seriousness of the situation. I will read only one item for the purpose of explanation and then the House will see what they are like. I take the item of irrigation works. Many of these works were neglected in past years because the Government of India were taking away the money which should have been left with us. The result was that the recent floods and cyclones necessitated large expenditure on new works and on the restoration of old ones. It is a case of bad economy. In Madras these irrigation works are destroyed by floods and they get out of repair. The ryots have to suffer on that account, because floods are common in that part of the country. The result is that we have to spend more money and the ryots are put to much suffering. The expenditure on the flood damage alone amounted to 25 lakhs in 1924-25 and in the present year it is estimated at 12 lakhs. In 1926-27 there is a demand for 8 lakhs for the repair of flood damages and for maintaining these irrigation works. That will show the nature of the task before the Madras Government, and that will also show that if the work is not carried out it will result in irreparable injury to the province. In public works the case is the same. Hospitals and schools are suffering. I could give you my practical proposal for this year. You are constituting a permanent fund of 50 lakhs for Archæology. You have first to meet destitution and think of these matters

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afterwards. The Archaeological Department do not want any definite sum of money to carry out their works this year and we are suffering so much for want of money. As I said, our schools and hospitals and buildings are suffering. We have to build public offices and that requires money. For public health we want money. Give us as much as you can. For development we want more money. For education we can use any amount that comes to us. So I would ask the Finance Member now to divert to Madras that which you are giving for Archaeology. You have been doing a grave injustice for the last seven years. The least I can ask of you is to do justice, bare justice and give us something, anything in addition, towards the debt we have to incur this year.

THE HONOURABLE MR. MANMOHANDAS RAMJI VORA (Bombay: Non-Muhammadian): Sir, before I deal with the Budget proper, I shall congratulate the Government on their wisdom to see their way to abolish the obnoxious cotton excise duty which was a source of widespread irritation and discontent. The abolition of the duty was long overdue and we really wonder why the Finance Member did not find it expedient to advise its removal, when, last year in August, a Deputation of the Bombay and Ahmedabad Millowners' Association waited on His Excellency the Viceroy. We were then told that the Government could not do anything in the matter at that time of year and yet, within three months, came the announcement of the death-knell of the duty—a striking illustration of the mentality typical of the officials of this country. However late, we congratulate the Government of Lord Reading on having righted a great wrong and thus cleaned the slate for ever. While on this subject, Sir Basil Blackett, in reply to one of the criticisms on the Budget from Bombay, said that Bombay secures the benefit of the repeal of the excise duty. May I ask the Honourable Member if it is Bombay alone that gets the benefit, or does the benefit not extend to the consumers of Indian made cloth all over the country?

I congratulate the Finance Department on presenting a well-balanced surplus Budget. The surplus enables Government to provide for the remission of provincial contributions; but it comes to us as a surprise, that in spite of the fact that Bombay has to face a deficit of 60 lakhs in her Budget, the Central Government have not felt it proper to grant her any relief. Bombay has been clamouring for the revision of the Meston Award, but its voice has fallen on deaf ears. Other provinces, which contribute far less to the Central Government in income-tax than Bombay, receive some measure of relief, while Bombay has been deliberately excluded. I cannot pass over this subject without raising a strong protest against the attitude of the Finance Department, of calculated injustice to a province which contributes more than any other province, directly and indirectly, to the Central Government.

The military expenditure calls for some remarks. In spite of its gradual decrease, the condition of the country does not warrant the present figure of expenditure, and serious efforts, which are bound to prove successful, should be made to further reduce it by at least ten crores.

As for Posts and Telegraphs, we should have liked to see the postage on postcards and the letters restored to the pre-war rates. I suggest that the sum of 50 lakhs set aside for the Archaeological Fund should be

utilized for the reduction of the postal rates to quarter anna for the post-card, and half an anna for letters. Our archaeological research work could very easily wait till a more prosperous time. I trust that it is not too late even now for the Government to realize the necessity of this step so as to afford relief to the poor. The Postal Department shows a profit in its working, and there is no reason why both the card and the letter should not be cheapened. I should also strongly recommend the separation of the Postal from the Telegraph accounts so that each Department might be stimulated to show better results, and pay its own way. As it is, the Postal Department is working at a profit and the Telegraph Department secures that profit, which ought rightly to be utilized towards the reduction of the postal rates.

A plea has been advanced, in another place and also here that the burden of taxation might be lightened by the reduction of the customs duties on such articles, as clothing, motor cars, tinned foods and patent medicines. If by "clothing", is meant, "ready-made clothing", I wonder how many poor Indians, for whom relief was sought, use that sort of garment or tinned foods; but if "textile cloth" is meant, then I say that very few so-called poor buy the costly imported material. It is the rich who use this fine stuff, and they can well afford to pay the extra duty needed for the revenues. Motor cars are luxuries and as such are rightly taxed. They are undoubtedly a saving in time and money, and those who are able to effect such saving must bear the tax however heavy it may be, because it is not a recurrent tax, but paid only once.

I will now close my remarks, but not without a word of praise for Sir Basil Blackett, to whom it is that we owe the stoppage of the deficits, which during the five years from 1918-19 to 1922-23, amounted to the alarming figure of 98 crores. We also appreciate and welcome the scheme of debt redemption introduced by him. This country is grateful to him for his prudent and careful management of her finances, and this is the fourth year in succession that the working of each year has showed a surplus, and I must say that we owe it all to the able and popular stewardship of Sir Basil Blackett, who may legitimately feel proud of his achievement.

THE HONOURABLE MR. K. C. ROY (Bengal: Nominated Non-Official): Sir, before I discuss the Budget I should like to congratulate the Honourable Mr. WacWatters, who the other day gave a very lucid exposition of the financial stewardship of Sir Basil Blackett. He will be very soon leaving us but I hope, Sir, his absence will be only temporary. I hope he will come back to the Government of India, the Government which he has served so well and for so many years. (Applause.) My Honourable friend Sir Arthur Froom and the Honourable Maharajadhiraja Bahadur of Burdwan have spoken on behalf of commerce and on behalf of the land-owning classes; but I wish to voice the voice of the layman. To me the Budget has three striking features. First, Sir, is the surplus; second and the most important is the ways and means position and thirdly the cash certificates. I am sorry, Sir, I cannot congratulate Sir Basil Blackett on his surplus. He has had a surplus for 4 years. This is the fourth surplus Budget, and I am glad, glad for his sake as well as for the sake of the country, that he is having what are known as fat years. It was Sir Guy Fleetwood Wilson who told us that India passes through a series of lean years and a series of fat years. We are now having fat years and perhaps—I hope not—



[Mr. K. C. Roy.]

the lean years are in prospect. This year though trade has been suffering from depression Sir Basil Blackett has got a surplus and has exercised a wise discretion in the disposal of his surplus. But, Sir, I am grateful to him, more than grateful to him, for the admirable way he has handled the ways and means. It is here that you find the master mind. He is looking decades ahead, and is laying the foundations of a sound financial structure so essential for the success of our constitution. He has made progress in lowering our unproductive debt. He is lowering our interest charges and he is trying to secure for us a credit which India has never attained before, so that she may be able to borrow at lesser and lesser rates of interest. But I join my friend the Honourable Raja Nawab Ali Khan in entering a protest against the scheme for making postal cash certificates less productive to the investor than they are. It is Sir Basil Blackett who conceived this great idea of bringing the poor investor within reach of a gilt-edged security. That was well done, marvellously done. But what does he propose to do now? He wants to take away the attractive features and give them lower terms. Is he right? What has he done for the village investor? Has he undertaken the extension of co-operative banks, banking societies, postal savings banks in remote parts in rural area? And if he does take it away, what will be the inevitable result? The small investor will go to the village market and lend his money on short term. Tradesmen will set up a small business and no sooner has he done so the money might be withdrawn; the capital will have gone and the trade is gone. Sir, that is the position. I therefore appeal to him not to really take away the privilege that he has given to the poor man in the post office cash certificate. He gave us a somewhat similar threat two years ago but he did not carry it out. I hope, Sir, he will not do so this year.

If you will permit me, Sir, I will now turn to the grant for what is known as General Administration. I will say a few words on the Executive Council. I will not say that we should turn down the vote for the Executive Council. My complaint is, Sir, that the Executive Council is too small for a great country like India. In no country in the world, Sir, is there an Executive Council or Cabinet of six. Even in Newfoundland, which is a small British Dominion, there is a Cabinet of seven. But here for one-fifth of the human race we have six men, the advisers of the Governor General. It is a sight for the gods. (Laughter.) And, Sir, what is the amount you have provided for them, for their travelling? Only Rs. 60,000. I do not consider that enough. So long as Members of the Executive Council are responsible for administering all Central subjects in the provinces, they ought to tour very largely. And I know, Sir, from personal experience that the tours of Members of the Executive Council have been productive of great good to the country and to the Government of India. The visits of Sir Basil Blackett and Sir Charles Innes to commercial centres and of the Honourable the Home Member to the Andamans during the last year have been very valuable indeed.

Now, Sir, I come to the provision for legislative bodies. I am gratified to find that there is no provision for the separation of the legislative bodies from the Legislative Department of the Government of India. I do not think, Sir, that the time has come for such a change. That change ought to be kept pending till the Statutory Commission comes out, and I hope, Sir, that the Statutory Commission will come out to India next cold weather. There is a misapprehension in the minds of some as to the functions of the

Legislature and of the Government. The Council exists for the Government; the President also exists for the Government. He is not a judge or an arbitrator between the Government and the representatives of the people. On the other hand it is the function of the Legislature to support the administration. Let us have complete unity between the Legislature and the Government and let us have no separation.

Sir, I now turn to the Demand of the Foreign Department. If I were in the Legislative Assembly I should move a reduction of one rupee with a view to inviting them to review the situation in the North-West Frontier Province. I hope, Sir, you will allow me to make some remarks on the administration in that province. The other day in another place my friends there were busy with the question of reforms for the North-West Frontier Province. Does the province deserve any reform? It has been a question to me which I have not been able to answer. What do you find in that province? The normal law does not apply. There you have the Crimes Regulation; there you have wild tribes on the borders; there you have raids nearly every day; life and property are unsafe; and there you have a Committee recommending the establishment of responsible Government. Only last evening, Sir, as I was looking over the telegrams of the day; I found a telegram regarding a big raid in the North-West Frontier Province. Is that a province where you can try responsible institutions? What you ought to do, Sir, is to transfer the control of the North-West Frontier Province from the control of the Foreign Office to our Home Department. Let us establish a normal civil Government first with a small civil service on the lines of the Government of Assam, and let us administer the province not solely in the interests of external relations of frontier affairs, but mainly in the interests of the province itself. Then, Sir, will be the time for you to consider whether you ought to have responsible government in the North-West Frontier Province. To me it is not a Muhammadan or a Hindu question; to me it is a question of the success or failure of the reforms, and I am sure, Sir, that if you will try the experiment there, failure is writ large across the scheme.

Sir, I now come to the Home Department; I have a great complaint against that. While, Sir, Bengal pays for the cost of the High Court there, it is the Home Department here which administers it. I am very sorry I said "the Home Department", it is the Governor General in Council. It is, Sir, an anomaly and should be wiped out, not completely wiped out in the direction in which some of my friends desire it but it should be wiped out in a very different way. It was many years ago that an esteemed gentleman of Madras suggested that all the High Courts should be brought under the direct control of the Government of India, and I am here, Sir, to support that proposition. The High Courts should be all brought under the control of the Government of India. Only the other day, Sir, when there was excitement over certain police cases in the United Provinces, two members belonging to the legal profession came to me and brought long interviews for publication. They said, "Here are innocent men dragged before the Court". I said, "Why not go to the High Court". They said, "Oh, our High Court? There is only one High Court in India, the Calcutta High Court. The Allahabad High Court is only a superior Magistrate's Court". I said, "I am not going to hear all these things, you must go to the High Court first and then come to me, and then I shall see what I can do". Sir, you cannot allow the reputation of the High Court to be impaired. Sir, while the tendency will be for you to encourage provincial autonomy, the autonomy of the Executive Governments in the Provinces, it is

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“Better that the supreme judiciary in the land should be brought under the control of the Governor General in Council. Then, again, Sir, I have another complaint against the Honourable Mr. Crerar. Three years ago, my friend, Diwan Bahadur T. Rangachariar, made a motion that the recruitment of Chief Justices of High Courts should not be confined to those who were barristers but should be extended to those who were Vakils or Advocates. I hope, Sir, that Mr. Crerar will be able to tell us something about it in the near future. Then with regard to the question of the separation of judicial and executive functions, it was only the other day that Mr. Crerar said that he was not yet in a position to say when that question will be taken up. Sir, we must move on, and it is no use sitting over the question. We must move on. I cannot here support partial separation but complete separation.

Then, Sir, the Legislative Department comes next. Here, the Legislative Department is in charge of the League of Nations and other international courts. At least a friend of mine who went as delegate from India told me that he had received no instructions. I think the position was very curious, and I think the time has come when you ought to have a small compact secretariat attached to the Legislative Department to deal with the League of Nations and other cognate bodies. Sir, I must say we belonging to the press have received manifold assistance from various officers of the Legislative Department. They do us well, and I am here publicly to acknowledge it.

Then comes, Sir, the Department of Education, and I see my Honourable friend Sir Muhammad Habibullah is already smiling. I have no quarrel with him at all; on the contrary I welcome his generous effort to put our archæology on a firm and solid foundation under a body of men capable of administering it far away from the trammels and interference of the Executive Government and administrative bodies. This is what has been done in all civilized countries, and I am glad, Sir, that he and Sir Basil Blackett have been able to do that. But, Sir, I am not so unduly enamoured of archæology as my friend, the Honourable the Maharajadhiraja Bahadur of Burdwan. I love the past, but I live for the present. I cherish the undying glory of India in archæology, but, Sir, when I see my poor countrymen suffering from malarial fever, tuberculosis and other curative and preventible diseases, I must urge that the time has come when there should be funds supplied to tackle these in the first instance. You, Sir, know it as our Chairman how cordially I welcomed the foundation of the Indian Branch of the British Empire Leprosy Relief Association, and how I did my best so far as publicity was concerned all over India. But to-day, Sir, may I suggest to Sir Basil Blackett and to Sir Muhammad Habibullah to allot more funds on the same basis as the Archæological Trust for the prevention and cure of diseases. I am sorry, Sir, my Honourable friend Sir Charles MacWatt is not present in the House, but I know that they have a very small body called the Research Fund Association,—but that is nothing. You are only tinkering with the problem. I am sorry my friend, the Honourable Rao Sahib Dr. Rama Rau, has taken a vow of silence, otherwise he would have told us all about kala-azar and many other diseases which are really causing such havoc in India. Then, Sir, I saw perhaps to the best of my recollection a proposal to revive the post of Deputy Commissioner of Public Health and I think it is my duty to enter a timely protest. I think it will be a real waste of public funds to create it.

Sir, as regards the Finance Department, over which my Honourable friend Sir Basil Blackett presides, I have practically nothing to say but to acknowledge the way in which he has really utilized Indian talent for the development of his Department. At the same time a word of caution would not be out of place. I think, Sir, he is enlarging the Audit Department far too much, and I have some practical experience of this. I do not think their audit is very useful. They do not produce a balance sheet, they do not verify the bank books; they just come and do their work for a few months and go away and there is just some objection raised by them which has not been done by their predecessors. That audit is lifeless and illusory, and I have heard, Sir, that there is an idea of reviving the office of the Controller of Civil Accounts. All I say, Sir, is that it would be useless. It was rightly axed by the Inchcape Committee.

THE HONOURABLE THE PRESIDENT: Would the Honourable Member kindly raise his voice a little. So far as I am concerned, the last half of every sentence that he speaks is lost because the Honourable Member drops his voice and lowers his head; and I doubt very much if any Member in the Council is able to hear more than a half of the Honourable Member's speech.

THE HONOURABLE MR. K. C. ROY: I am very sorry, Sir, that His Excellency is not present here to-day. I listened with very great admiration to the speech he made the other day. He said that neither Lord Rawlinson nor himself could give a guarantee that the army expenditure would go down to the minimum prescribed by the Inchcape Committee. Well, Sir, the standard strength of the Army must be maintained; there is no doubt about that, the standard of efficiency of the army must be kept up; but, Sir, there should be real and genuine efforts to cut down the expenditure on the Army, and that could only be secured by abolishing the present system and by establishing an Army Council for India.

THE HONOURABLE THE PRESIDENT: I really could not hear what the Honourable Member proposed to abolish; I should be so grateful if he would not drop his voice at the end of his sentence.

THE HONOURABLE MR. K. C. ROY: All I say, Sir, is that the time has come when there should be an effort to establish an Army Council for India; and when that is done, there will be men, particularly civilians, who will be able to grapple with the problems in such a way as to secure the economical use of army funds.

Sir, as regards the Department of Labour and Industries I have one suggestion to make. Since the retirement of Sir St. John Gebbie no Consulting Engineer to the Government of India was appointed. The time has come when the appointment should be filled, and, if that appointment is not filled, at least a Board of Irrigation ought to be constituted. Sir, I am very grateful to you for giving me such a long time and a patient hearing. I have made these suggestions fully conscious that I am a mere amateur, but all the same I place these suggestions before the Government of India for their consideration.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS (Punjab: Non-Muhammadan): Sir, I rise to congratulate the Honourable Sir Basil Blackett on his surplus Budget. I am grateful to Government for the abolition of the cotton excise duties and also for reducing the provincial contributions. I do not regard the Budget as quite satisfactory. As far

[Lala Ram Saran Das.]

as I can see, Sir, the surplus is not 305 lakhs, but 576 lakhs. I say that, Sir, because in case the Railway Budget had not been separated, our surplus would have been 576 lakhs and so we expected from the Finance Member that we should be treated as regards remissions in taxation as if our surplus balance was 576 lakhs. In the year 1921-22 the deficit of Railways was 9½ crores. Now, it is a matter of pleasure that the Railways have made up a reserve of 10 crores. In passing I might remark that since the Railway Budget was separated from the General Budget there has been a distinct and clear change of policy of Government in the Railway Department in the matter of treatment of both these Houses of the Legislature in regard to questions. I deplore the change. Now replies to questions are evaded and both Houses are sometimes told to approach the Advisory Committee of Railways with which the questions are concerned.

I cannot understand, Sir, why Rs. 50 lakhs have been given away for funding the Archaeological Department. In case an ordinary grant or a recurring grant of Rs. 3 lakhs (an amount equivalent to the interest on 50 lakhs) had been given, we could have utilised this amount for other useful purposes as suggested by my Honourable friend Mr. K. C. Roy.

I am sorry, Sir, that military expenditure is still high. It ought to be brought down to 50 crores as was recommended by the Inchcape Committee. I see, Sir, that 54 crores and 58 lakhs have been budgeted for the military expenditure. I shall be obliged if the Honourable the Finance Member will tell us whether this sum includes 174 lakhs, the loss on strategic lines. If it does not, this sum added to 54 crores and 88 lakhs makes a total of 56 crores and 62 lakhs of military expenditure. It is a matter for regret that so far Government have not been able to inform this House as to the result of the deputation of the Honourable Sir Bhupendra Nath Mitra to England to reconcile war accounts and to fight our claims. The Honourable the Finance Member in his speech says :

“Negotiations for the settlement of these latter have been vigorously pursued during the year. The issues are complicated, and I am not yet in a position to announce the final outcome . . .

It is a pity, Sir, that notwithstanding so many years having passed, the Houses of the Legislature have not yet been informed of the results of the negotiations that have been going on. On page 27 of the Explanatory Memorandum by the Finance Secretary I find that an item of Rs. 1,32,000 has been transferred from the military to the civil estimates, the details of which are Rs. 43,000 on account of the establishment of the Deputy Financial Adviser, Royal Air Force, Rs. 40,000 for the establishment of the budget section and Rs. 49,000 for the charges for the Nepal Escort. I should like the Finance Secretary to explain why this item has been transferred from the military to the civil. Last year 7 crores were spent upon operations in the North-West Frontier Province. This year there have been no such operations and so we expected that there would be a decrease of at least 8 crores in the military Budget.

As regards the Indianization of the army, it has been going on at a snail's pace. It is a matter to be deplored. I am sorry that His Excellency the Commander-in-Chief is not here, as he might perhaps have given his views in this matter as to how soon he wants to remove this real grievance of the

Indians. It is a matter of sorrow to find, Sir, that, notwithstanding the Indian aspirations, no commissions have been so far allowed to them in the Royal Air Force, Royal Artillery, Royal Engineers, Armoured Cars, and so on. I hope the Government will give their due attention to this matter and allow Indians to be admitted into these Corps.

Last year I raised a protest, Sir, that the burden of the cost of the Kabul Legation should not be borne by India. I told this House that Canada does not bear the cost of its Legation at Washington. But I am sorry to find, Sir, that, instead of India being relieved of this burden, a provision in the Budget for Rs. 4,64,000 has been made for the extra buildings for the Kabul Legation. Last year 8 lakhs were budgeted for and with the addition of Rs. 4,64,000 this year, it means a burden of Rs. 12,64,000 unnecessarily on India.

We expected, Sir, that the Government would reduce the rates of postage, particularly on postcards and envelopes. I hope that attention will be paid to this subject. I differ from Mr. K. C. Roy, so far as his remarks on post office cash certificates are concerned. As far as I have been able to make out, the high rate of interest on post office cash certificates does adversely affect Indian banking.

I expected, Sir, that there would be some reduction in the import duty on motor lorries and cars and on agricultural machinery. I also expected that the excise duty on petrol would be abolished. This excise duty on petrol, Sir, is another notorious duty which ought to be immediately removed for it is a matter of great surprise and sorrow to find that Indian petrol is being sold cheaper in England than it is in India, the land of its production.

I fully agree with the remarks that have fallen from Mr. K. C. Roy as regards the question of giving of Reforms to the North-West Frontier Province. In my opinion that province, having regard to its present conditions, is unfit to have any such Reforms.

I am sorry to see, Sir, that big canal projects in the Punjab are being held up because there is a dispute about the water supply in the rivers between the Punjab and the Bombay Governments. As far as my information goes, two eminent engineers have declared that after taking the full supply for the Havelian and Thal Projects in the Punjab there will be more than enough water left at Sukkur for the Sukkur Barrage Project. The Havelian project is a very much smaller project and should not be delayed. I wish the Government of India would make prompt inquiries and if they find that the water in the river is ample enough to meet all the demands of the present Sukkur Barrage, the schemes should not be held up any longer as the Punjab needs these projects.

One word more, Sir, and I have done, and that is that we should have a fund for the extinction of curable diseases. The Honourable Mr. K. C. Roy has rightly spoken about this, and instead of having a fund for archaeological research we should have a fund for the benefits just mentioned of living persons. With these few remarks I beg to close.

THE HONOURABLE MR. R. D. MORARJI (Bombay: Non-Muhammadan): Sir, owing to circumstances of an unusual nature the general discussion of the Budget in this House to-day has a freshness which it probably lacked in previous years. In offering a few observations on the Budget for the

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forthcoming year, it is only fair to acknowledge that it is in some respects more satisfactory than any presented since the inauguration of the Reforms. Military expenditure has been reduced by over a crore and is steadily, if slowly, coming down to the figure prescribed by the Inchcape Committee. Connected as I am intimately with the mill industry in Bombay, I cannot but hail with deep satisfaction the repeal of the cotton excise duty, the source of so much economic and political discontent for many decades. The institution of an Indian Archaeological Fund, I personally welcome as I feel a just pride in the past of my country and her glorious achievements. But as a representative of Bombay, it is not possible for me to express the same sense of unqualified pleasure at the further remission of contributions to certain Provinces. Our grievance has been brought up before the Government of India ever since the Meston Committee made its inequitable reward, and there is little to be said on this subject that is new to the Honourable the Finance Secretary. There is, however, one point that I would bring to his notice. While a majority of the Provinces have had the good fortune of being able, with the Government of India, to balance their Budgets for the forthcoming year without recourse to fresh taxation, Bombay is still struggling with a deficit. I refuse to believe that, with estimates which no one will accuse of being extravagantly framed, the Government of India cannot afford relief to Bombay even within its present resources. This I submit, Sir, will not be generosity; it will not even be bare justice. For Bombay will continue to press, not only for a wiping off of the whole system of provincial contributions, but for a revision of a settlement which deprives her of her most remunerative source of revenue, namely, income-tax. I will not dwell more on this point, because it will be heard later when the Report of the Taxation Committee comes up for discussion.

Turning now to military expenditure, what do we find? Credit is assumed for a reduction which His Excellency the Commander-in-Chief declared in another place last week is over Rs. 32 crores in five years. I shall not deny, Sir, that appreciable efforts have been made to bring down the terrible price which India is compelled to pay for her defence. But is it necessary to resort to so absurd an argument that because special circumstances beyond the Frontier necessitated the extra expenditure of Rs. 20 crores in a particular year, therefore it should be regarded as a standard for comparison in later years? Do the Army authorities seriously suggest that war is a normal feature of any military policy? Instead of looking to 87 crores as the starting point for their calculations of reasonable expenditure, they would do better, in my opinion, to look a little further back, to the pre-war year when the total expenditure on the Army in 1913-1914, was less than Rs. 30 crores. This longer vision would afford them a greater incentive to economy than the self-righteous attitude which they are cultivating at the present moment. A great deal too much has been urged in favour of the theory of the efficiency of the Army, and adequate insurance against aggression and civil disturbance. But, there is no greater menace than that created by an inordinately high level of taxation breeding discontent and creating the very atmosphere which it is the professed aim of an army to dispel. Much insistence has also been laid, I observe, on the condition attached by the Inchcape Committee regarding a further fall in prices to the goal set for the Army authorities of a maximum expenditure of 50 crores a year. But it might be helpful perhaps to remind

His Excellency the Commander-in-Chief that the Committee went on to observe:

"Even this is more, in our opinion, than the tax-payer should be called upon to pay, and though revenue may increase through a revival of trade, there would, we think, still be no justification for not keeping a strict eye on military expenditure with a view to further reduction."

That point, Sir, needs stressing, because looking at the estimates for 1926-1927, and comparing them with the budget estimates of 1922, to which the Inchcape axe had not been applied, I am not sure that there has not been some laxity in the control of military expenditure. To take a few items only, I find in the Inchcape Committee's Report while the budget estimate for 1922-23 for Army Headquarters, Staff of Commands, etc., was 183 lakhs, in the statement presented this year it is 216 lakhs. Does that show that the recommendations of the Committee have been carried out? Similarly, while the estimate for educational establishments, etc., in 1922-23 was Rs. 110 lakhs, this year it exceeds Rs. 143 lakhs. Those and other items of a similar nature give rise to the inevitable suspicion that the spirit of economy has fled from Army Headquarters. The Inchcape Committee recommended the closing down of a number of hospitals in order to reduce expenditure. While I gladly grant that expenditure has been brought down on medical services and hospitals, I should like to know what is the existing proportion of beds to patients for British and Indian troops, and to what extent the recommendations of the Committee have been carried out.

There is one point which I think is of particular interest to the House. In the budget statement, reference is made to an expert committee of inquiry into the question of stores held by the Army. It seems incredible that the figures placed before the Inchcape Committee as to the amount of the Ordnance Stores held in stock varied from the actuals by Rs. 7 crores, and that this fact was discovered only some years after the Inchcape Committee had reported. I wonder if such a mistake would have been possible in a country where the Army Department is responsible to the Legislature, or what the fate of those in charge of the Department would have been on the discovery of such an error. I do not think this House can regard with any satisfaction the appointment of an expert committee of inquiry unless it includes a strong non-official element. Nor do I think the prospect held out of a possible further reduction of military expenditure as a result of this inquiry adequate compensation for the heavy financial loss inflicted on this country. Surplus stores, according to the Inchcape Committee, worth about Rs. 50 lakhs were expected to realise only 9 lakhs. It would be interesting to the House to know whether in the clearance of superfluous stock the loss is always as heavy as is indicated in the report.

His Excellency the Commander-in-Chief in his speech last week seemed to suggest that an appreciable fall in military expenditure should not be expected without a further fall in prices. The whole question seems to me to be not so much a matter of rise or fall in prices, but of the rate of Indianisation of the Army. I do not think that the cost of living has changed very much since the Inchcape Committee made its investigations. I find, Sir, that in Appendix A of that report figures are given to indicate the increase in the cost of British and Indian troops, respectively, from 1913-14 to 1922-23. While the number of British troops had fallen from 80,000 to about 76,000 its cost had risen from Rs. 8.17 lakhs to Rs. 18.55 lakhs or an increase of roughly 250 per cent. During the same period, while the number of Indian troops had increased from about 157,000 to



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about 171,000, the cost had risen from 409 lakhs to 604 lakhs, or, an increase of less than 50 per cent. I need not elaborate the point made out by this comparison. Whatever the justification for increasing the cost of British troops so enormously in excess of that of Indian troops, the remedy lies obviously in a rapid Indianisation of Defence. It was the late Prime Minister of England, Mr. Ramsay Macdonald, who declared:

“ A self-governing India would no doubt insist upon bearing some definite share in defence, but like the Dominions, it would settle how much it ought to bear: it would adjust the cost to its means, and it would decide in what form it was to make its contribution—perhaps an Indian recruited Army. In any event, the present plan, by which India pays for the Imperial Army stationed there without in any way determining policy, is as bad as it can be. If the existing system of military defence is to last, the whole cost of the British Army stationed in India should be borne by the Imperial Exchequer.”

Lord Winterton not very long ago made a statement that there would be no interference from the India Office in matters in which the Government of India agreed with the military authorities in India. Sir, I ask whether that statement is borne out by facts. I may remind the House that so long ago as 1921 a Resolution was passed in the Legislative Assembly, with the concurrence, I may add, of the Government of India, that Indians should be admitted freely to all arms of His Majesty's military, naval, air forces in India, the ancillary services and the auxiliary forces; and, further that in nominating candidates for the entrance examination for Sandhurst, unofficial Indians should be associated with the nominating authority. It was also laid down that not less than 25 per cent. of the King's Commissions granted every year should be given to Indians. Has effect been given to these recommendations? Is it not a fact that in the Artillery, in the Air Force, in the Signal Corps, the Tank Corps there are no Indians holding commissioned rank? Even in the Army to-day there are only 79 Indians holding King's Commissions out of a total of 7,069—or just over one per cent. of the total. Or, take again the expansion and improvement of the Territorial Forces. Although more than a year has elapsed since the Report of the Committee was submitted, so far as this House is aware, no despatch has yet been sent to the Secretary of State, though from bitter experience in regard to the Resolutions on the Esher Report passed by the Assembly in 1921, I have no illusions as to the kind of consideration that would be meted out to any despatch from the Government of India.

In regard to the Indian Navy which is to be instituted, is it the contention of the Government that not more than one Indian would be available for commissioned rank? It is nothing less than an insult to the manhood of this country to suggest that a majority of the officers should be non-Indians.

In a self-governing India far more earnest efforts could have been made than are evident here by a Finance Member responsible to the Legislature to bring down the cost of the Army to reasonable proportions, to reduce taxation and to set free funds for the development of the Provinces. This year's Budget is a reminder to us that India is a subject nation still dependent on an alien administration for small mercies.

The Council then adjourned for Lunch till Twenty-Five Minutes past Two of the Clock.

The Council re-assembled after Lunch at Twenty-Five Minutes past Two of the Clock, the Honourable the President in the Chair.

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**THE HONOURABLE MR. J. E. B. HOTSON** (Bombay: Nominated Official): It is rather difficult for an official Member from Bombay to say anything new when discussing the Budget as a whole. He has got to drag in King Charles's head and most of you have heard all about King Charles's head already. However, I am emboldened to intervene to-day because, while in another place the case of Bombay has been represented from year to year and once again two days ago by official Members from Bombay in language which was impressive from its moderation as much as from its lucidity, it is now some time since the official case of Bombay was laid before this House. I think, although the non-official Members from Bombay both to-day and on previous occasions have stated their point of view with great ability and force, there is a sufficient difference between the non-official point of view and the official point of view to justify me in speaking for a short time. It is not my province to speak on many points in the Budget, but unquestionably this must be regarded as a good Budget. The floods of eloquence and invective which were expected in another place dried up in barely two hours, and almost everything that has been said this morning has been most appreciative. It is, if we cannot quite say a prosperity Budget, at all events, the budget of a solvent nation. There is a surplus, and what is more, it is a recurring surplus which has made it possible to distribute boons to objects regarded as deserving. On this we must all congratulate the Government of India and in particular the Honourable the Finance Member. But it is just because it is a surplus Budget that it is necessary once more to lodge a protest on behalf not only of Bombay but of all the industrial provinces. While the Government were poor it was quite impossible for them to take any steps which would have resulted in a loss to themselves. It is now when the Government of India have money to spare that those whose rights have been affected injuriously by the financial arrangements which were made a few years ago have some chance of being heeded. With one of the two chief proposals in this year's Budget nobody has any quarrel. The cotton excise duty has been a grievance for many long years. Some people may be inclined to think that latterly the grievance was rather sentimental than real. The recent cotton strike in Bombay proved that the existence of the excise duty was a serious danger to the prosperity of the Presidency. Its disappearance, therefore, will be welcomed by all and nobody wants to see it back again.

The other main feature in the Budget is the one about which I have to speak, that is to say, the proposal to reduce certain of the provincial contributions to the Central Government. The protest which is made on behalf of all the industrial provinces is not founded on ill-feeling against those provinces which are more fortunate, it is not founded on any animosity against them. It is not provincial in its character. Emphatically it is not, as has been alleged, anti-national. On the contrary the argument that is now advanced that the Meston Settlement should be revised and the Devolution Rules altered is based on the strongest and most truly national grounds. The gravamen of the charge against the settlement is that it deprives not one province, not any one group of provinces but all the provinces in India of their elastic sources of revenue. The true effect of the Settlement is still to some extent obscure as regards certain provinces which have had to pay large provincial contributions. Their revenues are

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now experiencing a certain mechanical growth and will for some short time continue to experience further growth of the same kind by the remission by degrees of the provincial contributions. We all hope that the time will come when these provincial contributions will entirely disappear. When that day comes, if the Settlement has not meanwhile been altered, those provinces will find that they have been wandering on a bye-path which leads them nowhere except into the morass of stagnant revenues, while all the time they might have been advancing on the high road of growth and progress. They might have been developing their muscles by a natural, not a mechanical expansion. It is therefore fair to urge that it is in the interests of India as a whole that the revision of the Settlement and of the Devolution Rules should precede and not succeed the reduction and the extinction of the provincial contributions.

Before I go on to deal with the reasons which made this revision necessary I should like to deal for a moment with two arguments which I have often heard against the Bombay case. The first is that Bombay ought to be satisfied this year because they have had the remission of the cotton excise duty. Now the prosperity of the cotton industry is of the very greatest importance to Bombay as indeed to the whole of India, but financially that industry is rather a burden rather than a source of strength to the Bombay Government. The large concentrations of industrial populations, not only in Bombay City but in other parts of the Presidency, impose upon the Government of Bombay very large expenditure upon education, upon sanitation, upon medical relief and particularly on police, which would not otherwise be necessary. On the other hand, the income-tax, the super-tax and the customs duty upon articles required for the mills themselves, still more the customs duties on all the articles which the increased wealth distributed by the mills to their shareholders and their employees allow to be imported—all these duties go to the Government of India and no part of them goes to the Government of Bombay. I believe that it was by the Finance Member himself that the Bombay Government was advised some little time ago to cast its bread upon the waters. The Government of India have acted upon that advice. When they remit the cotton excise duty, they ensure that the wealth which they are thus giving away will return by different channels to their own coffers in the shape of increased customs, increased income-tax and in other ways. They are getting everything except what is given to the industry itself. The Government of India and the industry share the advantages. To the Government of Bombay falls only the negative advantage of being spared from a crisis which at one time seemed likely to impose a severe strain upon the forces of law and order. The other argument I have heard is that it is selfish of the Government of Bombay to ask for advantages to itself which could only come from the loss of others. Now, Mr. President, if you were in the clutches of a robber who was rifling both your pockets, and if the robber told you that henceforward he would leave one of your pockets alone and would only take what he wanted out of the other, I do not think that you would be satisfied: you would probably go on calling for the police just as hastily as you did before. This is in some degree the position of the Government of Bombay. At the same time, if we leave that distant and most improbable analogy, I think that it can be shown that the argument is otherwise invalid. If any one says that he opposes the inquiry which is now asked for by the Government of Bombay on the ground that that

inquiry is certain to profit Bombay, then he implicitly admits in advance the truth and the justice of the Bombay claim. For what is that claim? It is not for an immediate advantage. It is only for an inquiry into the Settlement and into the rules, which shall result in a new settlement, which will be admitted to be fair to all parties, or will at all events be more generally so admitted than is the case at present. It may conceivably happen that as a result of that inquiry Bombay will not get any immediate advantage. Welcome as financial aid would be in the difficult times through which the Government of Bombay is passing at the present moment, the Government would be willing to accept such a result, provided only that by the revised settlement they were assured of a source of revenue which could be trusted to expand steadily in some measure in proportion to the constantly increasing cost of every branch of the administration. It is easy to show that the Meston Committee itself did not intend to tie down any of the provinces to stationary revenues. They have said:

"We have inquired into the relative taxable capacity of the provinces in the light of their agricultural and industrial wealth. It should be observed that we have considered their taxable capacities not only as they are at the present time or as they will be in the immediate future, but from the point of view also of the capacity of each province for expansion and development agriculturally and industrially. We have also given consideration to the elasticity of the existing heads of revenue which will be secured to each province and to the availability of its wealth for taxation."

Now it can be proved that the deductions which were made by that Committee were at the time when they were made demonstrably false. They thought that Bombay in particular might look for reasonable elasticity. Their argument is vitiated by the fact that they selected two single years as the basis for their conclusions. As regards the land revenue, they found that the increase in 8 years had been 82 per cent., an average of 4 per cent., and they expected that this increase would continue in the same ratio. Those figures were taken, the first from the actuals of a famine year in which the revenue had fallen by one crore and a half; and the second figure they took was not the actuals but merely the estimates of a year which had been expected to be prosperous. They thought that excise revenue would continue to expand by  $12\frac{1}{2}$  per cent. per annum in spite of the fact that most of the increase during the 8 years had been due to a change in the system from fixed fees to auctions, and that the increase derived from that change could never be repeated. As for stamps, the estimates for the year 1920-21 were those for a boom year. It is possible that the Committee thought that that boom would continue indefinitely. If they did so, they were rash. Their anticipations were not justified by the facts then known, which perhaps had not come to their notice during the 8 weeks within which their inquiries into the resources of the whole of India were confined. Their anticipations have at any rate been entirely falsified by the results. I will not go into the figures which have been laid before the Legislature and the Government of India on many previous occasions, and notably in the representation which was submitted by the Legislative Council of Bombay last year. All I wish to do is to bring up to date certain of the figures therein mentioned. Had the expectations of the Meston Committee been realised, the land revenue in Bombay for 1925-26 should have been 743 lakhs. The actual figure for 1924-25 was 569 lakhs. The revised estimates for the current year are 578 lakhs. The excise revenue should, according to the same calculations, have been 558 lakhs in 1925-26. The actuals for 1924-25 were 448 lakhs, and the revised

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estimate for 1925-26, 446 lakhs. Stamps were expected to reach 287 lakhs during this year. The actuals for last year were 178 lakhs, and the revised estimates for the year now coming to an end, 178 lakhs. In point of fact neither under any one of these heads of revenue nor in the totals has the revenue of Bombay in any single year during the last five years reached the figure which was estimated to be the starting point in 1920-21. The deficiency, below the revenue which the Meston Committee expected Bombay to receive of the revenues which have actually been received in those five years is no less than 1,240 lakhs. Now as touching the possible argument that the Government of Bombay has not done all in its power to increase the land revenue, I should invite attention to the figures given in paragraph 92 of the Report of the Indian Taxation Inquiry Committee, for which we are so much indebted to two Members, who now belong to this House and to their colleagues. Those figures show the progress in the land revenue of all India in the 20 years from 1903-04 to 1923-24. The increase in those 20 years has been 20·4 per cent., that is, one per cent. per annum, not the 4 per cent. per annum which was expected for Bombay by the Meston Committee—and yet we must suppose that the greater part of the increase has been in provinces which 20 years ago were not so far developed as was Bombay at that time. That is to say, it would have been impossible for Bombay to have forced its pace in this matter. Some of us here would perhaps go further and say, in the light again of the views stated in this report of the Indian Taxation Inquiry Committee on the land revenue system, that it would not have been right to have gone faster than the Government of Bombay has actually gone. I do not wish to commit myself on this point. I will not go further than saying with all due deference that, while it might not be improper to aim at a steady increase at a regular rate in the land revenue of Bombay, the views of the Taxation Inquiry Committee deserve the fullest consideration and will undoubtedly receive it.

Now, where are we to look for the remedy? Last year it was urged that the classification of the income-tax should be changed and that the whole or a large part of it should be made provincial. This same report of the Taxation Inquiry Committee has perhaps made it more difficult, at least until the whole of the Report is digested, to say that this is the only possible remedy. At the same time that report, with all its great weight, does undoubtedly support the claims of Bombay and Bengal to a share in the income-tax. Chapters IX and XVI examine the whole matter with the utmost impartiality and the conclusion that at the very least Devolution Rule 15 must be substantially modified without delay, is irresistible. This modification, I may add, must be substantial. The Devolution Rule, as it stands now, purports to give to Bombay and the other industrial provinces a share in the income-tax. But its effect has been that Bombay for years, for several years, has received nothing, and cannot expect to receive anything until there is a marked improvement in trade. Bombay cannot wait for that improvement and if it did wait, the return which it would receive from the Rule as it stands now would be far below that to which it is justly entitled. It was in this connection that I meant to refer to the heavy expenditure entailed in the Government of Bombay by the mill industry. I will not tire the House with figures. I will only point out that this heavy expenditure is itself the best reason why the Government of Bombay should share in the revenue which is derived from that

industry. I might, however, perhaps touch without irrelevance on an argument which has often been brought forward by members of the Swaraj Party. They say that it is no good to give any additional revenues to any of the existing Governments in India, because they are invariably misused. To those of this way of thinking, I would commend a reference to some very interesting graphical illustrations which appear at the beginning of the blue-book submitted with the Bombay Budget of this year, particularly to No. 3. This graph shows that education in 1910-11 cost 50 lakhs of rupees and now costs over 200 lakhs. In fact, it has become the largest single item of expenditure in the Bombay Budget. Similarly Medical has risen from about 16 lakhs to over 50 lakhs. These are truly nation-building activities and even if we do not limit that term as narrowly as some of the politicians do, we must admit that these activities are deserving of support. If the revenues of the Bombay Government are not allowed to expand, it will not only be necessary to curb the growth of expenditure of these and other branches of the administration but it is more than probable that we shall have to draw back even from what we are doing now.

In 1924 Mr. R. D. Bell used the following words in another place :

"The Government of Bombay do not seek primarily for such a re-adjustment as will improve their present position. Their claim, and the claim of other provinces like Bengal for which Devolution Rule 18 offers no attraction, is that they should be placed in possession of resources which bear some real relation to their true assets. It may be that such a re-adjustment will not place them at the outset in any better position than they are at present, and the Government of Bombay recognise that special treatment may be required for the poorer and less developed provinces. What they do seek is an allocation of revenues which will enable them to meet their increasing needs."

I stand by these words now and I am prepared to add that, if the inquiry for which we ask were to result in the transfer from Provincial to Central of some of the less progressive items of revenue, there would be little complaint. It may even be that a study of this particular question and of the general proposals made in the Taxation Inquiry Committee's Report will lead to the introduction of new taxation or perhaps to the extension of some existing form of taxation, such as death duties, which are as yet of limited application. If it be so, it will be necessary to face the situation, and to do everything that is required to insure that justice is given to all the provinces of India. If justice is done, there is no reason to fear that the roof will fall in.

What is the prospect of a move in this direction? The Honourable the Finance Secretary, in spite of all the eloquence with which he introduced the Budget in this House, gave to Bombay and Bengal and their fellow-sufferers no hope. The Honourable the Finance Member in his speech in another place, the larger part of which I had the pleasure of hearing, told us at least that the turn of the other provinces will come and that they have been brought much nearer fruition by the events of the last two years. I am informed that the Finance Member a day or two ago went even further and said—if the report given to me is correct—that he agreed that some revision of the arrangements in the Meston Settlement must ultimately take place and that the Government of India intend during the coming summer to re-examine the question of a re-division of revenues. I believe that he specially mentioned the Income-tax. If the Honourable the Finance Member will repeat or perhaps amplify these words here, I think we shall feel that this discussion has not altogether been in vain.

THE HONOURABLE SIR MUHAMMAD HABIBULLAH (Member for Education, Health and Lands): Sir, before I proceed to express my views on the questions dealt with during this discussion in regard to the departments under my control, it behoves me, as the Leader of the House, to express the apologies of His Excellency the Commander-in-Chief for his unavoidable absence from the House to-day. More than one Member has referred to His Excellency's absence from the discussions to-day. I can assure the House that nobody regretted his absence more than His Excellency himself. He had entered into an engagement—official,

8 P.M. of course—long before he had been aware of the fact that the general discussion of the Budget would take place to-day, and in spite of his best efforts to readjust his programme and thus enable him to be present here to-day, he found it impossible to do so, and he asked me to convey his sincere regrets to the House.

Sir, the only matter of importance that has been touched upon in the course of the discussion to-day is that relating to archæology and following from it I suppose medical research. I am indeed gratified that the reception given to this proposal indicates that the House as a whole is one with us on this matter. Those Honourable Members who have spoken have not in the least urged any objections against the proposal but they have made one or two suggestions which indeed deserve the fullest consideration and with which I shall deal. Every Indian who has a love for his country—and I doubt if there is one who has none such—will indeed be proud of the glorious past of his own motherland, and the work which the Archæological Department has set its heart upon is of a nature to justify such natural pride and to wrench from the bosom of the earth those traces and evidences which will fortify such a claim, and I therefore would assert that there is no object which would appeal to a patriotic Indian as the one which the Archæological Department is now engaged upon. My task in justification of this proposal has been considerably simplified by the very convincing and eloquent speech of my Honourable friend, the Maharaja of Burdwan. Of course he spoke in language which I confess is inimitable. He is not satisfied with the provision which we have made under this particular head but he draws our pointed attention to the necessity for the provision of further funds under the heading of the Preservation of Ancient Monuments. I know what an ardent lover of ancient monuments he is. I know the part he has himself played in that direction and I know also how useful he had been as—shall I say—a guide to the late Lord Curzon during the time the latter was engaged upon his memorable activities towards the preservation of ancient monuments in India. The difficulty with the Department was, Sir, that its activities had either to be curbed from time to time or regulated in proportion to the availability of funds from year to year. The recent excavations which have been made and those yet in progress will convince the House of the gigantic task that lies before the Archæological Department still, and if after having programmed for a particular work in the following year it is found to their regret that the financial position of the country will not enable the Finance Department to place those funds at their disposal, one of two things must inevitably happen. You have either to disband the whole of the trained staff whom you had utilised on that work or you have to make a show of carrying on the work merely by continuing to pay the staff but doing no work. That was indeed a very unsatisfactory state of affairs and economically wrong. With a view, therefore, to ensuring a continuity of work it became necessary to envisage a plan whereby the funds necessary for the work could be guaranteed and the officers of the Archæological Department might see as

far ahead of them as possible and draw up a programme of work based upon the availability of funds in respect of which a guarantee has now been given to them. This in brief is the scheme which this proposal is intended to follow and I have not the least doubt in my mind that my Honourable friends here will appreciate it.

We had also another object in view. We noticed everywhere interest being taken, more interest being evinced in the archæological researches. We noticed that Universities were willing to fall into line with our work. We noticed students of Universities willing to take advantage of the existence of this Department to start research work. We therefore were anxious that we should give an opportunity to everyone to join this noble band of archæological workers and contribute either in money or in brains towards the accomplishment of the grand object we have in view. We expect to train a large number of Indians for this work. We expect to attract—shall I say—large endowments from those who possess the goods of the earth and who are willing to spare a portion for this noble task. We hope, therefore, to work more or less on the lines, as my Honourable colleague the Finance Member pointed out in another place, of the Board of Trustees established in England to work the British Museum. Honourable Members are aware that this interest in Indian archæology is not confined within the four walls of India but that it has begun to attract eminent students, eminent research workers, in that same line from outside India. We have now calls for information from all parts of the world. Several research workers who are busy in other parts of the world are willing to pay visits to India and carry away with them experiences of the marvellous treasure that India possesses of this nature. Well, we wish to give opportunities to everyone. Who knows that one day even the Rockefeller Trust may probably donate a large sum to this Fund? My Honourable friend the Khan Bahadur from Bombay warned me not to lose sight of the fact that Indians were given every opportunity possible in connection with this new scheme. I may assure the House that it was only yesterday that I had the pleasure of constituting a selection board for the purpose of selecting three Indian scholars to undergo training in the excavations which we are carrying out at Mahenja-Daro. Let me repeat, let me emphasise the point that the intention of the Department is to bring the best brains of India in line with this work and thereby stir up further interest in it.

I have been asked and very rightly asked by my Honourable friend, Mr. K. C. Roy, and another as to why this partial treatment has been accorded to Archæology, while the needs of medical research demanded greater attention. It was pointedly mentioned, I believe, that there is a large number of preventible diseases in India in regard to which if we possessed a little more knowledge we might perhaps minimise human mortality. I agree; but may I remind Honourable Members of this House of the existence already of an association called the Indian Research Fund Association which is a large expert body, extending its operations throughout India, which has on its rolls members from all the provinces in India and which again has got two committees, called an Advisory Committee and the Governing Body of the latter of which I have the honour to be President. This organisation is intended to carry on exactly the same work which my two Honourable friends there have suggested. This Association has already got an endowment fund of the face value of 52 lakhs; it gets in the shape of annual interest a sum of nearly 2½ lakhs. Besides this endowment, the Government of India were making large donations for the upkeep of that institution. But, as a result of the Inchcape cut, many



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a useful object had to surrender itself at the altar of that axe, and this Association did not fare better; but with the renewal of, shall I call, prosperity in the financial condition, during the current year I was able to persuade my Honourable colleague the Finance Member to restore 8 out of the 5 lakhs of the contribution which was being made to this fund until the Inchcape axe came into operation. And during the next year the House will be gratified to notice that we have given this Association a subvention of 6½ lakhs. This Association, let me again point out, serves two purposes. In the first place it trains officers in research work in respect of various diseases, in regard to prophylactic work, and the preparation of sera and other things which prevent disease. It also sanctions subsidies to those medical workers who are engaged upon research work of this description. The former, namely, the officers who are trained, are intended to be distributed throughout India and to carry on similar work in their respective provinces. The Association had, on account of the shortage of funds, to curb their activities during the interregnum that I referred to just now. During the current year we have 8 officers under training, and we hope to train no less than 18 officers next year. These are all the achievements of the Association, and I may at once inform Honourable Members who entertain the least doubt as regards that matter, that amongst the numerous researches which this Association has been carrying on during the current year and in previous years, we have tackled *kala azar* which in a sense has been conquered and has been eliminated from the list of incurable diseases. The work in Assam has demonstrated that fact, and the Commission on *kala azar*, which is still sitting, has sent such a valuable report that all provinces will now read it with courage and congratulate themselves that that problem has once for all been grappled with. We conduct researches on malaria. We have got special workers to whom we make subsidies, and from day to day our stock of knowledge is being added to as to how to combat malaria. We have also done work to prevent relapsing and typhus fevers. A very systematic inquiry was conducted on that disease, and the results of the investigations made by our workers will, I know, be interesting reading. We have done a good lot in the direction of preparing and supervising anti-plague vaccine and other similar vaccines which, as the House may know, are now getting more and more into prominence in this country, and, on the whole, I must say that the work which is being done under the supervision, control and with the help of the funds at the disposal of the Association is indeed very great. But I do realise that an Association like that should be still further encouraged, and if I should, after an examination of the whole situation, come to the conclusion that I could add usefully to the funds of that Association, that if larger funds were placed at the disposal of the Association they could be utilised for similar purposes and thus would add to the general stock of happiness of the people, and it would be possible to minimise disease, or to minimise deaths, then I can give this much assurance that I shall certainly miss no opportunity of approaching my Honourable colleague the Finance Member and asking him to see eye to eye with me, and I doubt not that, with the help which I have always been able to receive from him in getting larger contributions for the departments under my control—departments which have rightly been regarded as nation-building—that he will view my demand in respect of this Association also with the same sympathy which he has always displayed towards the other departments in my charge. And a perusal of paragraph 52 of the Honourable the Finance Member's speech in the other place would have convinced Honourable

Members that he has not at all lost sight of the necessity for enhanced grants in respect of Medicine, Education, Agriculture, Forests and various other departments which are supervised by me, and I have no reason whatsoever to view with anything like pessimism this one matter, and therefore I assure the House that their suggestion will receive my best consideration.

As regards grants to the Universities, Sir, to which an Honourable Member from Bombay referred, I may tell him that the obligations of the Government of India in regard to Education do not begin and end with the grants to the three Universities which are regarded as All-India.

They have also, I should say, very great responsibilities in the matter of the elementary, secondary and higher education of those parts of India which are regarded as directly administered by them, and as a proof of the fact that they have not neglected or omitted to take into account the needs of education in those provinces, I will again invite the attention of the House to paragraph 52 which gives details of the further grants which we have made to the North West Frontier Province. We are examining the whole question as regards the needs of the nation-building departments and I hope to be in a position to prepare a programme indicating how these departments will have to be financed from year to year, and when that is done, I hope I shall have evolved a system which would enable us to secure from year to year as much money as we consider essential for the administration and growth of these departments without disturbing the equilibrium of the Imperial Budget.

THE HONOURABLE MR. G. S. KHAPARDE (Berar: Nominated Non-Official): Sir, I wish to offer a few observations on the Budget more as a layman than as a financier, because I do not understand the technical part of it. From my point of view, and judging it as I usually do, there are four points in favour of the Budget as it has been framed, and three points against it. So, the Budget wins by one point. The four points in favour of the Budget are these. The first is the abolition of the cotton excise duty. I was a college student when it came in, and from my youth I have always objected to it. Reading Fawcett, Mill and others, we always thought that it was objectionable, and we put questions to our professors asking them to reconcile the matter. It was said that the duty was purely for purposes of revenue and not for protection or anything of that kind. I am glad that this enemy has died. Another enemy remains and I have the consolation of being able to fight him hereafter. That is the Gold Standard. I suppose it will come one of these days, and then the second enemy also will have died. The other point in favour of the Budget is that there is a surplus. That surplus is a very good one, amounting to 1,50 lakhs. It is rather a nice sum, and that means, I understand, that our permanent income will increase by that amount. If that is so, I am really glad about it. But I feel a little bit of difficulty in this because eminent people think to the contrary. Whereas some think that too little has been given to Archæology, others think that too much has been given to it. I personally think that the interests of the living are more important than the interests of the dead. The bones have been buried for a long time and they may remain there for a few centuries more. There is no harm done. Here, relief is wanted in various directions and that relief is not afforded. Living persons are supposed to be temples of God Almighty and they suffer. I am one of those who grudge this Rs. 50 lakhs which has been given straightaway. I would not mind a recurring grant or a permanent allowance of Rs. 2 lakhs being made to this department. But you have given away a large slice out of the surplus. However, I suppose that the

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Honourable the Finance Member will be able to say that some people want too much and some people want too little, and therefore that he is right. And there is a good deal in that argument, for if both parties are dissatisfied the judgment is supposed to be correct or we can take it at that at any rate. Then there is this further point of the great relief that there is no taxation coming and that is a point in favour of the Budget. These are the four points in favour of the Budget. The points against are, first, there is that point about archæology which has become a doubtful point. I had intended to put a mark against it, but since there is a conflict of opinion I put against it a doubtful mark. But there is another point against which I would like to put a strong mark and which I do not understand. The military expenditure we expected to be in the neighbourhood of Rs. 30 crores. It has not come to that and it is a good deal more still and we have the Navy staring us in the face and it may come any day and demand large sums. Therefore we need not congratulate ourselves too much on this surplus because it will be eaten away by two Dreadnoughts and there will be no money left for a third Dreadnought. Then there is that thing, the Air Force. Judging things as they are, it seems likely that invasion may come by air. Formerly it came by water and we have got to protect ourselves against both. I do not think that there is any army in this world strong enough to cross the Indian frontier as they did before and our forces are stronger than they were ever in the history of India. I wish that the military expenditure had been to a certain extent brought down nearer to Rs. 50 crores than it has been up till now. But my great grievance is as regards the Post Office, something which I do not understand. If I send a letter to England I have got to pay a postage of 2 annas. If a similar letter comes to me from England they have to pay a postage of only three half pence, that is, six pieces of copper. Where is this difference of six pice coming from? It looks rather funny that my friend from England writing to me pays only  $1\frac{1}{2}$  annas whereas if I write back I have got to pay a postage of 2 annas. I thought that this matter would have attracted the attention of the Honourable Member and been adjusted. In the case of private correspondence it does not matter much, but to people engaged in business and who have got to write 50 letters a day the difference is a great deal. Is that due to exchange? I do not understand exchange. Does 2 annas here by exchange become six pice in England? Or does six pice in England become 2 annas here by exchange? I do not understand it. Another point on which I spoke before once in this Council and therefore I shall not dwell, is the question of the Posts and Telegraph Department. The Posts and Telegraph Departments do the same service. If they were amalgamated and the telegraphs a little cheapened and the post office people put on the same level as the telegraph men, I think both will profit and there would not be this profit and loss account shown as it is now. The Telegraph Department works at a loss and the Postal Department works at a profit and the profit of the one goes to meet the loss of the other. That is the old story of robbing Peter to pay Paul or something like that. The profits of one department are eaten up by the losses of another. If they are put on one basis, as I once proposed before and shall propose again if an opportunity occurs, this source of trouble would have gone for ever.

There is a third source of trouble. That trouble comes in this way. It is all right that we are doing everything possible, but in the matter of

utilising this large surplus, would it not have been possible to give relief to my province? They have spoken of the remission of provincial contributions. My province never got a single remission. I suppose that unless the child cries, the mother would not feed it. We never cried and never got anything. These eloquent people from Bombay and Madras are getting the whole thing and we have not even a crumb thrown at us.

THE HONOURABLE SIR BASIL BLACKETT: You had a crumb last year.

THE HONOURABLE MR. G. S. KHAPARDE: It is very small, not worth mentioning. On the whole, however, the Budget wins, because there is one point in its favour, rather a point and a half and to that extent I congratulate the Honourable the Finance Member and my friend Mr. McWatters who gave all his figures without referring to any paper. It is reminiscent of the days of Gladstone. With these few remarks I shall bring my speech to an end.

THE HONOURABLE SIR DINSHAW WACHA (Bombay: Nominated Non-Official): Sir, Mr. Hotson has anticipated much of what I wanted to say about the manner in which discussion on the Budget has been conducted. I heartily congratulate this Chamber on the great sobriety of thought and the dignity and serenity with which it has conducted that discussion. There is an atmosphere here which is far different from that of storms and cyclones and thunders and eruptions heard in another place. So far I consider that the Council of State has really deserved the name of a Council of Elders. Dignity and sobriety go together here. Having said so much, I do not wish to detain the House with any abstruse and lengthy disquisition on figures and other financial facts which are, of course, known to you. I shall therefore refrain from making any arithmetical diversion on the subject. But I wish to point out to the House what the Honourable the Finance Minister has most vividly brought to notice in his Budget. There are three outstanding features there which deserve our closest attention. But before I specifically refer to these three aspects, let me say at once that this is the third Budget in the financial history of India since the budgetary system was first introduced by the late Mr. Wilson in 1860. That was a year or two after the transfer of India to the Crown. Mr. Wilson was the first Finance Member of the Government of India to overhaul its finance. Unfortunately, he died earlier before he had completed the great work he had taken on hand. It was he who started the budget system and speaking for myself, not in any spirit of egotism, I may say that I have read and studied every financial statement from 1860 to 1926. I was then a student aged 16 in Elphinstone College. My professor used to speak to me in the highest terms of admiration about Mr. Wilson and make me read books on finance and economics then known in English Universities. From that year forward my love for the study of economics and finance has gone on. I have heard and read many speeches on these subjects. The overhauling of Indian finance and the introduction of the budgetary system by Mr. Wilson was the first epoch. Then came the work of consolidation of the Empire in many directions. In 1882, during the time of Lord Ripon, when Lord Cromer (or Sir Evelyn Baring as he was then known) made the second and most important epoch in the financial annals of India. India was then in a prosperous state. He abolished the customs duties altogether, save on arms and liquor and made India free trading after the manner of England. With the exception of some export duties India had an open door for all. This golden period lasted from 1882 to

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1900. India prospered and prospered beyond the most sanguine expectations. Free trade developed extensively because there were no customs duties. But for free trade India would not have developed so fast as it did. After 1882 as many as 50 cotton mills were started in Bombay alone, besides a fairly large number in Ahmedabad and other parts of India. Thus Lord Ripon's Viceroyalty was instrumental in making the second and most memorable financial epoch in the country. Not only here but in England also Lord Cromer was recognised as one of the greatest financiers, he who later earned the reputation as the saviour of Egypt and of Egyptian finance. In India there have been as elsewhere what are called fat and lean years. The pinch of lean years began to be sharply felt with the times of low exchange, straightened currency, plague and famine. By 1896 the finances had suffered so much that of course the Government were greatly alarmed and obliged to reintroduce the customs duties which we are all deploring because since the Great War they have risen higher and higher from 7.12 to 15.30 per cent. with a policy of high protective tariffs with bargain. We have had trade prosperity and trade depression. India was accustomed to all these economic phenomena but never so disastrously as it was during the years after the armistice. Sir Auckland Colvin once said, when Finance Minister, that in India fat and lean years go on in cycles. Such cycles, however, are not exceptional to India. Every country in the world has had to face such cycles—cycles of prosperity and depression. India has emerged very recently from an oppressive cycle of depression. We had years of deficits leading to intolerable taxation and the present Budget is one not only of a cheery aspect but most important for the new financial policy it embodies. After reading the budget speech I was so impressed by the policy, the financial policy laid down in that statement, that I said to myself, that "this Budget is really an epoch-making Budget." It is so and I challenge anybody to deny it. (Applause.) Long before Sir Basil Blackett came here we had had a series, quite a meagre, of deficits up to the year 1923. The comparative statement which is annexed to the Budget and to which Sir Arthur Froom referred in his excellent speech shows that during those years the deficits amounted to 80 crores of rupees net. Those deficits have been wiped off, partly owing to the recommendations of the Retrenchment Committee, under Lord Inchcape, but principally owing to the talented efforts of the Honourable the Finance Member himself. You will find from that statement that in the last three years we have had surpluses which, it is gratifying to be told, will be "recurring" surpluses. But it is even more gratifying for us to learn from the budget speech that once more Indian finances have been placed on a sounder and more improved basis which bids fair to endure long enough. Why? Because he has tried to place the Indian debt position on a basis whereby our present internal debt will be greatly reduced and the huge external debt will gradually be liable to conversion as internal debts but of a highly productive character. The Honourable the Finance Member insists upon the policy of converting the external debt into an internal one, because the more it is so converted, the more will India prosper not only in the saving of its heavy exchange payments but also in developing the many hidden resources of India, and creating wealth which will be the new internal capital. The more India adds to its indigenous capital by development of its resources and annual savings the greater will be its future permanent prosperity. India will have not a rupee to borrow from foreign countries Is not that a wise and

sound policy to aim at at present? You borrow from foreign countries and have to pay for exchange, apart from interests. In future the two gains will fructify in the country itself. The Honourable the Finance Member has splendidly succeeded by his new sound policy to turn the corner. Exchange, of course, has improved, mainly due to his very talented efforts. And for that reason we shall be year after year more and more free from the great burden of exchange. At the same time the diminution of debt is going on. Debt was avoided last year. We did not borrow a single rupee which has thus saved an annual charge of interest. This year we are only going to borrow, when conversion has been settled, about two crores of rupees. You will learn all that in the chapter of this Budget on ways and means which I say with emphasis is *the most important part* of it. It is the *piece de resistance* of the entire Financial Statement, and I wish that each and everyone of my colleagues, whether he is a financier or not, would study it, because it is therein that they will appreciate the true worth of the laudable efforts which the Finance Member has made in order to put the country's finances on a sounder basis than they have ever been set before. Sir, I need not repeat that in this epoch-making Budget the third feature of note is the saving of interest charges.

I now come to the allocation of the surplus. We should not forget that the Finance Member is the best judge of how to use the small surplus to advantage under the existing situation. It is hardly so large as to relieve the taxpayers of any great burden. In its absence he desires to devote part of it to a most useful intellectual purpose. There are some crying out in the wilderness because 50 lakhs have been given to archæological research of a far-reaching character. I am really ashamed that there should be any wrangle on an allocation so useful in the interests of Indian history. I have myself been a keen student of archæology from my younger days just as I have been a student of finance. I greedily read all about cave architecture in Western India by the Reverend Dr. Wilson when a boy of 20 and since then my interest has grown and grown with the plethora of archæological literature published during the last half a century, particularly Egyptian, Assyrian, Babylonian and Aetan. I was greatly attracted to the Assyrian when Layard first published his book on the Niniveh antiquities unearthed. I remember having seen him in 1856 or thereabouts when he visited the Elphinstone Institute. It is most amusing that when there is a surplus, one man wants one thing and another another. One suggests "Have this customs duty reduced". But there should be some sense of proportion in the suggestions. We can make scores of suggestions for which even a hundred crores of surplus will not suffice. Let me ask my Honourable friends what they would do if placed in the position of Finance Member? In the first place could we have succeeded in educing the surplus which he has educed? I am not defending him; but I am speaking as an humble student of finance that we ought to look at a surplus for its allocation from a broad point of view and from the amount that may be available in a given year. Reduction of burden on taxes is only practicable with a substantial surplus which might give *real* relief and which may do the greatest good to the country. I dare say that if it be his good fortune before he lays down his office to educe such a big surplus he will do it and be blessed by all India for his talented efforts in that direction.

I have, Sir, now pointed out the three broad and outstanding features of this Budget. If Honourable Members will only consider and reflect upon them they would, I feel sure, agree with me that this is the third

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epoch-making Budget in the annals of Indian Finance. Coming to military expenditure, I, Sir, have been the severest critic of the Government of India from 1885 to date. As late as two years ago I brought forward a Resolution here requesting the Government of India to appeal to the Secretary of State to get repealed the Army Amalgamation Scheme of 1859, which has been all through these years, the bane of India as far as military expenditure is concerned. Nothing has been done and nothing will be done. Because in this matter the War Office is omnipotent. The War Office has behaved with India on this matter for a hundred years like a Shylock. High personages and even members of the Cabinet have been appointed Presidents of Committees half a dozen times to remonstrate with the War Office in order to see how far reductions can be effected in reference to what are known as "Capitation Grants". Once Lord Northbrooke, an ex-Viceroy of India, presided as a member of one of such Committees, to see how far the Capitation Grant might be reduced, but, even he, a financier and capable statesman, was baffled every way. He found himself helpless; and I believe that even to this day the Government of India have been striving their best year after year to see how far the War Office might be induced to reduce this capitation rate, or possibly to see how to get rid of the War Office altogether as far as Indian military affairs go. It is a very serious problem and it is much to be wished that Sir Basil may succeed where hitherto so many have failed. Now, as to the estimates of military expenditure in the Budget. It is now nearly 54½ crores. This is not bad under existing conditions, and the time is coming, possibly two years hence, when we may see it brought down to 50 crores by which time a material fall of prices may be expected. People have no idea that the Army requires food and clothing, building materials and many other things. We complain on our own domestic economy, that petroleum is dear, that food is dear, that milk is dear, that wearing apparel is dear, and so on. Are the Army to support themselves upon nothing? Or on air? Or nothing at all? The Government are in exactly the same position as private individuals. They have their own domestic Army expenditure. They have to supply the Army with food, clothing and many necessary things to keep their troop fit and efficient while the scale of necessary expenditure of this character has been still high. We must look at both sides of this problem. Let us not irrationally criticise the Government and that after weighing both sides of the arguments. The longer I have been in this place and the more I have seen of the very reasonable explanations that Government have given on a variety of topics under discussion the more have I been convinced of the fact that military expenditure is righting itself and that everything possible is being done in order to reduce military expenditure to 50 crores. I wish my Honourable friend, His Excellency the Commander-in-Chief was here. The Council might have then heard first-hand from him as to how sincerely he is anxious to bring down military expenditure to the lowest point compatible with average efficiency. As far as civil expenditure is concerned, it is bound to be reduced to the irreducible minimum. But please note that it cannot be that in one breath we insist on reduction and on the other demand greater expenditure on social welfare. We cannot demand larger expenditure for education, sanitation and other kindred matters and at the same time cry out for a reduction. The two are not compatible. We cannot say this department or that department is overmanned or

overpaid and yet ask for the creation of new offices. It may be that there is waste here and there but the question is, is there any real extravagance? Are Government really spending more money without corresponding service? In short, are they spending money on what is nowadays called "nation-building" that peculiar phrase or slogan that has come into use during the last two years? Well, Sir, I have now pointed out what I consider to be the outstanding features of the Honourable Sir Basil Blackett's Budget. The more we closely study it, the more we ponder over it, the more we will find that it aims at laying the most solid foundation for the future permanence and prosperity of Indian finance in this country. And I feel quite sure that if he remains here for another two years, during which we hope the Currency Commission's recommendations will be carried into effect, we shall have the rare satisfaction of seeing substantial reforms on the entire system of Indian finance which will bring real and genuine prosperity to the country and its people in the near future. With these words I most heartily support Sir Basil Blackett's budget for the coming year and resume my seat. (Applause.)

THE HONOURABLE SIR CHARLES TODHUNTER (Madras: Nominated Official): Sir, at the risk of being tedious, I feel that I ought not to let pass the challenge that has been thrown down by an Honourable Member behind me, and in taking it up I hope that I shall be able to follow his example in avoiding the use of the language whose excess imparts the cause he loves so well.

He has suggested that certain provinces, of which Madras is one, will soon be wallowing in a quagmire of stagnant revenues and urge them to develop their muscles by imposing and working new taxes. I should like to tell him that, in so far as the Province which I represent is concerned, the supposed quagmire is as dry as a bone and that ever since the Reforms, we have been developing our muscles by working the highest possible rates of Stamps, Court-fees and Registration Fees, while a sister province has been able to sit on the bank and rest from her labours, in other words to repeat the increases for a considerable interval. It is only in the case of the amusement tax that we have not so far developed our muscles and that because it is ill doing so on an empty stomach.

Having said that, Sir, and since I am on my feet, I ask your permission to say a word in defence of two much-maligned institutions,—the Meston Committee and the Government of India.

Of the Meston Committee I would only say this, that while I dislike their award as much as any one else I cannot fail to regard it as the award of the arbitrators appointed by the Secretary of State. But I would add that their award has never been given a trial and that the award which is so often criticised as the award of the Committee is not theirs at all but that of the Secretary of State in Council.

The Government of India are well able to defend themselves against attacks from Madras as from other quarters, but there is one class of attack which I think may be answered for them. We have been told to-day of their "calculated injustice" to a particular province. I met that same phrase this morning in a leading article which has the following further passage:

"The deliberate exclusion of Bombay from this measure of relief is of a piece with the invidious attitude of the Government of India during the régime of the present Finance Member towards this Presidency."



[Sir Charles Todhunter.]

It also talks of "the Provinces selected for this benefit". When statements of this sort are made it seems necessary to issue a reminder of the fact that the proportions in which any sum which the Government of India may find themselves in a position to remit are determined by statutory rule.

The Honourable Sir Sankaran Nair has reminded the House that the same statutory rule lays upon the Governor General in Council, and not on the Legislature, the duty of determining the total sum to be divided. As regards this, it should perhaps be added that, in so far as new taxation is in question the Governor General in Council can obviously not decide to distribute what the Legislature declines to vote. Where remissions of revenue are in question the case is different, and here I should like to call special attention to the remission of 6 lakhs of customs duty on Government stores only to provinces which have not received a remission of their contributions. I have endeavoured to trace any sign of connection between these two items and regret to say I have been quite unable to find any.

The Honourable Sir Sankaran Nair has referred to another aspect of the question as enshrined in that curiosity of literature, the amendment of Devolution Rule 18, in which a large amount of legal verbiage is wrapped round the statement that, in the case of the contribution of Bengal, nothing is equal to nothing. In the case of the other provinces this curious equation has the result of making a very substantial something more substantial still. Let me illustrate by the case of Madras. Her initial contribution was to be 35½ per cent. of whatever deficit there might be. The initial deficit was 983 lakhs, and 35½ per cent. of that is 348. The deficit was reduced by remission of the share of Bengal to 920. But the Madras share was maintained at 348 and was thus increased to 38 per cent.

Sir, in conclusion, I join most whole-heartedly in the chorus of congratulations to the Honourable the Finance Member on a most admirable Budget, about which I have only to make a single reservation which is that it cannot be properly described as a surplus budget until the whole of the deficit that is met by the provinces has been wiped out. I hope that next year we shall see that happy consummation reached and the way clear for a new deal. And I might add, on behalf of the Province from which I come, that we shall welcome a new deal as much as any one else, since we are convinced that no new deal that is fair to all concerned can leave us worse off than we are.

THE HONOURABLE RAJA SWETACHALAPATI RAMAKRISHNA RANGA RAO BAHADUR, RAJA OF BOBBILI (Madras: Nominated Non-Official): Sir, I rise to offer my meed of praise to the Honourable the Finance Member for the satisfactory Budget that he has presented to the House. I offer it in no spirit of complimentary courtesy, but as the index of my genuine feeling in the matter. I wish to refer with satisfaction to the conversion of about 25 crores of 6 per cent. tax-free loans and about 5 crores of 5½ per cent. tax-free loans into 5 per cent. loans, about 25 crores tax-free and about 4½ crores tax paying. This successful conversion augurs well for the conversion of the 20 crores of 6 per cent. bonds maturing in September next on the same, if not on more favourable, terms. In this connection I may observe that the saving of 18 lakhs effected in the paying of interest annually and the further addition to the revenue by reason of 4½ crores of the bonds being subject to income-tax are features of the conversion not lightly to be despised.

Although I am not one of those who desire the efficiency of the Indian Army and the safety of the Indian Empire sacrificed at the altar of retrenchment and false economy, I still rejoice to find that the military expenditure stands at a much lower figure than 3 years ago with every prospect of a further reduction in the future, without materially and unduly decreasing the strength or efficiency of the force. The relief proposed to be given to the provinces in the way of a further reduction to their contribution is undoubtedly a matter for rejoicing but, in my opinion, seeing that Madras has been contributing the largest share to the Central Government and considering her present financial condition, she deserves still more favourable treatment at the hands of the Central Government in the matter of remission.

Out of the surplus of 125 lakhs with which the current year is expected to close, a sum of 50 lakhs is proposed to be set apart for the foundation of an Indian Archaeological Fund. This proposal does not materially affect the finances, but has this redeeming advantage that in lean years archaeological research would not be starved on that account. Recent excavations, as pointed out by Sir Basil Blackett in his speech, have held out prospects of information and knowledge of the early history of man, now buried in the soil of the earth and in oblivion dating back several thousand years. Is not further and sustained investigation of this history of supreme importance to mankind and are not the Government to be congratulated on making a small attempt to place the work of this research on a permanent foundation? I, for one, thankfully vote for the proposal. With equal pleasure and delight, I vote for the increased grant for the Indian Research Fund Association and for the other beneficial services referred to by Sir Basil Blackett. I gather from Sir Basil Blackett's speech that it is in contemplation to reduce the interest on post office cash certificates. In the light of the present condition of the money market, a reduction in the rate of 6 per cent. compound interest may safely be pleaded as a justification, but realizing what an enormous blessing it has been to small investors among the poorer classes and how any sudden and heavy reduction in the rate of interest is likely to react on them, in regard to future investments in this class of securities, it is hoped that before taking any step in this direction, full consideration will be given to the benevolent functions of the State, one of which is to help to improve the financial condition of its poor and ignorant subjects who ought, in my humble judgment, to be considered as its wards.

The entire structure of the Indian Tariff Schedules as pointed out by the Taxation Inquiry Committee would seem to require revision in view of the changing conditions, and I trust that Government will take early steps in the matter. Owing to the deficiency of Railways in India, unlike other Western countries which abound in railway communications, it is highly desirable that Government should make every endeavour to encourage motor transport by a substantial reduction in the import duty on motor cars, buses and pneumatic tyres. In these days motor cars have become "a necessity" and cannot be termed "a luxury." The motor bus services which have sprung up during the last three years reveal the possibilities of their expansion and have proved a great boon to the villagers who live far away from the railways. The reduction in the petrol duty made last year not only gave an impetus to motor transport on a large scale but also brought in increased revenue to Government. A further reduction of duty

[Raja Swetachalapati Ramakrishna Ranga Rao Bahadur.]

on motor cars, petrol and pneumatic tyres will, I imagine, more than justify itself.

The imposition of a prohibitive rate of 30 per cent. import duty on all kinds of sporting goods has placed these beyond the reach of schools and colleges. The local manufacturers taking advantage of this high duty and enhanced prices in Europe since the war have raised their prices from 60 to 75 per cent. I am afraid that owing to the unsuitability of Indian material, the sporting requisites made in India can never prove to be a profitable investment. The revenue realized from this source is insignificant and the reduction of duty to the pre-war level will not jeopardize the true and rightful interests of the Indian manufacturer, as only sporting materials of superior quality are imported into India. On the other hand, it will help to induce the Indian manufacturer to import the material required for manufacturing the higher grade articles. In my opinion games and sports play a very important part in the physical development of the rising generation and in the maintenance of health generally and therefore every facility should be afforded to import sporting requisites at a cheap cost.

The Indian ryot is proverbially conservative in his methods of agriculture and has not yet realized the importance and value of artificial and scientific manures to his lands. India is predominantly an agricultural country and will ever continue to be so. The value of artificial manures has been fully realized in all progressive countries of the world. The time has come when Government should make every endeavour to enable the ignorant ryot to realize their value and make them available to them at attractive prices by imposing a duty on the export of raw products suitable for the manufacture of manures, such, for instance, as bones.

I shall not be justified in resuming my seat if I do not felicitate the Government on its decision to abolish the cotton excise duty. From the moment of its introduction the duty was unpopular with all sections of the people, no matter whether it affected them or not. The abolition spells the loss of not an altogether inconsiderable amount of revenue but that loss will be more than compensated for by the relief which it is calculated to afford to the indigenous cotton mill industry, which has not been in a prosperous condition for the past 2 or 3 years. Not less satisfactory than this is the fact that the abolition disarms the Opposition of one ready weapon of attack.

THE HONOURABLE SIR BASIL BLACKETT (Finance Member): Sir, before I proceed to embark on my reply to the very interesting discussion which has taken place, I desire first of all to express my really grateful thanks to all those Honourable Members—I think nearly every one who spoke—who have said unduly kind things about myself, and in particular to Sir Dinshaw Wacha for his breath-taking-away remarks about myself. And then I wish to congratulate the House on the splendid way in which it has risen to the occasion and seized the opportunity that has been given to it by another place. For almost the first time—certainly for the first time in my recollection—the discussion of the Budget in this House has been in an atmosphere of freshness and originality which it has lacked on other occasions when already for two days speech after speech has been delivered in another place, filling the target with holes so enormous

that it has been impossible as a rule for anybody in this House to find any new place at which to make an attack. His Excellency the Commander-in-Chief asked me also to express his regret that he was unable to be present. My Honourable colleague the Leader of the House has already expressed that regret on behalf of the Commander-in-Chief, so, it only remains for me to express that regret on behalf of myself. I am sure it would have been extremely good for His Excellency to hear some of the things that have been said in this House to-day on the subject of military expenditure, and the more so in view of the fact that he was let off in another place.

One special question was asked about military expenditure, I think, by my Honourable friend Lala Ram Saran Das. He asked the reason for the transfer of certain charges from the military to civil Budget. We have been engaged in the course of the last 2 or 3 years in scrutinising various items and considering how far they had hitherto been correctly allocated. We have, as the House is aware, decided at various times during these last few years to transfer to the military expenditure the charges for stationery used by the military, for posts and telegraph services rendered to the Army in so far as they were not already charged to military, and for customs duties on Government stores imported for military purposes. That had the effect of adding considerably to the total apparent expenditure of the Army though it has not of course increased our actual total outlay. Similarly, there were certain charges of which the Escort in Nepal was one which appeared to be non-military in character which were incurred not for military purposes nor under military control, but for purposes connected with the civil Budget and those have been transferred to the civil Budget. That is the explanation of the transfer which my Honourable friend asked about.

THE HONOURABLE LALA RAM SARAN DAS: What about the other two?

THE HONOURABLE SIR BASIL BLACKETT: I forget what the other two were but the explanation is the same. I think one of them was the Military Finance Department. The explanation is very much the same there. It seemed more properly a civil than a military charge and there was also this point to be taken into consideration, that so long as these charges were under military they were automatically non-votable; and when they were transferred to civil, the question whether they were votable or non-votable had to be considered under rather a different category of rules. I do not propose to deal much further with the military expenditure questions that have been raised except to express my full agreement with what I think is the general sense of this House, that our military expenditure must give us an adequate army, but that we ought not to spend an anna more on the Army than is absolutely necessary. I think that the Honourable Sir Dinshaw Wacha with his usual acumen put his finger on the spot when he said that if we are to hope for a large decrease of expenditure we must look for it only in the capitation grant. The real fact is that beyond certain automatic savings, beyond such savings as may arise from a fall in prices and such savings as may arise from our getting rid of moribund charges mostly arising out of the war, there is no room for any large decrease in military expenditure, unless you can secure some reduction in things like the capitation charge or some reduction in the total

[Sir Basil Blackett.]

troops. The Finance Department and the Army Department will not relax their energies in securing that there shall be no avoidable waste in the expenditure on the Army; but given the necessity for an army of a definite size, I do not think that as things are to-day there is very much ground for complaint. I think we have succeeded in eliminating most of the items of extravagance, if there were such, in army expenditure, as a result of the pressure that has been continually exercised in the last few years.

Some reference was made to the figures in regard to stores. It is certainly not a satisfactory thing that it should be discovered at this date that the stocks of stores held by the Army are considerably larger than the figures that were compiled for the purposes of the Retrenchment Committee's inquiry. I am not sure that I would agree with the Honourable gentleman who alluded to these stores in his further suggestion that such a mistake could never happen in a country where the executive was responsible to the Parliament; for I have a very clear recollection of the discovery of something certainly running into many tens of millions of stores which were unknown to the British Army in the period just after the war; and discoveries also, if I may go into another field, of ships anchored somewhere in the Mediterranean which the Navy had forgotten all about. These sorts of mistakes are not, I think, confined to the Government of India. At the same time, it was a very regrettable fact. It was not that the figures given to the Retrenchment Committee were wrong, but they were not complete. They left out to a large extent the Ordnance stores, and I think clothing stores as well were left out. We have been on the track of these surplus stores ever since the war, and particularly since the date of the Retrenchment Committee, and we have been trying to clear the position up. It is as a result of these continued and unrelaxed efforts, that we have now got correct figures. It is also a result of these efforts that we have brought to light the existence of certain shortages in some of the essential stores for which special provision has had to be made partly in the current year and partly in the next year's Budget. It was suggested, I think, in another place by one speaker that the necessity for making up these shortages pointed to some villainy on the part of the Finance Department which had not been giving the Army the money which was absolutely required to keep it efficient. As a matter of fact, the Army did not know that there were shortages until as a result of pressure from the Finance Department inquiry was made into the total stocks, and the Army Department make no suggestion—they would be the first to acknowledge this fact—they made no suggestion that this shortage was due to any refusal on the part of the Finance Department to provide funds for necessary services.

I need not say very much, I think, more than has been said so well by my Honourable colleague on the subject of the grant for Archaeology. I am indeed gratified that it has on the whole received such a favourable reception from this House and from public opinion generally. One or two suggestions that have been made in this House as to how we might have better utilised the 50 lakhs in question seem to me to suggest that there is some misapprehension in some minds as to what we really are doing. One Honourable Member suggested that we should use these 50 lakhs to reduce postal rates. Well, it is not a recurring 50 lakhs, it is a non-recurring 50 lakhs. The 50 lakhs would not be enough to meet the cost of reducing postcards to the old rate of half their present rate even for one year.

What is to happen the year after? These 50 lakhs would no longer be there, and we shall still have a recurring loss on postcards. Similarly, I think that the other suggestions which have been made in regard to these 50 lakhs show a certain amount of misapprehension. Sir Sankaran Nair wanted it, I think, for Madras, but we could not have given a recurring reduction for Madras, and even supposing we had made a non-recurring reduction, we should have been worse off by  $2\frac{1}{2}$  lakhs in the next year's Budget than now. I do not think it is understood that within limits this is largely a book-keeping transaction. It is a method of book-keeping. It is a proposal that instead of granting  $2\frac{1}{2}$  lakhs a year in 1926-27 and for future years, we should grant 50 lakhs now and save ourselves in 1926-27 and in future years the charge on our Budget of  $2\frac{1}{2}$  lakhs for this special grant. If you once agree that a sum of  $2\frac{1}{2}$  lakhs for 1926-27 is not too large a sum to give to Archæology or to Archæological Research, you make no difference in your Budget if you put these 50 lakhs in as capital for an endowment for a new capital fund or if you simply grant the  $2\frac{1}{2}$  lakhs next year. You have not got the 50 lakhs to play with once you agree that you must give  $2\frac{1}{2}$  lakhs next year and assume that you will continue it for future years. So that, it is to a large extent a book-keeping method of bringing the Archæological Fund into being in the hope that the Archæological Fund once in existence will serve the several important purposes on which my Honourable colleague has already spoken. Another suggestion made, to which also my Honourable colleague referred, was that we should use the money for the Medical Research Fund. I think that both the Honourable Mr. Roy and the Honourable Mr. Ram Saran Das made that suggestion. (Here the Honourable Mr. K. C. Roy wanted to interrupt.) I see that the Honourable Mr. Roy is anxious to interrupt and I think I know what he is going to say. He does not want money to be given to the present Medical Research Fund, but he wants a real Medical Research Fund. That is what I gathered from his speech. He wants not the present Medical Research Fund which he thinks is the Government of India under another name. I think he wanted an expert body independent of the Government of India. If that was what he suggested, obviously it is a matter that needs considerable examination and cannot be hurried. If it is merely a proposal that we should do for the Medical Research Fund exactly the same as we have done for Archæology, it is a matter that we might well consider, that is, reduce our grant for next year to the Medical Research Fund by  $2\frac{1}{2}$  lakhs and instead of that, vote Rs. 50 lakhs this year as a supplementary estimate out of our surplus as an endowment for the Fund. I do not know whether that would meet the idea the Honourable Mr. Roy had in mind.

THE HONOURABLE MR. K. C. ROY: Certainly.

THE HONOURABLE SIR BASIL BLACKETT: It is a point which we might well consider. It must be assumed, however, that the purpose of this grant is not, as I think my Honourable colleague with his natural desire for more money from me seemed to think, to increase the total amount available for Medical Research in 1926-27, but to secure for the Medical Research Fund an endowment of Rs. 50 lakhs which would presumably be for all time instead of a grant of  $2\frac{1}{2}$  lakhs for next year which might be taken away thereafter. I do not think that we can suggest at the present time a new endowment for additional expenditure over and above what is already provided in next year's Budget, and that among other things for the reason which was given by my Honourable friend Sir Sankaran Nair when he was dealing with the question of Madras's provincial

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contribution. He approached this subject in what I may call a very truculent mood. He said that Madras was receiving iniquitous treatment. He applied, I think, the words "iniquitous conduct" to the conduct of the Government of India in daring to use monies in the Central Budget for any purpose other than that of reduction of provincial contributions. He seemed to me to take the very extreme view that once provincial contributions came into existence and the Government of India had undertaken—he called it a statutory obligation—to get rid of them as soon as possible, the Government of India had no right to spend any money whatever on any service whatever where it had the slightest choice or the slightest option not to spend it. Whatever optional expenditure there might be in the Budget ought to be rigidly cut out in order to reduce the Madras contribution.

THE HONOURABLE SIR C. SANKARAN NAIR: Every avoidable expenditure.

THE HONOURABLE SIR BASIL BLACKETT: I do not think I have overstated the case when I said "any expenditure that is optional." That is putting the case very high. Are the Government to do nothing for any of their research funds, nothing for any Universities with which they are connected, nothing for education in the North-West Frontier Province or in Ajmer, nothing for sanitation in any of those provinces, until they have reduced the Madras contribution? If that is the Madras claim, I do not think it will be supported by the rest of the House, and I would put it to the House that if that is the claim of Madras, there is really no . . . . .

THE HONOURABLE SIR C. SANKARAN NAIR: I did not confine it to Madras. I spoke for all the provinces.

THE HONOURABLE SIR BASIL BLACKETT: If that is the claim of the provinces as a whole, I put it to the House that any revision of the Meston Settlement is hopeless, and the wisest thing for the Government of India to do is to leave the Meston Settlement as it is and make no attempt to alter it, and proceed to do their best within their lights in spite of Madras's criticism. It is an impossible position. The Meston Settlement was framed at a time when the prices were a good deal higher than they are now and when there was a considerable boom in trade in certain directions, and it was undoubtedly optimistic. It assumed that the existing revenues of the Government of India *plus* those of the provinces were sufficient to maintain the services of the Government of India and the provinces at the level at which they were then being maintained and that future increases of revenue would be automatic and would enable increases in the level of expenditure on the services as then maintained. The results have however been different. It is within the recollection of the House that the Government of India had immediately after that Settlement to impose once and again, three times in three years in succession additional taxation of a very heavy nature in order to make a balanced budget even with the help of the Rs. 9 crores from the provinces. It is not only the Madras Government or the Government of Bombay that was disappointed as a result of the provincial relations settlement of that year, and ever since that date there has been a deficit between the total revenues of the Government of India and the provinces and the claims of the Government of India and the provinces if you leave out the provincial contributions. That is the position at present, and it is quite impossible to alter that position without taking the five crores which at present stand between us and absolute

equilibrium from somewhere. It can be taken by extra taxation. I do not know whether the Honourable Sir Sankaran Nair wishes us immediately to impose additional taxation in order to abolish the provincial contributions. But it must come from somewhere. The claim of the provinces apparently is that it should come out of the Central Government's pocket, that is, that the Government of India must somehow or other add Rs. 5 crores more to their surplus. They can only do that by a reduction of expenditure or increase of taxation. They are trying to meet that position year by year by a gradual improvement of revenue and gradual reduction of expenditure. If it is to be done quickly, it can only be either by cutting off all Government of India expenditure on optional services, that is to say, on all the services in which the elected representatives of India are most interested, or by the imposition of additional taxation. It is obviously not a subject which is going to yield to easy treatment, and I would ask Madras to be a little more ready to recognise that Madras is not the whole of India and that Madras's case is not the whole of the case on the subject. The Honourable Mr. Hotson, speaking on behalf of Bombay, started I thought by putting the Bombay case very strongly, but he ended by appearing to be unexceptionably reasonable on the subject, and he recognised the existence of the difficulties. But his claim adds to the difficulty anyhow, because he begins by saying that we must get rid of all the provincial contributions, that is to say, we must find 5 crores from somewhere. Then in addition we must find out of Central revenues, if not now, in the future, the amount required to give two at least of the provinces that share of the more elastic revenues of the country which at present go to the Central Government and which he wants to go to the provinces. That is to say, his proposals increase. I do not know by how much but they necessarily increase, the gap between us and the complete equilibrium from the existing figure of 5 crores to something more. I thought the Honourable the Maharaja of Burdwan was going to make an epigram. He said that the worst enemies of the Reforms did not want to see the provincial contributions reduced. I am not sure that the epigram that he did not make is not true, and I would say that the worst enemies of the Reforms are the provincial contributions. They are a very serious difficulty in our way. I do not say that we want to make a complete revision of the settlement in the course of this summer because that is rather optimistic and premature, but we do want to make an attempt to deal with the kernel of the grievances of Bombay, namely, its claim to a share in some of the more elastic revenues. We propose to deal during the summer with the Taxation Committee's proposals on the subject of Devolution Rule 15 and see how far we can come to some agreement, but I would put it to all those who come here to speak and press as strong as they can the claims of their provinces that there must be some give and take in this matter. If each province comes here to press its own point of view to the utmost and to make no allowance for the difficulties of the others or of the Central Government, I venture to prophesy that we shall be talking about the existing Meston Settlement without any change at this time next year, and quite naturally in that event the Government of India will have to decide, if there is no kind of possibility of agreement on this matter, whether their existing policy of getting rid of provincial contributions as quickly as possible may not have to be reconsidered and the whole subject taken up in a new atmosphere.

Several Members spoke and truly about the pressure of taxation on the consumer. The last speaker spoke of the high prices of sporting goods as



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the result of the tax on things that come in from elsewhere, and Sir Arthur Froom pressed that the general level of our import duties should be reconsidered with a view to reduction. Now it is exactly the existence of the provincial contributions which makes it such a difficult subject. We have this year, as the House is aware, proposed the final abolition of the cotton excise duty, and with the exception of one speaker that has been universally approved in this House to-day. That speaker of course wanted the money for Madras. As long as the provincial contributions are there, the first claim under the policy that we have announced on any surplus is the claims of the provinces and we cannot really take up the question of the level of our taxation with a free hand until we have a Budget that is balanced without assistance from the provinces. At the same time I do hope that we shall be able in the light of the very valuable Report of the Taxation Committee to make some progress during the year and examine our taxation system with a view to its improvement, and in this connection I am afraid that the results may not necessarily be altogether pleasing to everybody in this House. The general conclusion of the Taxation Committee, so far as I understand it, is that the existing taxation presses rather more heavily on the very poor in this country than it does proportionately to their ability to pay on the richer classes in the country. And that being so, the demands that are made upon me for the reduction of the income-tax and super-tax are obviously not such as are likely to be able to receive an early and favourable reply. I quite recognize the objections to a high level of direct taxation, income-tax and super-tax, in so far as they may chain enterprise and prevent the adventurous investment of money in projects that are likely to redound to India's benefit in the future. At the same time the ability to pay is a criterion you cannot ignore when you are dealing with taxation problems.

While I am on the subject of the cotton excise duty I should like to take up a point made by my friend Mr. Manmohan Ramji. He asked why the Government of India refused in August 1925 to consider the suspension of the cotton excise duty and agreed to do it in December. I do not think that he quoted accurately what was done by His Excellency the Viceroy and by the Government of India in regard to the demand for abolition or suspension of the duty in August and September. The body that came in deputation to His Excellency in August asked for the abolition of the duty. They said nothing about suspension. They were told that we could not agree, except in very exceptional circumstances, to the abolition of a duty of this sort in the middle of the year at a time when the monsoon had not declared itself and when you had complete uncertainty as to whether the budget estimates would be realized or not and without any knowledge whatsoever of the position that was likely to be reached in the year after. It is true that suspension was asked for in another place in a debate during September, and the reply to that was that the Government of India saw no difference between suspension and abolition except in form and that they could not either suspend or abolish in advance of some knowledge of the outturn of the year and of the expectations of the year after. When the suspension actually took place it was stated to be the equivalent to abolition, and it took place at a time when the Government had what they did not possess in August and September, a fairly clear picture of the outturn of the year 1925-26, and were able to see that the effect of suspension was not likely to cause a deficit, and were able to foresee also that the duty

could be dispensed with in the year 1926-27 without requiring additional taxation. There was a very real difference between the conditions in which suspension or abolition was refused in August and September and the conditions under which it was agreed to in December. I think the House ought really to recognize that it would have been extraordinarily objectionable for a duty of that sort to have been given up by a stroke of the pen in the middle of the year, with the possibility that the Government of India might have had to come before the Assembly and this House at this time and ask for some additional taxation to make up for what had been done. I ask the House to consider the atmosphere in which they would have received such a proposal before they condemn the action of the Government of India in postponing a decision in regard to the suspension of the cotton excise duty.

I have only one more subject I think to refer to. Sir Dinshaw Wacha, I was very glad to see, recognized that the ways and means and debt portion of the budget speech was in many ways the most important one, because that deals not with to-day or yesterday or to-morrow, but it has a bearing on the probable condition of Indian finances for some years to come. It is that part of the Budget which to my mind is the most satisfactory of all this year,—the fact that we shall have been able, if our estimates are realized, over a period of two years to finance something like 60 crores of new capital expenditure on productive purposes without having to go to the market for any new money. I think that is really a very remarkable position, and I am glad to see that it is recognized to be so by the market, for since the Budget has become known, I observe that the prices of the more important Government securities have gone up by a sudden jump over a rupee and a half in one case—a very remarkable movement. The ways and means position is one which really shows the strength of the Government's financial position more than anything else, and the improved credit which it yields ought to have very considerable effects on the charge for interest which the tax-payer will have to pay for years to come, just as the improved credit we have already realized has reduced by nearly  $3\frac{1}{2}$  crores the charge for interest as compared with three years ago.

Something has been said by a good many Honourable Members in regard to the post office cash certificates. The cash certificates are old favourites of mine. I was closely concerned with the war savings movement in England at the time when the war savings certificates were first invented and was able to see what an enormous appeal this particular form of investment made to the small investor. They have done very well this year, and I am most anxious that any action we take should not stop the very useful habit of investment among those for whom they are intended. Sharing that opinion, the Honourable Mr. Roy and one or two other speakers I think have urged that no reduction should be made in the yield. But it has to be recognized, as is recognized by the Honourable Rai Bahadur Lala Ram Saran Das, that the rate for these cash certificates must bear some relation to the rate for money generally in the market. Otherwise, on the one hand you will be competing unduly with the ordinary dealers in credit and the ordinary deposit banks and the ordinary savings banks, and on the other hand you will probably be encouraging people for whom the cash certificates are not intended to put their money into those certificates, and the result would be that you will be getting your money at six per cent. from people who would probably lend it to you at five or something under five if the cash certificates were

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at a more reasonable rate. It is a difficult problem. The effect of a reduction may be to damp down the enthusiasm, and I think that justifies us in being cautious in the action we take. I see no reason why the rate for a certificate if held for the whole of five years should not be a little bit higher than the rate obtainable on ordinary market investment because it must be remembered that the full rate is only earned if the certificate is held for the full five years. If it is cashed earlier the rate is less but brings no loss to the individual, and there is a premium if an individual holds it for the full time. But I assure those Honourable Members who are anxious on the subject that we shall certainly do our best to avoid such reduction as will damp down the enthusiasm and put a stop to the growing movement for creating a new class of small investor which these post office cash certificates are at present fostering. I again thank the House, Sir, for the reception which they have given to the Budget and for the way in which they listened to my reply, which I hope has covered all or most of the important points which they have raised in the debate. (Loud applause.)

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#### STATEMENT OF BUSINESS.

THE HONOURABLE SIR MUHAMMAD HABIBULLAH (Member for Education, Health and Lands): Government, Sir, are not at present in a position to place any official business before the House and we shall not, therefore, subject to your direction, meet next week, save on the two non-official days, Monday and Wednesday, the lists of business for which are already in Honourable Members' hands. Thereafter Monday, the 15th, and Wednesday, the 17th March, are likewise non-official days. On Tuesday, the 16th March, Mr. McWatters will move his Resolution regarding the progressive reduction of export of opium from India, and it is hoped that on that and the following day a number of Bills will be laid on the table after passage in another place, but I cannot of course anticipate the decision as to the date on which these Bills will be proceeded with. I may mention that in addition to the Finance Bill there are some eight Bills pending elsewhere which Government hope to pass into law this Session, and that certain of them are unlikely to be laid on the table here earlier than Monday, the 22nd March.

THE HONOURABLE THE PRESIDENT: Honourable Members have received the list of business for Monday next, the 8th of March, and will have seen that there is a Resolution standing in the list in the name of the Honourable Mr. Sethna. I have to inform the House that that Resolution will not be moved.

The Council then adjourned till Eleven of the Clock on Monday, the 8th March, 1926.

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