

19th March, 1921

THE  
LEGISLATIVE ASSEMBLY DEBATES

(Official Report)

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FIRST SESSION  
OF THE  
LEGISLATIVE ASSEMBLY, 1921



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# THE LEGISLATIVE ASSEMBLY.

*Saturday, 19th March, 1921.*

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The Assembly met in the Assembly Chamber at Eleven of the Clock. The Honourable the President was in the Chair.

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## THE BUDGET—THE INDIAN FINANCE BILL—*contd.*

### FINAL STAGE—*contd.*

**Mr. Eardley Norton:** Before the business begins, may I be allowed to make a request to the Chair on which I understand that I have the unanimous support of the House or at least of a very large part of the House. We are quite aware, Sir, that we are behindhand with the Finance Bill, but for reasons of personal convenience, many of us feel that our presence here after two O'clock to-day would cause us very grave and, we think, unnecessary embarrassment. Many of us have not yet received our post, dealing with serious matters connected with our business. Some of us have had no breakfast. May I ask if the House will be prepared to adjourn to-day at 2 O'clock?

**The Honourable the President:** From the point of view of personal convenience, I am sure that every Member of this Assembly willingly accepts the suggestion made by Mr. Eardley Norton, but, before coming to any decision on the point, I think I must hear what the Honourable Finance Member has to say. We must get ahead with business. I can only say in general terms, that if we lose two or three hours of business this afternoon, we may find that we have to pay seriously for it next week.

**The Honourable Mr. W. M. Hailey:** Sir, I should be very unwilling, indeed, to oppose any motion which is desired in the interests of the convenience of the House, but the facts are, that unless we get through our Bill to-day, it will not be possible to lay it before the other House on Monday. The next date possible is Thursday, and this would give the other House insufficient time to consider it and send it back to us with any amendments that they desire. The consequence might be that we should only have to involve ourselves in further delay at the end of the proceedings instead of at the present stage. I had hoped, Sir, that when I made an appeal to the House for expedition the other day, I carried the House with me: in fact I think I heard from the other benches signs of assent which appeared to me to show that the House was prepared to get through this urgent piece of business as speedily as possible.

**Dr. Nand Lal:** Sir, on a point of order. I very respectfully submit that I am in favour of it, even though we may sit up to 9 O'clock to-night, that we may see this work, before us now, finished to-day.

**The Honourable the President:** I think we may have some compromise between the hours of 2 and 9. As the Honourable the Finance Member has suggested, the hour of rising is, after all, entirely in the hands of Honourable Members themselves. A slight reduction in the periods of their eloquence will no doubt enable us to adjourn much earlier than we should otherwise do.

**Dr. H. S. Gour:** May I ask, Sir, a question relating to the procedure in this House? If a motion is carried by this House under a conceivable misapprehension, is it open to this House to recall that motion by having it re-discussed and a division taken? I specially mention this in connection with clause (a) of section 68, which says, that when a Bill is introduced, or on some future occasion, the Member in charge may make one of the following motions in regard to his Bill, namely, that it be taken into consideration by the Assembly. Now, as I read this clause, it may be that the whole House is in committee and the Finance Bill is under discussion by the whole House sitting in committee. If that be the correct view, I submit, that if this House decides any particular point and wishes that matter to be reconsidered, there is nothing in the rules, so far as I am aware, to prevent the House from doing so.

**The Honourable the President:** I may say, for the Honourable Member's information, that I have taken the matter into consideration. My consideration is not yet complete, but I hope to be able to say something further on it before the rising of the House this day.

#### PRECIOUS STONES.

**Mr. Manmohandas Ramji:** Sir, I beg to propose :

'That item\* No. 5 'Precious stones uncut and imported uncut' be omitted'.

Sir, my object in moving this amendment is that this article can bear some duty, and it is undoubtedly an article of luxury. Therefore, I want it to be taxed at 20 per cent. *ad valorem*.

**Mr. C. A. Innes:** Sir, item No. 5 includes precious stones, unset and imported, uncut, and pearls unset. I understand that Mr. Manmohandas Ramji's motion is that these items should be transferred to Part V of the Tariff Schedule and assessed as luxuries at 20 per cent. *ad valorem*. Well, Sir, on the face of it, this is a very reasonable proposal. But the amendment of a tariff is a very difficult, expert and technical matter, and there are all sorts of unseen pitfalls in it. Now, 'pearls unset' are a very good instance of this. When we amended the Tariff Act in 1916, we actually imposed an import duty on pearls unset. Now the trade in unset pearls is purely a transit trade. They come into India, they are polished here, and then they are re-exported. When we introduced them into the tariff in 1916, we were very doubtful whether we should be able to maintain our tax without destroying the trade. When goods are imported and then re-exported, they are entitled to a draw-back on re-export. But the House will realise that pearls are not identifiable and, therefore, on re-export, they cannot get this draw-back. In introducing the Bill in 1916, Sir William Meyer pointed out this difficulty. He said that the Government of India would watch the matter very carefully, and that if they found that the tax was hindering the transit trade, they would at once withdraw it. We had no sooner introduced the tax than we found it did destroy the trade altogether. We got nothing out of it in the way of revenue, because pearls ceased to come in. Consequently, no sooner had we imposed this import duty on pearls, than we had to take it off by notification under section 23 of the Sea Customs Act. Now, that is the reason why we have retained pearls unset on the free list, and I think the House will agree that

\* Schedule I of the Bill as introduced, page 2.

it is a very good reason. We shall not get any revenue by transferring them to Part V and taxing them as a luxury, and we shall destroy the transit trade. That is what I have got to say, Sir, about pearls.

Now, as regards precious stones, unset, and imported uncut, that question was also considered very carefully in 1916, and we decided that we should not attempt to tax precious stones, unset and imported uncut, for two reasons. The first reason was the ease of evasion. These precious stones are very small things. They can be sent by post; they can be brought in people's pockets; and it is very doubtful whether we should get any revenue out of an import duty. But there was a second reason. We have in India a lapidary industry in Calcutta, Delhi, Jaipur, Surat, Bombay and other places. Rubies, emeralds and other precious stones come into India in an uncut and unset state in order to be cut and polished. Since we shall not get any revenue by putting an import duty on these precious stones when imported unset and uncut, we thought that we should not run the risk of destroying this little Indian industry. The only result might be that without gaining any revenue we should drive the trade out of the country.

**Mr. Manmohandas Ramji:** After this explanation, Sir, I beg to withdraw my motion.

The motion was, by leave of the Assembly, withdrawn.

(Then the President called upon Mr. B. Venkatapatiraju to move his motion.)

**Lala Girdharilal Agarwala:** I have got also a similar motion, Sir, motion No. 28.

**The Honourable the President:** Order, order. Mr. Venkatapatiraju.

**Mr. B. Venkatapatiraju:** Sir, my motion is:

'That item\* No. 5—Precious stones, etc., be transferred from Part I and inserted in item 80 in Part IV.'

Sir, I have not gone to the length suggested by Mr. Ramji that these things should be assessed at 20 per cent. *ad valorem*. My proposal is that instead of allowing them duty free, they should be assessed at 11 per cent. *ad valorem*. One of the objections raised by Mr. Innes is, that it is easy to smuggle these things into the country.

**The Honourable the President:** Order, order. The Honourable Member's amendment is substantially the same as that of Mr. Ramji. The House decided just now that precious stones shall remain on the free list. Therefore the issue cannot be raised again as between 20 per cent. and 11 per cent. The same remark applies, I think, to Mr. Agarwala's motion also (No. 28).†

**Lala Girdharilal Agarwala:** Sir, my motion No. 29 is an amendment in favour of having yarn free of duty. Now, the textile industry in this country is struggling and it requires to be helped.

**Mr. C. A. Innes:** May I rise to a point of order, Sir? I should like to point out that yarn is already free of duty. Please see item No. 22, Part I of the Import Tariff.

**The Honourable the President:** Does that meet the Honourable Member's point?

\* Schedule I, page 2 of the Bill as introduced.

† No. 28. That item 5 be transferred from Part I to the end of Part V as item 140.

**Lala Girdharilal Agarwala** : I have not been able to follow my Honourable friend, Mr. Innes.

#### UNIFORMS AND ACCOUTREMENTS.

**Mr. B. Venkatapatiraju** : Sir, I beg to move :

'That \*Item No. 11—Uniforms and accoutrements appertaining thereto, imported by a public servant for his personal use—be transferred from Part I and inserted in Part III.'

Sir, my proposal is that persons who import uniforms, etc., should pay duty at 2½ per cent. I do not see why they should be allowed to import them free, without paying anything when they import for their personal use. It is for that reason that I suggest a duty of 2½ per cent. and I think this is a very reasonable proposal.

**Mr. C. A. Innes** : Sir, the only remark I have to make about this amendment is that it seems hardly worth making. We are amending the tariff as everybody knows because we have a very large deficit to meet. The effect of Mr. Venkatapatiraju's proposal would be that we might possibly get, if we did not injure the trade in the uniforms which come in ready made, about Rs. 5,000 or Rs. 6,000. But I suggest that it is hardly worth this House's while, when we are so pressed for time, to make this petty amendment.

The motion was negatived.

#### TEXTILE MACHINERY AND STORES.

**Lala Girdharilal Agarwala** : Sir, I move :

'That after †item 18 the following new item be inserted :

18-A. Textile machinery and stores.'

In the Statement of Objects and Reasons of the Finance Bill, in paragraph 2 (2), this is stated : 'The withdrawal of the concession allowed by the existing tariff under which machinery and stores imported for use in cotton mills are admitted free of import duty.' I submit, Sir, that the cotton industry in this country is struggling—(Laughter). I cannot understand why my Honourable friends are laughing when I say that we cannot compete with foreign goods even now, and it is necessary that our industry should be protected. We cannot extend our textile industry unless we get a large number of machines, spinning and weaving machines throughout the country, and we cannot any more go on with Mahatma Gandhi's *charkha*. I submit for these reasons that it is necessary that these articles should remain free of duty and should not be taxed. The result would be, if it be taxed, that we would not be able to import machinery for setting up weaving mills and we would suffer.

**Mr. C. A. Innes** : Sir, the concession by which textile machinery and stores have up to date been admitted free of duty into India dates from the time when the import duty on piecegoods was first imposed and when a counter-vailing excise was placed on piecegoods manufactured in this country. It was realised at once that since in the matter of piecegoods manufactured in this country an excise duty precisely equivalent to the import duty on imported piecegoods had to be paid, the cotton mills here were placed in a disadvantageous position, in that they had to import from England machinery and mill stores they required for their mills. It was decided, therefore, that these machinery and mill stores should be free from all duty.

\* Schedule I, page 2 of the Bill as introduced.

† Schedule I, page 3.

Now, Sir, the position is entirely different. The textile industry in this country has the benefit of a six per cent. duty. The excise duty on piece-goods manufactured in this country is 5 per cent. Under the proposals which we have placed before the House, the import duty on imported piece-goods will be 11 per cent. In view of this difference we desire to remove the small concession whereby textile machinery and stores are admitted free. We shall get a small amount of revenue, say, about ten lakhs of rupees out of this. Moreover we shall simplify very greatly our customs procedure. The objection that we have to the continuance of this concession is that it causes us very great administrative inconvenience. The working of these exemptions involves considerable difficulties, in that certain articles can be used for entirely different types of work, and others can be used for woollen mills which are not privileged. Again the question arises of importations by people who buy for stock and who sell to cotton mills or elsewhere. The result is that in a large proportion of cases a provisional duty is charged in the first instance, and is adjusted on production of the necessary proof of destination. In some cases the duty is charged subject to a refund being granted when the machinery has been erected or the stores have been used. Both processes involve a subsequent handling of the papers which have, in the meanwhile, been dispersed for audit, for statistical or other purposes, and the extent of the clerical and administrative labour involved is very great. The disposal of every refund application tends to clog the wheels of the customs machine and to be productive of slower work. Now that we are increasing the import duty by probably at least  $3\frac{1}{2}$  per cent. without any increase in the excise, it seems to me equitable that we should remove this concession, which I venture to think that cotton mill industry no longer requires.

Mr. Agarwala referred to the 'struggling industry.' All I can say is, that I wish we had more industries struggling in this way in the country. I have here a list of the dividends paid by the Bombay cotton mills in the last year. I will just read them out in order: 36 per cent., 26, 25, 128, 22, 128, 70, 30, 45, 85, 52, 42, 30, 65 and so on. It seems to me, Sir, that this industry is in an extremely strong position. It seems to me that it no longer requires this little concession which, as I have said, causes us a great deal of administrative inconvenience, and I suggest that the House should accept our proposal which means an additional revenue of about ten lakhs of rupees.

Mr. Manmohandas Ramji: I have also an amendment standing in my name, item No. 35. May I know whether I shall be allowed to move it, or this proposition will dispose of it also?

The Honourable the President: The Honourable Member is raising quite a different question there. As far as I can see, he is raising the question of materials used in the industry.

Mr. Manmohandas Ramji: Not stores as a whole, but only a part of the stores.

If I may be permitted to say a word, Sir, Mr. Agarwala's motion is, that the whole of the stores imported for mills is to be excluded, whereas my proposition says, that stores used for sizing purposes only be exempted.

The Honourable the President: In order to give the Honourable Member an opportunity, I will put the amendment before the House in the following form:

'After item No. 18 the following new item be inserted:  
'18-A. Textile machinery.'

The amendment was negatived.

**Mr. E. L. Price:** Am I to move my amendment No. 32, because that and No. 59 are two component parts of a perfect whole? I cannot very well move the one without the other.

**The Honourable the President:** If they are parts of a perfect whole and we dispose of No. 32, then No. 59 shares the same fate.

**Mr. E. L. Price:** I beg to move:

'That 'silver' be omitted.'

Of course, the House understands that this is attempted with the idea of collecting an import duty which, before the war, according to the evidence given in the Babington Smith Committee produced an annual revenue of a crore of rupees, a sum of money which this House would, probably, be very glad to have in hand in order to reduce some of the charges that must otherwise undoubtedly fall on the poorer sections of the community. I must apologise to this House if I speak with what in another place is called irresponsibility. Of course, I had prepared 20 pages of print, but owing to your appeal, Sir, for expedition I prefer to put them behind me and shall be as brief as possible. I put it to this House, that India is rather afflicted with busybodies outside. The latest of them is Lord Amthill against whose proposed action we, unofficial European Members, have recently sent a strong remonstrance. I cannot but feel that the Babington Smith Committee also, however appointed, was also something in the nature of some one of these outside busybodies. It contained only one Indian Member and its whole results have been disastrous to this country. It sat at a time when, if one thing was more certain than another, as pointed out by the Exchange Banks, conditions were absolutely fluid. There was no stability, and on this fluid basis they tried to erect a structure, and that structure has toppled down to the great discomfiture of all concerned. Now I am very sorry, really I feel I ought to apologise to the House, for mentioning this Babington Smith Committee Report at all, because I do not know that I can say a word in its favour; but, however, as my opponents resolutely mention it, it seems necessary to revert to it. First take paragraph 71 of the Report. It is thrown at my head from all over the place: 'Oh, the Babington Smith Committee said, You *must* take off the duty on silver'. Now, Sir, when I read the exact words to the House you will see they made no such statement without a certain amount of reserve. They said:

'For these reasons we recommend that when the prohibition of import of silver is removed, the duty should also be removed unless in the opinion of the Government of India the fiscal position demands its retention'.

I would ask the House to note the words 'the fiscal position demands its retention'. Of course my contention is that the fiscal position seriously demands its retention at this time. Now, Sir, while on this question of the Babington Smith Report I must naturally take the minority report on the same subject and of course I quite agree that Mr. Merwanjee Dalal is unequivocally against any import duty, but I would refer to page 41 and quote Mr. Dalal against himself. Section 12 runs like this:

'I discuss in detail below these and other points referred to the Committee and now state the recommendations that I desire to make:

(a) The money standard in India should remain unaltered, that is, the standard of the sovereign and gold mohurs (notice the words 'gold mohurs') with rupees related thereto at the rate of 15 to 1.'

\* From Item 20, Schedule I, page 3 of the Bill as introduced.

Now this is the more important, Sir, because the gold mohurs that we coined at the Bombay mint, I think, in 1917, had stamped on the back Rs. 15, and of course they were exactly equal in weight and fineness to the sovereign. I am sorry, I have not got one of the coins here to show you, but they are unobtainable. Now it has often been stated that the minority report advocated the retention of exchange at *1s. 4d.* It did nothing of the sort, Sir. From this section you will see that it wanted to retain exchange at *1s. 4d. gold*, Rs. 15 for a gold mohur or for a sovereign, which is a gold coin of exactly the same weight and fineness as the said gold mohur. Now, Sir, what is the current value of a rupee at *1s. 4d. gold*? I worked it out roughly and the answer is *1s. 9d. sterling*. *1s. 4d. gold* is *1s. 9d. sterling*. There can be no doubt about it. That is what the minority report recommended!

Now as regards (b), (I am reading again from the minority report):

'Free and unfettered imports and exports by the public of gold bullion and gold coins.'

'(c) Free and unfettered imports and exports by the public of silver bullion and silver coins.'

Now, Sir, I want to draw the attention of the House to this fact that Mr. Merwanjee Dalal divides up gold from silver. Why should he not lump them together like the Customs schedule? Why should he label one (b) and the other (c) and take two extra lines of print for nothing? The reason is, that Mr. Dalal is undoubtedly a very good economist and he knows perfectly well that gold and silver are altogether in different categories for international purposes, and therefore he so placed them. Gold will always pay your way. The greater the stress of the times the more favourable is gold. Silver is in an entirely different category. It very often will only serve the purpose of securities, and most of us know to our cost what little service securities will afford a man in times of stress. Now, Sir, leaving that report, I come to an item of evidence given before that committee and given by an expert called Mr. Bomanji. I have heard his name mentioned in this House in connection with exchange, showing how expert he was during the sale of Reverse Councils, and on that account I suppose we cannot do better than accept his recommendations now. He says:—

'With a rise in the sterling value of the rupee, with no restrictions on the import of gold and silver and with a ratio fixed between sterling and rupee, under those conditions, I do not think that you can permanently keep exchange very high.'

and that leads me to the further question as to whether the Government of India wants exchange to rise, and whether commercial India wants exchange to rise. Well, Sir, there are the many commercial considerations that I stated on the 8th. The Honourable Mr. Sarma, will admit that one of his chief fears, I suppose, about releasing exports is, that at the present low exchange, prices might rise. If exchange were at *1s. 8d.* he would have far less reluctance, and from his point of view it would probably be a good deal more comfortable if exchange were a little higher. But there is another Member of Government, Sir, who is much more interested than even Mr. Sarma, and that is the Finance Member. From the 1st of April when this Budget comes into operation, there are home charges to be met to the extent of 47 millions against which the Finance Member has put an amount of 20 million, which he expects the other way, that is in payment for military services. Now, Sir, I am taking it, I may be wrong, I hope not, that what he means to say is he is going to spend for

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the War Office 24 crores and at the rate of 1s. 8d. calculated Rs. 12 to the pound recover in London 20 millions. The operations begin on the 1st of April, that is almost next week. But, Sir, in spending these 24 crores, he has told us that the War Office will only repay him at the market rate. If the War Office pays him even at 1s. 4d. the amount, he will get in London will only be 16 millions, instead of 20 millions and at once on that item alone we have another deficit of 4 millions, which is an extremely serious thing. Now, Sir, the objections to this duty on silver have been very effectively stage managed. Most of us have seen some theatrical representation when an army is introduced. Four or five men armed with helmets, shields and swords march through. As soon as they pass out of sight, they 'double' up and come in again. You watch them a little bit and think there is a large army passing through. I believe that that is what has really happened in the case of these protests against the import duty on silver. The main people who are interested are half a dozen bullion brokers who are extremely anxious that whoever has to pay, and whatever they have to pay, at all events no burden or restriction should fall on them. It was referred to in the *Statesman* as undiluted selfishness. I hope it is not quite that. There is something serious behind it too. But when the Finance Member replied on this question being first raised, he spoke about consulting the silver bullion dealers. Well, Sir, the Finance Member has put a duty on sugar . . . .

**The Honourable Mr. W. M. Hailey :** I venture to interrupt, I said that I should have to consult Bombay, not the bullion dealers.

**Mr. E. L. Price :** Well, Sir, I am sorry if I misunderstood the Finance Member, but I am not aware that he had particularly to consult Bombay over the import duty on sugar, which is a food of the people. And, even if you say to me that this sugar is not eaten by the poorer classes, I will admit that ; but, at the same time, the rise in the price of foreign sugar affects the price of the Indian article. Again, take cloth. You say you are forced to raise the duty on the clothing of the millions of India, and, if you say that Manchester goods of the finer sorts will not so much affect the masses, I shall again have to say that behind that new tariff wall that you are raising, the indigenous products will rise in price. The extra income-tax, the higher super-tax that you try to impose on the mill-owners, behind that tariff wall will be easily passed on to the consumer, and the tax you place on food and clothing will undoubtedly affect the masses.

Now, Sir, socially silver is a luxury. People do not need it to eat or to keep them warm, and I do say that it is a most important thing that admitted luxuries should be taxed. From the currency point of view also uncoined silver is a luxury because we have a nominal gold basis, and that gold basis will never be made effective unless the volumes of silver that keep coming to India are restricted and penalised.

I have been as brief as I could ; I am sorry if I have missed any important points.

**Dr. H. S. Gour :** I am sorry, Sir, I have to oppose this amendment and I shall briefly do so by categorising my objections.

My friend's first point was that the exchange would improve if there is an import duty on silver. I submit, Sir, as I pointed out in my speech when

the general debate on the Budget took place, that the amount of silver which is imported to this country is not such as materially to affect the exchange much. I therefore submit that the question of exchange must be left out in considering the import duty on silver, and, even assuming for the sake of argument that it will reflect upon the exchange, I submit that the Government must not any longer tamper with exchange. They have done so before much to their cost and the cost of the country, and the exchange problem must now be left to solve itself.

My next objection is that the savings of the people of this country are mostly made in silver, and it would be a most suicidal policy for this Assembly to attempt to tax those savings.

My third objection to the Honourable Member's proposal is that silver is a currency metal and it is one of the axioms of economics that currency metals must not be taxed; there must be a free flow of currency metals.

My next objection is that we have a considerable trade with China which is a silver currency using country. Our trade with China is already dwindling and it would seriously suffer if we were to put an import duty on silver.

On these grounds, Sir, I oppose the amendment. . . . . 100

**The Honourable Mr. W. M. Hailey :** The House will readily understand, that when it places within our grasp the prospect of a crore of rupees, we should not lightly reject the offer; it is no function of ours to look a gift horse too narrowly in the mouth. But, Sir, it is my duty to advise the House to the best of my ability, not only as to how to meet its immediate difficulties with the least inconvenience to itself and to the country, but how to regulate its finances over a period of years with the greatest safety to health and stability. It is because I feel it to be my duty to ask the House to take a long view of these matters, that I must criticise the proposal put forward by Mr. Price.

Let me take his last argument first. He said that silver was a luxury. Well, whether an article is a luxury or not is often a matter of opinion, and sometimes even a matter of verbal expression. But I am aware that people are frequently disposed to a decision on even the most important and vital questions by a prejudice derived from a classification of this nature. Now, Sir, is silver really to be classified as a luxury? Certainly that was not the opinion of Indian publicists when we placed the tax originally on silver. We were then told, as Dr. Gour has told us again just now, that we were taxing the savings of the poor man. It has, it is true, long been a charge against India, a charge certainly levied against India by Europeans from the 17th century onwards, that it is a pit for the precious metals. A long succession of economists has deplored the Indian habit of hoarding the precious metals. As a matter of pure economics they were undoubtedly correct; but the circumstances of India require that we should apply some qualification to this condemnation. If metal is hoarded, it does not necessarily follow that the metal so hoarded is a luxury. I will admit that for the European silver is a luxury; for the richer Indian, except in so far as he seeks to meet the absolute necessities of ceremonial occasions, silver is a luxury; but is it a luxury for the poor man? He has no banking facilities; he is not sufficiently educated to have acquired the Savings Bank habit, and, until he improves sufficiently by education to appreciate the investment habit, or until we can provide him with the necessary banking

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facilities, silver and gold are practically his only means of banking. To that extent at all events silver is not really a luxury, and I would deprecate any attempt to decide the immediate issue before us—a tariff issue—on the supposition that we are taxing a luxury pure and simple.

Now, Sir, that is not of course my main objection, though I have had to state this point in order that I might clear away any prepossessions derived from Mr. Price's statement of this aspect of the question. My main objection is far stronger, and is directed against what is after all also Mr. Price's main point, namely, that an import tax on silver would tend to rehabilitate exchange. I maintain, that in the present chaotic conditions of exchange there is unanimity only on one point, namely, that we should now cease to attempt to regulate it by artificial means. That has been the lesson of the Brussels Conference; that has been the lesson that has been impressed on us by the majority of persons in this country qualified to judge of the situation. We are told that we have made a failure of things; how far that is true, is a matter of opinion; but it is certainly a matter of fact that we have been very freely told that we had now better leave things alone. Yet Mr. Price's proposal would, if accepted, constitute exactly one of these artificial attempts to regulate exchange which the country at large has protested against. Again, if in many quarters blame has been imputed to us with regard to what has been described as the failure of our exchange policy, yet it is nevertheless true that we have gained some credit from the fact that we have released the precious metals from all control, both import and export. Let me quote a short passage from a paper that I am fond of quoting because it not infrequently attacks, and attacks from a very well informed standpoint, our general financial policy. It says:

'We have gradually got down to unrestricted trade in most things including our precious metals and exchange, though in our economic Sahara some people are still clamouring for administrative interference with a free exchange and for the re-imposition of restrictions on the import of silver. But this very freedom makes it all the more necessary to strike off the last shackles from the limbs of trade.'

I believe, Sir, that the great majority of commercial men in this country think that our one hope of stabilising exchange is to leave it to the operation of natural forces. This particularly applies to restrictions on the precious metals; because ultimately the precious metals must be relied on to re-establish the balance of trade; they are the only resort when ordinary imports and exports fail to arrive at a balance. We may be told that if we really believe this theory, we should not have placed restrictions on the movement of metals during the war? The consequence of such restrictions was seriously to affect exchange; but they were due entirely to war conditions, and could not have been obviated by any means in our power whatsoever.

Now, to come to details, what is the exact effect of an import duty on silver? I have heard it said, that an import duty on silver does not in itself prevent silver being used for re-establishing the balance of trade; that is it does not prevent its export when required for that purpose. Well, Sir, it does; that statement is not correct. I will quote an authority which most Members of this House would, I think, admit to be unimpeachable. That authority says:

'It would be wicked to make India a bottomless sink for silver, and this had formerly been brought about by the imposition of a duty.'

The explanation of course is, that if we place a two-anna import duty on silver, India cannot use silver freely for purposes of export until the Indian parity rises to two annas above the London parity, or about 12 rupees per hundred tolas. It is perfectly true that the Customs Act does provide for a rebate of ½ths on re-exports of silver; but you cannot identify particular prices of silver; it gets broken up, and changes its form, so that, as a matter of fact, that rebate can hardly ever be claimed.

My position then is, that the imposition of an import duty on silver practically prevents its export until the Indian parity rises strongly above the London parity. Now, Sir, that is not a theoretical consideration in any way, but it is a practical one. What is happening at the present moment? I am going to read to the House lest it should be thought that I am voicing merely my own views—another extract from the same authority. I quote it to prove that the free import of silver is not an unmixed evil, that in return for imports we get both exports of silver, and even of a more important factor in exchange, I mean gold.

'The trade returns of last year show that since the abolition of a silver duty by the Secretary of State India is importing as well as exporting silver bullion and coins. At the present moment, India is exporting gold at the level of Rs. 30 per tola and importing silver at the level of 25 per 100 tolas. It is advantageous for India to sell gold, the price of which, as measured in rupees, is high. Later on, India will be able to buy back its gold at least 25 per cent. cheaper. It is much better for India to buy cheap silver necessary for the ornaments of the people than to melt silver rupees. The silver demand of India is going to be limited. India, since the repeal of the import duty on silver last year, has exported silver to China at the level of 105 and is now advantageously re-purchasing it at the level of 85. India had bought its gold much under Rs. 23 per tola and is now selling it at a huge premium. India is exporting more gold than it imports silver.'

It is in fact true that if you import silver cheaply, you can export gold when it is to your advantage to do so. What are the facts? During the last eight months India has exported 16½ crores worth of gold and has imported only 6 crores worth of silver, while exporting three.

Now, Sir, it may appear that I am arguing not only against our own immediate interests in this matter, but also against the theories advanced by the Government of India when they placed the duty on silver. But the conditions are very different now to what they were then. Then it looked as if the gold exchange standard was firmly established and nothing that we could do in raising revenue by way of an import duty on silver would affect it. But, Sir, that condition of affairs has been dynamited by the war, and a very different state of things prevails now. I doubt if anybody now would care to use the same arguments regarding the innocuousness of an import duty on silver that were advanced when the import duty was imposed by Government in 1914.

And, finally, Sir, Dr. Gour has referred to another point, also, if I may say so, a strong one,—that is to say, our relations with China. Our exports to China are ultimately paid for in silver, and the briefest consideration will show that the imposition of an import duty has practically the effect of raising the exchange against our Indian exporters. When the matter was discussed in the Imperial Legislative Council during the debates on the proposal to impose the tax, that point was pressed strongly against us, particularly, I think, by Sir Sassoon David, one of our stoutest opponents at the time. Government then had to admit, that the imposition of an import duty would have this effect, though it referred in its calculations to a limit of only 2 or 3 per cent.

[ Mr. W. M. Hailey. ]

Now, those Sir, are the points which I, imitating Mr. Price's brevity, have to put before the House. I have to put before the House that, as a matter of economic theory, it is bad. I have to put before the House that though it is an exceedingly attractive proposition in view of our immediate difficulties, yet, taking the broad view, I believe that it would do more harm than good. If an import duty were imposed now and it were found subsequently that it was doing us harm, the House knows how difficult it would be then to remove it. It is for these reasons, Sir, that, taking what I believe to be the larger view, I myself advise the House not to accept the proposition put before it by Mr. Price.

**Mr. Jannadas Dwarkadas :** Sir, in opposing Mr. Price's motion and in endorsing the opinions that have been expressed by the Honourable the Finance Member, I only want to detain the House for a couple of minutes and not more.

I want to draw the attention of the House to this fact that when the Currency Commission submitted its Report in 1919, Honourable Members are aware that the majority report and the minority report differed on many important points. But if there was one point on which there was unanimous agreement between the Indian Member of the Commission and the other Members of the Commission, it was this point, namely, that no import duty should be levied on silver. This is what the Currency Commission's majority report said :

'There is a strong feeling in India against the retention of the duty. It is an obstacle to the establishment of a world market in silver in Bombay and places the Indian consumer of silver at a disadvantage in comparison with the population of other countries.'

In the minority report it was also stated that the silver duty should be abolished. I want to ask Mr. Price if he can point out to me any country which has an import duty on silver? And we must also remember this fact, that in India, where the larger portion of the currency is based on silver, it would be detrimental to our financial interests and our commercial future to levy an import duty on silver.

I entirely agree with my friend, Dr. Gour, that silver is not looked upon as an article of luxury, however much we may regret the custom that is prevailing among the masses of the people to have silver ornaments made and to hoard silver in that form. We must look the fact in the face, that this is a custom which is prevailing, and if we try to levy a duty on silver and if the masses feel that their one method of saving money is also attacked, it will create a good deal of discontent among the masses. But more important than anything else is this fact, that in Bombay we have one of the largest bullion markets in the world, and if it remains unhampered by an import duty on silver one can remain perfectly sure that in course of time Bombay, and consequently India, will be one of the greatest commercial centres of the world. I say that the commercial future of India is dependent upon not levying silver duty, and I hope Honourable Members will reject the proposition moved by my Honourable friend, Mr. Price.

**Rao Bahadur T. Rangachariar :** Sir, I wish to present to the House the view of a layman in this matter. I consider Dr. Gour to be as much a layman in this matter as myself. There was one portion of his argument which I failed to appreciate. It is quite true that our people are in the habit of

putting their savings in silver; but how the imposition of an import duty on silver will reduce the value of the savings I fail to see. On the other hand, I am inclined to the view, that it may enhance the value of the material. But while we have a Doctor, Mr. Price on one side, we have the Honourable Finance Member as a Doctor on the other side. Where two Doctors differ, the safest course will be for the present at any rate to allow the *status quo* to remain. Let us wait and see, because it is dangerous to interfere in a matter like this; and taking that view, as I do, I am sorry to say, I am not for voting for Mr. Price's proposition.

The amendment\* was negatived.

**Mr. Jamnadas Dwarkadas:** Sir, I want to point out at the outset that there seems to be some mistake in the form in which my amendment is presented here. I gave notice of an amendment as a whole, that item No. 22 be transferred to item No. 75, but I should prefer, with your permission, that it should be transferred to No. 97 of part IV of Schedule II. So I shall deal with the amendment as a whole and not merely with the amendment as it stands here, with your permission, Sir. I may also point out that in the notice which I gave I had not included the whole of item No. 22, but I had mentioned only the first half of the portion, *viz.*, cotton twist and yarn, and I had left out sewing and darning thread; on this paper it is No. 33. Now, Sir,.....

**The Honourable the President:** The amendments standing in the name of the Honourable Member, Nos. 33 and 67, are not distributed according to his original intention; I think that is what he means?

**Mr. Jamnadas Dwarkadas:** That is so, Sir.

**The Honourable the President:** He may move No. 33, as drafted, and No. 67 later.

**Mr. Jamnadas Dwarkadas:** I shall move the amendment as a whole, Sir, *viz.*, that item No. 22 in Schedule II, part I, Cotton twist and yarn, be transferred to Schedule II, part 4, item No. 97; and cotton, sewing and darning thread, be kept as it is; that is not a part of my amendment. Sir, the Members of this House are probably aware that the import duty of 11 per cent. that applies to other articles applies to cotton manufactures, *viz.*, piece-goods; it does not apply to yarn which is imported from foreign countries. Now that is a very great disadvantage. In the first place, if we make the import duty applicable to foreign yarn, it will yield to us in these days of stringency a very very large revenue, revenue to the extent, I venture to submit, of Rs. 60 or 70 lakhs per year. The opinion of the Mill-owners Association in Bombay and of the commercial community of Bombay as represented by the Indian Merchants Chamber, is strongly in favour of including yarn among dutiable articles. It may be argued, as it is argued by many, that the imposition of an import duty on yarn may hit the hand-loom industry in India. Now, that is not so. The hand-loom industry in India consumes yarn which belongs to the finer counts; and if finer counts which are imported from England are made to pay an import duty then it will not affect the poorer classes of the people. The cloth made of the finer counts is an article of luxury and so it might affect the richer and the middle classes, but not the poorer classes of the people. However, I may say at the outset that I have taken into consideration the objections raised by many Members of this Assembly, especially from

\* That in item 20, the words 'and silver' be omitted.

[ Mr. Jammadas Dwarkadas. ]

the Madras side, that hand-loom weavers might be affected by having an import duty on foreign yarn, especially on yarn that comes under the class of finer counts, namely, above 40's. Well, having taken that into consideration I am quite prepared if it comes to that to accept the amendment of which notice has been given by my friend, Mr. Naraindas Girdhardas excluding or exempting from duty yarn above 40 counts, so that we may not hit the hand-loom industry in India, which would be hard hit if the import duty was raised. But in regard to the lower counts I can see no justification for Government exempting them from duty. I want to draw the attention of this House to the fact that the effect of exempting yarn from duty has been appalling inasmuch as Japan has found entrance into our market, and Honourable Members will be surprised to hear that while of the total yarn imported before the war, taking the average of the five years before the war, the percentage of Japan to the total yarn imported was only about 1 per cent. in the lower counts, it now comes after the war, in the year 1919, to 72 per cent. of the total yarn that is imported. Japan has practically driven away, so far as the lower counts are concerned, the United Kingdom from the market. Japan takes away cotton from India; she manufactures yarn out of that cotton and has been able to a very large extent to kill our yarn market in China; and Japan with yarn manufactured out of our cotton is competing unfairly with our yarn market in India. Now this is very unfair. It uses India as a dumping ground for its yarn. Probably Honourable Members are aware that Japan at present is in very great difficulty about money, and would sell these articles at any price; but I want to draw the attention of Members to this fact also that while yarn manufactured in Japan is allowed into India free of duty, what is the treatment that Japan gives to our manufactures, or for the matter of that, to the manufactures of other countries? There is a 30 per cent. duty on articles that are manufactured in India or elsewhere, manufactures of cotton.

It will not allow its own people to use articles manufactured elsewhere without making them pay a 30 per cent. duty on them. As a matter of fact, it is pointed out in one of the leading papers called the *Japanese Chronicle* that there is not a single article which comes from outside to Japan which is not made to pay a duty. Now I want the Members of this House to consider, that while in India we have restrictions on the hours of working and while there is a Factory Act which also imposes certain restrictions on the production, there are no such restrictions in Japan. Japanese factories are allowed to work for 22 hours if they want to. Japanese factories are backed up wholeheartedly by the Japanese Government, and if in spite of the fact that Japan gives us a very bad treatment, so far as our manufactures are concerned, we were to allow Japan to use India as its dumping ground so far as its yarn is concerned, we would not only be making our industries suffer, but we should be making ourselves instrumental in creating very dangerous ambitions in the minds of the Japanese people. Indians who have returned from Japan have told us that Japan looks upon India as a store-house, that so far as raw materials are concerned, Japan has simply got to advise her representatives here and they get any article that she wants free of duty. They take away all our raw materials free of duty, and taking away our cotton, Japan manufactures yarn and sends this yarn to India to kill our market here. Now, if we have this import duty on foreign yarn, as I have already made it clear, we should be able to get a very large revenue to the-

extent perhaps—even if you take the reduction in the quantity of yarn that might fall into consideration and also the quantity of yarn above 40's—I think the revenue would amount to about Rs. 35 to Rs. 40 lakhs. Now that is not a small sum in this year of financial stringency. It may be that my Honourable friend, Mr. Innes, might get up and say that this is a question which may best be referred to the Fiscal Commission that is to be appointed, but I do not want to insist on this as a protective measure. That certainly will be decided by the Fiscal Commission and we shall probably have to act upon their recommendations. But for our revenue purposes, we should be justified in imposing a duty on foreign yarn which hits surely Japan more than any other country, especially when the imposition of a duty is going to contribute to the commercial welfare and to the promotion of the industries of India. The consumer will not at all be hard hit, because our mills have the capacity to produce any quantity of lower count than this country is in need of, and our mills can also meet any amount of demand from the hand-loom weavers of this country. I think, Sir, we shall be well advised in transferring this item, No. 22, dealing with cotton twist and yarn to No. 97 of Part IV of Schedule II of the dutiable articles, as by so doing it will bring us a large revenue, it will help our industry, and it will prevent Japan from using India as its dumping ground, killing its trade in China, killing its trade in India, and creating in the minds of its people ambitions of a very dangerous character. Sir, I commend this Resolution for the acceptance of this House.

**Mr. C. A. Innes:** Sir, in dealing with this motion, I am much in the same position as the Honourable Mr. Hailey when he dealt with Mr. Price's motion about silver. My friend, Mr. Jamnadas Dwarkadas, has come to us and said, 'we are very hard up, here is yarn, by putting on a 11 per cent. duty we can make Rs. 50 lakhs or Rs. 60 lakhs of revenue'. Well, Sir, that is an attractive proposition to us in these days,—so attractive that when I was talking to a friend of mine from Bombay the other day, he said to me, 'what is the reason why the Government of India have not made this proposal already. Is it not a fact that there is some secret treaty with Japan?' Well, Sir, there is nothing so mysterious nor so exciting as this. This proposal was suggested and was considered, and I will read a short marginal note which I made myself on the file: 'I would not remove cotton twist yarn from the free list. An import duty would hit the hand-loom industry very hard'. There, Sir, is the whole secret. Now, it is not as if we were proposing to transfer yarn to the free list. Yarn has been on the free list now for five and twenty years, and it is part of our traditional policy to keep yarn on the free list. The reason why in 1896 it was transferred to the free list was to assist the hand-loom industry. The reason why we did not think it advisable to place a 11 per cent. duty upon this yarn was simply and solely the interest of the hand-loom industry.

Now, Sir, I will take first Mr. Jamnadas' argument based upon protection. He tried to make our flesh creep by pointing out how dangerous the competition with Japan in the matter of yarn was. Well, Sir, all I can say is that figures do not support that contention, at any rate, not to any extent. The production of yarn in India since 1912-13 has never been less than 615 million lbs. in a year, and in one year it rose to 722 million lbs. Now, in the same period the imports of yarn have never exceeded 50 million lbs. and in 1919-20 they were only 15 million lbs. There you have the figures. On the one side, you have a

[ Mr. C. A. Innes. ]

production which has never been less than 600 million pounds and on the other side, you have an import which has never been greater than 50 million lbs. Now, that does not look as if the Indian mills have very much to fear from foreign competition. But, Sir, Mr. Jamnadas Dwarkadas went on to say that whereas before the war Japan had a very small share of our trade in yarn, since the war her share in the yarn trade has risen to 72 per cent. It is perfectly true that in 1918-19 the imports of yarn from Japan, for some reason with which I am not acquainted, rose enormously. In 1917-18, the imports of yarn from the United Kingdom were 15 million lbs. and from Japan 4 million lbs. In 1918-19, the imports of yarn from the United Kingdom were 9 million lbs. while those from Japan rose to 27 million lbs., but let us take the figures,—and this is the point which I wish the House to realise—let us take the figures for the following year 1919-20. What happened then? The imports of yarn from the United Kingdom were 12 million lbs. and how much was the import from Japan? 1,900,000 lbs. (one million nine hundred thousand); therefore there is a drop from 27 million lbs. in 1918-19 to 1,900,000 lbs. in 1919-20.

It is perfectly true that in the current year, 1920-21, the imports of yarn from Japan and from the United Kingdom have both increased. They have increased for reasons with which we are all aware. In the early part of 1920-21, the exchange value of the rupee was very high; consequently large orders were placed everywhere, and we have been getting large quantities of yarn in response to these orders. But the large increase in imports of yarn in 1920-21 is due to temporary causes. I doubt very much whether it is a permanent phase, and I doubt very much whether the cotton industry in Bombay has much to fear from anybody, from Japan, the United Kingdom or anybody else. The cotton industry—and long may it remain so—is in an extraordinarily strong position. I read out to you just now the dividends that have been paid during the last year. I can read out to you a statement of the reserve funds of these mills; in most cases, there are reserve funds very much greater than their paid-up capital. The mill industry is, I think, in an impregnable position, and from the point of view of protection I do not think that we can justify an import duty. I do not think that we should be justified in introducing this new feature into our tariff policy at any rate until this Fiscal Commission has sat and has reported and until we have had time to consider a proposal which may have very grave consequences for one of our most important industries.

Now, Sir, I turn to another aspect of the question, namely, the hand-loom industry. We know, Sir, that most of the yarn, the high count yarn, which comes into this country, is used almost entirely by the hand-loom industry; it is hardly used in the mills at all. Now, Mr. Jamnadas Dwarkadas has tried to stymie this argument by suggesting that he is quite willing to confine his proposal to tax yarns to yarns of 40 counts and below. I will assume, therefore, since the House knows that high count yarns are not spun in this country and since the hand-loom industry is dependent upon imports from foreign countries for the high count yarns that it requires, that the House will accept that suggestion of Mr. Jamnadas Dwarkadas and will not accept the proposal of a tax at any rate yarns above 40's.

But I now come to the proposal to tax yarns below 40's. I have got some figures here showing the production of yarn below 40's in this country and th

import of those yarns. We will take yarns from 1's to 10's and from 11's to 20's. In 1919-20, there were 431 million pounds of yarn of these counts made in this country and 458,000 pounds were imported from abroad. Now, is there any necessity to tax the small amount of yarn that comes in? Of 21's to 30's, 188 million pounds were made in the country, 1 million pounds were imported. Of 31's to 40's, 17 million pounds were made in the country, 6 million pounds were imported. Now, Sir, I say that while our mills do not require protection even in respect of these low count yarns, these imports of low count yarns perform a very useful function for the hand-loom industry. They help to regulate the price, and if we do not import these low count yarns, the hand-loom industry will be entirely in the hands of the mills. Now, Sir, these mills have been making very high profits during the last two years. I do not grudge them those profits, and the stronger and more powerful the cotton industry becomes, the better I am pleased. But, Sir, we have had, in my Department of the Government of India, appeals on more than one occasion from the consumers in this country that we should place in operation the Cotton Cloth Act in order to keep down the price of the cloth sold by these mills to the Indian consumer. We have always resisted these appeals because we are strongly opposed to artificial restraints on trade. But it is a different proposition to come to us when we are getting these requests, and to say, 'you must give us an additional advantage by removing the safeguard which the hand-loom industry has now in these free imports of foreign yarn.' I do not think that these free imports do the mill industry any harm; they serve to protect the hand-loom industry and they act as a check on the prices charged by the mills in India. Now, I have a very considerable sympathy with the hand-loom industry, for two years I was Director of Industries in Madras where the hand-loom industry is numerically a very strong one. When the Indian Industries Commission reported, it estimated that in India there were between 2 and 3 million hand-looms at work. It estimated that the value of the output of these hand-looms was not less than Rs. 50 crores. I saw only two or three days ago in a Calcutta paper an estimate by Mr. Hoogewerf of the Serampore Weaving School in Bengal, of the value of the products of the hand-looms; he places their value at Rs. 90 crores. Now, Sir, I think the House will realise that an industry of that magnitude requires some consideration from us. Moreover, from my experience as Director of Industries in Madras, I know what a hard time this hand-loom industry has to keep its head above water. At one time I tried to assist some of them by supplying them with yarn and buying their cloth. I ascertained that a family of 2 or 3 working say, anything from 10 to 12 hours a day, could at the most make from Rs. 15 to Rs. 20 a month. The hand-loom industry has the greatest difficulty in maintaining itself against the mills, and I do not think that this House, not at any rate until the Fiscal Commission has had time to inquire into it, should accept this proposal and should tax the imports of yarn.

**Mr. Naraindas Girdhardas :** Sir, if you will permit me, I will move amendment No. 34, which stands in my name, and which Mr. Jamnadas Dwarkadas has accepted.

**The Honourable the President :** The amendment in the name of Mr. Dwarkadas proposes to transfer the words to another item altogether. The Honourable Member proposes to do quite a different thing.

**Mr. Naraindas Girdhardas :** If you will read No. 77, you will see that it amounts to the same thing.

**The Honourable the President :** The Honourable Member's amendment would make the Schedule read, 'Cotton twist and yarn of counts 40 and below'. Mr. Jamnadas' amendment would make it read 'cotton sewing or darning thread,' which is something quite different.

**Mr. Jamnadas Dwarkadas :** If I may be allowed to explain, Sir, I accept the amendment that has to be moved by Mr. Girdhardas; my motion is practically the same as his. I did not exclude in my amendment at first counts above 40, but in my speech I said that I would be prepared to accept his amendment and would exempt from duty all counts above 40. It comes to the same thing.

**The Honourable Mr. W. M. Hailey :** Might I suggest, Sir, that it would be simplest if the House voted on No. 33 and then considered separately Mr. Girdhardas's amendment?

**The Honourable the President :** I have just told Mr. Girdhardas that we should deal with Mr. Jamnadas Dwarkadas's amendment first.

**Mr. Naraindas Girdhardas :** It amounts to the same thing.

**The Honourable the President :** It does not amount to the same thing unless Mr. Girdhardas wishes to move his amendment as an amendment to Mr. Dwarkadas's motion. That is a different thing.

**Mr. N. M. Samarth :** Sir, I submit that the result of the two amendments is just the same. I wish to point out, Sir, that if from the articles which are free of duty you drop 'cotton twist and yarn,' then, according to Mr. Jamnadas's Resolution, it will come necessarily under No. 97 of Schedule II, Part IV. But the same result will be obtained if the other amendment is accepted, namely, cotton twist and yarn excluding counts 40 and below. If you refer to 97 of Schedule II, part IV, you will see that it refers to all other sorts of yarns not otherwise specified. So the ultimate result is the same.

**The Honourable the President :** Then Mr. Jamnadas Dwarkadas should withdraw his amendment.

**Mr. Jamnadas Dwarkadas :** I am quite prepared to do that, Sir.

The amendment\* was, by leave of the Assembly, withdrawn.

**Mr. Naraindas Girdhardas :** Sir, the amendment which stands in my name runs as follows :

'That in item 22 in part I after the word 'Yarn,' the following words be added 'excluding counts 40 and below'.'

The object of my amendment is to impose an import duty on yarn of counts 40 and below, whereas Mr. Dwarkadas's amendment proposed to impose a duty on yarns of all descriptions.

My reasons for moving my amendment are these. At present we are not manufacturing yarn of higher counts to a very large extent in this country to satisfy our own demands. We manufactured 45 lakhs lbs. of yarns of finer counts during the year 1918-19 and we imported 1 crore 7 lakhs lbs. of

yarn of higher counts during the same year. Another important point in favour of my amendment is that many persons in this country are engaged in the hand-loom weaving industry, more especially in the south, and they use higher counts as a rule and if we impose a tax on yarn higher than counts 40 it will seriously affect that industry. The imposition of a tax of that description may be deferred to some time later, when conditions become more favourable; but it would, in my opinion, seriously handicap the hand-loom weaving industry in this country if the tax is imposed at the present time.

I do not agree with the Honourable Mr. Innes when he says that taxation on imported yarn would affect the hand-looms in this country. The hand-looms are not in a position to compete with machine made cloths, so far as the coarser cloth is concerned. They are able to manufacture cloth from the higher counts and the mills do not manufacture such fine clothes to a very large extent. Therefore, we see there is very little competition between Indian mills and the hand-loom industry so far as the production of finer clothes are concerned. If we tax the lower counts, it will be helping our own industry; it will give stimulus to the mills which will produce more yarn in the country to satisfy our own demands. Further imposition of a tax only on yarns of counts 40 and below will not entail a greater loss of revenue than what the Government would realise by taking yarns of all descriptions, because seven-tenths of our total imports in 1918-19 were of counts 40 and below.

With these few words I commend this amendment to the House for acceptance.

**Mr. J. Chaudhuri :** Sir, in the interest of the weavers in Bengal, I rise to strongly oppose this amendment. There are large hand-loom industries in the 24-Parganas, Dacca, Shantipur, Pabna, Faridpur, Comilla and other places. Those who weave cloth of a higher count, use finer counts above 40, but for the use of poorer people they use lower counts for making coarser dhuties, saris, lungis, also cloth for covering themselves, bed-sheets or cloth for bedding. They use also lower counts for other industrial purposes such as the manufacture of fishing nets. The lower counts of yarn is also used for making socks and undervests all over Bengal where knitting is a very popular and rapidly-growing industry.

Now, we have a serious grievance against the mill-owners all over India. They regulate their prices not according to the cost of production but by reference to the price of imported goods. We have also noticed that during the war, cloth could be manufactured by hand at, say, Rs. 4. The mills, although they could manufacture it at a lower cost, were charging a higher rate simply because the supply of imported cloth had fallen off and the prices had risen. They knew that the hand-looms could not supply the demand of the market and they put up the prices to the hand-loom rate for coarser cloth and even higher. The benefit of not imposing any duty on yarn of lower counts is that it will tend to regulate the price of yarn manufactured by the mill-owners in India by foreign competition. The import of coarser counts is only a fraction of what is manufactured and consumed in the country. As for finer counts the local mills cannot manufacture them to any extent and any duty on them will kill the hand-loom industry. Complaints have been made by hand-loom weavers and the people—who are the general consumers—that mill-owners are making on an average cent per cent. profit and are accumulating reserve amounting to the original subscribed capital. If they continue to do so, the Government

[Mr. J. Chaudhuri.]

should interfere and introduce profiteering legislation. The super-tax practically gives them a license for profiteering. The first duty of Government is to protect the poor and not to encourage profiteering for raising taxation by means which recoil on the poor. That is the sentiment in the country amongst those who think and feel for the poor. As for yarns the result of leaving them free will be to keep in check any abnormal raising of prices of yarn manufactured by mills in this country. In the interests of hand-loom weavers all over India who manufacture both fine and coarse cloth and the manufacturers of nets and other articles made from coarser yarn, I must strongly oppose this motion.

**Srijut Debi Charan Barua :** Sir, I fully endorse all that has been said by my Honourable friend, Mr. Chaudhuri. The part of India from where I come, namely, the Assam Valley, is full of hand-looms, and there is not a single household in which there is not a hand-loom. Whether he is a prince or a poor peasant, there is sure to be found a hand-loom in the house, and they always depend upon imported yarns; and when there is a dearth of imported yarns, there is sure to be a hue and cry and the prices invariably go up, and the Indian mills do not help us in the least. So, it will be quite against their interests to impose an import duty on imported yarns. The weaving industry is in full swing throughout, although the spinning industry is dead, and until and unless the spinning industry can be revived, there should not be any imposition of import duty on imported yarns, whether they come from the United Kingdom or from any other part of the world. At the same time, we see that the Indian mills are profiteering. We have heard Mr. Innes read out that some mills made a profit of more than cent. per cent. and then, in the face of that, they sell their products to the consumers at no cheaper rates, so that it is very objectionable that any further help should be given to these profiteers in the shape of protective laws in the matter of import duties. Considering these circumstances, I beg to oppose the motion.

**Dr. H. S. Gour :** I move, Sir, that the question be now put.

**The Honourable the President :** Do you accept it ?

**Mr. C. A. Innes :** I opposed the amendment moved by the gentleman opposite, and I said all I had to say in reply to Mr. Jamnadas Dwarkadas.

**The Honourable the President :** The question is, that the question be now put.

The motion was adopted.

**The Honourable the President :** The question is :

'That in item 22, after the word 'Yarn', the following words be added 'excluding counts 40 and below'.'

The amendment was negatived.

**Mr. Manmohandas Ramji :** Sir, my amendment runs thus :—

'That after item No. 23, the following new item be inserted : '23A—Sizing and Finishing Materials'.'

Sir, if this item is not inserted in the free list, it means this, that we have to pay duty twice over. As the House knows, the production of Indian mills

in the shape of cloth is subject to a 3½ per cent. countervailing excise duty, and, as these articles have to be used in preparing cloth for sizing purposes, mills have to pay extra duty again on these articles. On the representation of mills formerly these articles were excluded from the list of duty-paying stores. The sizing and finishing materials are taxed twice over because the cost of these materials is added to the cost of the cloth. Now, Sir, if it was not for the rise in taxation that has been proposed by the Finance Department, the increase in the import duty on imported cloth, I should have come forward and asked on the grounds of equity to do away with the countervailing excise duty. Sir, this tax has been put against the wishes of the whole country and it is a tax which is a very irritative tax and it is not just, because you have to tax certain imported goods from some other country, you tax your own product. That is the history of this countervailing excise duty; now again, when that duty is allowed to remain here, are we to go and say 'because we are increasing the duty on the imported articles you should pay for an article twice over.' Is that fair? I do not put it on the ground of protection or anything else, but I put it to the House on the ground of equity. I would have been justified even to come before the House if the circumstances of the finances of the country would have permitted—to come here and say 'take away this obnoxious tax which is called the countervailing excise duty' and I am confident that the House would have supported me throughout in that proposition. Now, what I want to do is to remove this small anomaly, that is, taxing the article twice over and therefore I suggest that these articles should be entered into the free list.

**Mr. C. A. Innes:** Sir, I must point out to the House that the House cannot possibly accept the amendment in the form in which it has been put. Mr. Manmohandas Ramji merely suggests that sizing and finishing materials should be placed in the free list. We cannot possibly put in our tariff a vague entry of this kind. I believe I am right in saying that such articles as China clay, Glauber salts, and so on, are used for sizing and finishing. Now, Sir, these articles are not used merely for sizing cloth. They are used for other things as well, and therefore the effect of this amendment as proposed by Mr. Manmohandas Ramji would be that China clay, Epsom salts and so on, for whatever purposes introduced into this country, must be free. Now, is that right? But, Sir, even if we assume that Mr. Manmohandas Ramji is allowed to amend his motion and to suggest the reintroduction in the tariff of the former provision, namely, 'The following articles when imported by the owner of a cotton weaving mill and proved to the satisfaction of the Collector of Customs to be intended for use in the weaving of cotton shall be free'; even if Mr. Manmohandas Ramji is allowed to amend his motion in that way, I should still be compelled to oppose it. Mr. Ramji has introduced an old grievance—the cotton excise. I do not wish to go into the history of that question. All I say is, that at the present time it is not practical politics for us to think of taking off that excise, nor do I think that there is any necessity for us to do so. I have just read out to you what big profits have been made in recent years by these cotton mills in Bombay. Only the other day, when I was in Bombay, a prominent cotton mill-owner came to me and he said: 'Really, Mr. Innes, Government ought to take all the profits we make over a hundred per cent.' Well, Sir, in these circumstances, I don't know that we need worry about the injustice of the cotton excise at the present moment. The mills, as I explained when dealing with textile machinery, have now got their 6 per cent. protection

[Mr. C. A. Innes.]

against imported goods. As I tried to explain then, it causes us the very greatest inconvenience to continue these little concessions—concessions for such materials as aniline blue, bisulphate of soda, China clay, and a hundred and one similar things for sizing and other mill purposes. I do not think that if the mills pay duty upon these stores, it will cost them very much, and I think that in view of the inconvenience which it would cause us, the House would be wise not to accept this amendment. In any case, I must repeat what I said before that the House cannot possibly accept the motion in the form in which it has been put. If we accepted the motion as it stands, it would mean that certain articles would be free from duty, whether they are used by a cotton mill or whether they are used for any other purpose.

**Rao Bahadur T. Rangachariar :** Sir, I quite admit that the form of the Resolution is somewhat too wide. But I wish to bring to the notice of Mr. Innes the following fact, which I think he himself knows. I know Mr. Innes is very enthusiastic about encouraging the hand-loom industry in Madras. Recently, Sir, we tried to help the hand-loom industry. And one of the proposals to help them was to give them facilities for sizing by means of machinery, which otherwise takes them a good deal of labour. Sizing machinery, I understand, is very largely used in Ireland. Proposals were sent to the Madras Government to set up such facilities. At that time the machinery was estimated to cost only about £400. Recently we made inquiries, but the price of the self-same machinery has gone up nearly five or six times. If some way can be found for helping the hand-loom industry to get machinery for sizing and warping.

**Mr. C. A. Innes :** May I rise to a point of order, Sir? The proposal to include textile machinery in the free list has already been rejected by the House, and I understand Mr. Rangachariar now to be talking of sizing machinery for hand-loom. I submit, Sir, that his remarks are out of order, as the House has already rejected the proposal to exempt textile machinery.

**The Honourable the President :** The House rejected under item No. 31 the proposal to include textile machinery in the free list. I understood that the Honourable Member (Mr. Rangachariar) was really addressing his remarks to the items in Mr. Ramji's amendment.

**Rao Bahadur T. Rangachariar :** When Mr. Ramji wanted to refer to this item, the Chair then ruled that it may be separately dealt with later on. Otherwise, this would have been part of that item No. 31. Mr. Ramji raised the question and the Chair ruled that this item may be dealt with later.

**The Honourable the President :** Mr. Ramji, as I understood, raised the question of the difference between machinery and materials. It was in order to allow a discussion on Mr. Ramji's amendment regarding materials, as I understood the matter, that I omitted from Mr. Agarwala's amendment the word 'stores', so as to bring the question of materials under separate discussion.

**Mr. Manmohandas Ramji :** Sir, I would accept the amendment which has been suggested by Mr. Innes. The procedure now adopted is that a refund is given and Mr. Innes' suggestion was . . . .

**The Honourable the President :** Mr. Innes has made no suggestion.

**Mr. Manmohandas Ramji :** He made a suggestion, Sir. He said that the present practice is that sizing and finishing materials are allowed refund of duty if they are certified by the mills that they are imported for their own use, and if I can amend my amendment in that way with your permission, or with the permission of the House, I should like to do so.

**The Honourable the President :** I am perfectly prepared to allow the Honourable Member to amend his amendment. But I understand that he is proposing to make a bargain with the Government, and that the Government are not willing to do so.

**The Honourable Mr. W. M. Hailey :** I might be allowed, Sir, to pass across the House to Mr. Manmohandas Ramji the exact words of the present tariff in order that Mr. Ramji may see the difficulties involved in the suggestion he has put forward.

(The present tariff was passed across to Mr. Ramji.)

**Rao Bahadur T. Rangachariar :** Will the Government accept it, Sir if in place of Mr. Ramji's motion, I substitute the words '23 A—Sizing machinery for hand-loom weavers.'

**Mr. C. A. Innes :** I should personally oppose it very strongly.

**Mr. Manmohandas Ramji :** The amendment that I would like to be substituted for my present proposition is this, Sir :

'The following articles, when imported by the owner of a cotton weaving mill and proved to the satisfaction of the Collector of Customs to be intended for use in the weaving of cotton or the baling of woven cotton goods :

Aniline blue, bisulphate of soda, China clay, chloride of magnesium, chloride of zinc, dressin, psom salts, farina, farinina, fannel-taping, Glauber salts, glutina, glycerine substitutes, hard varnish, hoop iron, hoop steel, rivets for bales, sewing needles, sizing paste, sizing wax, soda ash, starch, velvet pulp.'

**Mr. J. Chaudhuri :** I rise to a point of order, Sir. I oppose this amendment.

**The Honourable the President :** Order, order. I have no amendment before me. It will take some time to write it out. I may point out to the Honourable Member that he has already had an assurance from Government. If the Honourable Member gets the Assembly to vote with him, it will be the business of the Legislative Department to put the amendment in such order as it can be administered. I suggest that we should come to a decision on that now.

**The Honourable Mr. W. M. Hailey :** Sir, I think the list which Mr. Manmohandas Ramji has read out carries its own condemnation, and I put it to the House, that in a very technical matter of this kind, involving the consideration of a long list of materials, many of which are known only to those concerned in the trade, and Customs Collectors, it is practically impossible that we should on the spur of the moment accept an amendment involving what for all we may know may be of far-reaching and unexplored consequences. There is, Sir, another remedy open, namely, that the Honourable Member should get some friend of his to move the matter when it is being discussed in another place, where he might find it possible to frame an amendment and to have it considered at greater leisure. But I would put it strongly to the

[ Mr. W. M. Hailey.]

House, Sir, that it should not commit itself now and without notice in a matter of such exceedingly technical nature.

**Mr. Jamnadas Dwarkadas :** Are we not entitled to speak on the motion, Sir? No other Member has yet spoken on the motion except the Mover.

The President permitted the Member to speak.

I am grateful to you, Sir, that you have given me an opportunity of rising and supporting the motion of my Honourable friend, Mr. Manmohandas Ramji. My Honourable friend, Mr. Innes, in opposing the motion, has again trotted out the argument, which probably appeals most to this House, that the mills have made enormous profits and any tax levied on the mills of course won't be too heavy. Now, I strongly protest against Government trotting out that objection and appealing to the sentiments of the Members of this House. I submit, Sir, that if the mills have made profits, it is after a long period of sacrifice and loss. It was during the war that the mills made enormous profits, and I want to ask Government whether in many other parts of the world mills have not made profits during the war. Apart from that, I do submit, Sir, that if it is a question of our mills making a profit and the mills in other countries making a profit, surely, those who are patriotic will give preference to our mills.

Mr. Chaudhuri trotted out the argument of fixing up the maximum profit. I should certainly prefer that the Government should do that. If the question came here in this Assembly that a maximum profit should be fixed for mills, I should certainly support it, but I strongly object to the indirect method of pointing out to the enormous profits of the mills and making that as an argument for levying an unjust tax, I may say, on the mills. Speaking the other day my Honourable friend, Mr. Pickford, very rightly pointed out that in no other country in the world was this excise duty levied, and in addition to this duty you have another tax which is unfair on the face of it, on the sizing and finishing materials. I say, it is most unfair, and it is unprecedented in the commercial history of the world. I hope the Members of this Assembly will not be carried off their feet by the argument of enormous profits that the mills are making, which has been trotted out in season and out of season by the Government but will come to the rescue of the mills which are really heavily taxed.

**Dr. H. S. Gour :** I move that the question be now put.

The motion :

' That the question be now put '

was adopted.

The motion :

' That after item 23, the following new item be inserted :

' 23-A.—Sizing and finishing materials.'

was negatived.

**Mr. B. Venkatapatiraju :** Sir, my amendment is :

' That item No. 23—Animals, living, all sorts, be omitted',

and I have suggested in amendment No. 63 . . . . .

**Sir Frank Carter:** I have not heard a word of what the Honourable gentleman says.

#### RACE HORSES.

**Mr. B. Venkatapatiraju:** My amendment is :

'That item No. 26 in Schedule II, part I,

that is, by which animals, living, all sorts, should be imported free of duty, should be amended by two other amendments which I move :

'That on other animals should be imposed an import duty of 2½ per cent. and on horses to the extent of 20 per cent.,—namely, Nos. 63 and 110 of my amendments.'

Now, Sir, according to the figures relating to these in the annual statement for the year 1917-18, we find about 11,163 animals imported, and of them about 9,777 are horses; the horses alone priced at 52 lakhs and the other animals at about 3 to 4 lakhs of rupees. Why should we allow these things to come into the country free? Therefore I suggest, that we can raise some amount of revenue from them, and if we put them as luxuries, we may realise about ten lakhs from horses alone, and about Rs. 40,000 or 50,000 from other animals. Similar amendments are also moved by other friends. Therefore, I only say that this is not an item which should be allowed free because I may mention that none of them are brought in for breeding purposes, but most of these horses that are imported are brought here after they are castrated, and they serve no other purpose except as a luxury for the rich. The rich can well afford to pay them and there are Maharajas who are paying thousands for race horses, and why should they not pay an extra amount to our exchequer? Therefore, I think it is our duty to impose a certain duty on these things.

**Mr. Manmohandas Ramji:** There is also an amendment of mine standing just below that which is of the same nature.

I also support the amendment moved by Mr. Venkatapatiraju, and I may say that a number of horses that are imported into this country are for racing purposes; it is a pure and simple article of luxury and therefore it must be taxed. On this ground I propose that this amendment should be accepted.

**Lala Girdharilal Agarwala:** My amendment stands like this. . . .

**The Honourable the President:** Order, order. The Honourable Member can move his amendment afterwards. He cannot move his amendment as an amendment to the motion for omitting the item.

**Mr. C. A. Innes:** Sir, I understand that Mr. Venkatapatiraju's motion is that 'other animals' should be taxed at 2½ per cent. and that horses should be taxed at 20 per cent. *ad valorem*. Well, Sir, I do not think that we need worry about 'other animals' *De minimis non curat lex*.

In 1913-14, the value of 'other animals' that came into the country was less than five lakhs. In 1919-20, the total value of all 'other animals' that came into the country was only Rs. 75,000. In 1920-21, in ten months, the total value of these 'other animals' was only a lakh of rupees. Now we shall get no revenue out of this 2½ per cent. and I think Mr. Venkatapatiraju may let the matter drop as regards 'other animals,' as it is not worth the trouble of collecting.

Mr. Venkatapatiraju suggests that horses coming into the country should be taxed at an *ad valorem* tax of 20 per cent. There are serious practical

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difficulties in the way of attempting to tax horses *ad valorem*. I quite agree that if we could tax race horses *ad valorem* we should get some money; but it is not practical politics to tax animals *ad valorem*. When we place an *ad valorem* tax, either we tax according to the invoice value, or else we tax according to the local wholesale market value. There is no such thing as the local wholesale market value of horses, and therefore we should be compelled to tax according to the invoice value. We have no guarantee that the value of the horses will be correctly shown in the invoice. Therefore, what will be the result? If we did not accept the valuation of the horses in the invoice, our remedy would be to take over those horses at our own valuation. I do hope that the House will not ask the Collectors of Customs in the different ports to start stables for keeping the horses taken over under that procedure. As a matter of practical politics, it is quite impossible to tax horses *ad valorem*. If we are to put a tax on horses at all, it would have to be some specific duty and that has not been proposed. Most of these horses which Mr. Venkatapatiraju refers to as having come in 1917-18 were horses imported into India for military purposes for the war, at least I think that they were. The military authorities do not, as a rule, import horses direct from Australia on their own account. Horses are imported by the importing firms and selections are made by the military authorities after import into this country. If we impose any sort of tax upon horses, the military authorities would naturally, in self-defence, be compelled to make their own arrangements to import horses from Australia. No customs duty is leviable on Government stores and so these horses would not be liable to tax. The effect, therefore, would be that we should not get very much of this tax. The military horses, as I have said, will be free of all tax. As I have pointed out, it is quite impossible for us, and I hope the House would not ask us to tax horses *ad valorem*. But if the House is strongly of opinion that a specific tax should be placed on horses, then it is for the House to suggest some suitable sum, I should say probably not more than Rs. 50 per horse. But I should like to point out that we do not expect that we should get much revenue out of this proposal. Still we are entirely in the hands of the House.

**Mr. B. Venkatapatiraju:** I accept this amendment of Rs. 50 per horse.

**The Honourable the President:** Mr. Innes simply threw out a suggestion which will require consideration. It would need to be put in shape before it could be moved as an amendment.

The question is, that item\* No. 26 Animals, living, all sorts, be omitted.

The motion was negatived.

**Lala Girdharilal Agarwala:** On the principle that luxuries and pleasures should be taxed and that necessities should not be taxed as far as possible, I move my amendment which runs as follows :

\* That in item\* 26, after the words 'all sorts', the words 'except race and polo animals' be inserted.

My submission is that this is a new source for us to meet our necessities and that we can get a lot of revenue. The Honourable the Government Member had just now stated that there was great inconvenience in calculating the *ad valorem* duty. I submit with the greatest respect for his remarks that

there are several articles in India upon which duty is levied *ad valorem* and there are thousands of articles which are daily taxed according to the invoice. There will be no difficulty whatever, and I submit that the remark of my esteemed friend is without foundation. Now I have carefully worded my amendment and I have excluded, I am thankful to one of my esteemed friends who suggested it to me, stallions. I do not want to tax stallions which are required to improve the breed of the country. But those horses which come merely for the purpose of pleasure, namely, race and polo horses, should certainly be taxed and the pockets of the rich men should certainly be touched in these hard times, when we have to meet a demand of 62·2 crores of rupees for military necessities, over which we have got no voice. Now I quite realise that it is necessary in the interests of the country that the breed of our animals should be improved and for that reason I do not go so far as my esteemed friend, Mr. Raju, goes or Mr. Ramji goes, namely, to tax all animals. I think that stallions must come to improve the breed of our local animals. With these few words, I recommend my amendment to the acceptance of this Honourable House and I submit, that it would bring in a large revenue. I do not want to tax military horses which are required for military purposes; although even if they are taxed there is no harm, because the money which comes from one pocket will go to another. That will make no difference. In order to meet the military necessities we have to pay 62·2 crores. There is no harm if a little more tax is levied and then it is paid back, if it is convenient for the purpose of calculation, I submit that there are very strong reasons for taxing these luxuries and pleasures and if we pass over these items lightly, we do not know with what face we can go to the poor people and tell them to cut short their small necessities.

**Sir Godfrey Fell:** Sir, I rise to oppose this amendment. I do so from more than one point of view. In the first place, I should like to ask the Honourable Member, from a practical point of view, how he proposes to define the creature that he calls a 'polo animal'. Does he imagine that polo ponies are a breed apart, that it is as easy to distinguish a polo pony from any other specimen of the equine species as it is to distinguish a Rolls Royce car from a motor-scooter? I would like to point out to the Honourable Member that a polo pony is not born but made, and I do not know how he proposes to discover whether a pony imported into this country is a polo pony or not. I suppose we shall next be asked to increase the customs staff in Bombay by the addition of a number of expert polo-players who will take out every imported pony to the polo ground, try him with stick and ball, and play him in a fast chukker, and then say whether he is a polo pony or not! That is the practical difficulty, to my mind, in attempting to differentiate between different animals for the purposes of this proposed import duty on 'polo animals.'

As I listened to the Honourable Member's speech, I endeavoured to discover what was the motive underlying his proposal. It is perfectly clear, that there is not very much revenue to be derived from imposing an import duty on 'race and polo animals'; and I reluctantly came to the conclusion that his principal motive therefore was of a kill-joy or spoil-sport nature. And I was confirmed in that impression by his remark, in the course of his speech, that not only luxuries should be taxed but that pleasures should also be taxed. I put it to the House—Is it the wish of this Assembly that all pleasures should be taxed? (Cries of 'No.') The idea is entirely new

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to me. There is something puritanical about my Honourable friend, if he will allow me to say so. So far from attempting to interfere with either racing or polo in this country, or to place any obstacles in their way, I maintain, that this Assembly should encourage both. Racing is an invaluable sport in many ways. It improves the breed of horses. It has been well said, that all men are equal on the turf and under the turf. The race course is one of the best common meeting grounds for Indians and Europeans in this country, and is one of the most powerful factors in improving social relations between the two communities. As for polo, it is in my opinion the finest game in the world. It is invaluable as a training for our soldiers; and I should like to remind the Honourable Member that during the war the existence of a large number of polo ponies in this country was of the greatest value to the military authorities, since these ponies were taken up for military purposes.

Then, again, I observed with considerable regret that my Honourable friend introduced the question of the Military Budget. Now I gather that his reasoning is somewhat as follows: 'We are not allowed to vote on the Military Budget. As we all know, it is 62·20 crores. Soldiers are the people who play polo mostly in India. Therefore, let us tax the soldiers, because it must be their fault that the Military Budget is so high'. That is really the reasoning underlying his remarks; and I put it to the House, that it is unfair to attempt to penalise, in this indirect way, a body of not over-paid officers, one of whose principal amusements in this country is polo.

**Mr. C. A. Innes:** Sir, might I explain to Mr. Agarwala that another objection to his proposal is that it is quite unworkable. The Customs officers could not work a rule of that kind. Horses come in, as Sir Godfrey Fell explained to us, absolutely unmade and it is beyond human possibility for anyone to distinguish among those horses which are polo-ponies and which are not. None of them are polo-ponies when they come in, so that Mr. Agarwala will see that that part of his amendment is absolutely unworkable. As regards race horses, it will be extremely difficult in the first place to assess them *ad valorem*. In the second place, they are so very few in number, that I think it is unnecessary taking up the time of the House in discussing them at all.

**Mr. R. A. Spence:** I move that the question be now put.

**The Honourable the President:** The question is:

'That in item\* 28 after the words 'all sorts,' the words 'except race and polo animals' be inserted.'

The amendment was negatived.

#### FLOUR.

**Mr. K. G. Bagde:** Sir, the amendment that I beg to move before this House reads thus:

'That after the 28th item† the following item be inserted, namely:

* 29 :	Flour	. :	ad	<i>valorem</i>	. :	5	Schedule I, page 4.
							per cent.'

Under the newly proposed Schedule II of the Import Tariff Act we find item No. 65 in part IV; that means, according to the proposed change, flour

\* Page 3 of Bill as introduced.

† " 4 " " "

is intended to be taxed at 11 per cent. *ad valorem*. If we refer to the old Import Tariff Act, I mean Act VIII of 1894, we find the item of flour figuring in the 6th Article of Schedule IV to that Act. Under the old Act, flour was liable to import duty at the rate of 5 per cent. Thus, the proposed legislation intends to increase the tax by 6 per cent. *ad valorem*.

No one would dispute that flour is an article of general consumption. It is used both by the rich and the poor in this country. One of our friends here this morning told us that the imposition of an import duty has the effect of increasing the price of the article on which it is imposed. Hence, I think that if this duty is increased, the result would be that the price of flour would increase. That means that all persons who consume this article will have to pay higher prices than before. Now it may be contended that the quantity of flour imported is very small, and I was so told by our Honourable friend, Mr. Price, here one day.

**Mr. E. L. Price:** When?

**Mr. K. G. Bagde:** Some days ago we had a discussion here in this very place. Now, this helps my case. If the quantity of flour imported into this country is very small, then I think the income derived from this increase will also be very small, and, therefore, there is no necessity for making any change. On the other hand, if this change be made, the result would be that the price of flour in this country would rise, and we know, as a matter of experience, and that too of a very bitter sort, that our dealers take advantage of any import duty that is imposed in order to raise their own prices.

Now, some of my friends would come in and say that the wages have increased and, therefore, it is quite proper that the prices of foodstuffs also should increase. Against that increase-in-wages theory I would say this, that it is only the labourers in the commercial centres of this country who are greatly benefited or who receive the benefit of an increase in wages. If we go to the non-commercial parts of this country we find that the people there do not derive much benefit from this increase in wages, and the number of such persons is very great. And, if anybody is affected by this increase in the price of flour, it would be such persons who reside in non-commercial areas.

I therefore propose that the old duty, *i.e.*, at 5 per cent. *ad valorem*, should remain and that the proposed change should not be made.

**The Honourable the President:** The question is :

‘That after the 28th item the following item be inserted, namely :

29. Flour : *ad valorem* : . 5 per cent.’

**Mr. C. A. Innes:** Sir, the effect of the amendment as it stands is that Flour would be included along with Ale, Beer, Porter, Cider, etc., which is the existing item No. 29. Apart, however, from that purely technical objection, I do not think that the House ought to accept this proposal. I must admit that we did not consider Flour especially. Flour was included under the 7½ per cent. tariff and now that it is proposed to raise that rate from 7½ to 11, Flour automatically will be taxed at 11 per cent. unless the House accepts Mr. Bagde’s proposal.

Now, Mr. Bagde has said that it is not right to tax a foodstuff like flour so high as 11 per cent. and that, if we put this high import duty on flour, we shall raise the cost of Flour in this country. Well, Mr. Bagde has omitted to

[ Mr. C. A. Innes. ]

notice how extraordinarily small the imports of flour into this country are. In 1917-18, the imports amounted to 100 tons; in 1918-19, they amounted to 400 tons; in 1919-20, they amounted to 250 tons. Now, it is hardly worth our while, when we have got a lot of business to get through, to waste time over the exact tax to be put on infinitesimal imports of this kind. A certain amount of flour comes in from Ceylon—a very small amount indeed. It does not affect at all the price of flour in India which is entirely governed by the prices charged by the flour mills in this country. The amount that comes in from Ceylon is a mere drop in the ocean, and I do not think it makes any difference what tax is put on it. It would certainly not be worth while to take it out of the general tariff and put it in a special class of its own 5 per cent. I think that the House would be well advised not to accept this motion.

The amendment was negatived.

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

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

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#### POSTAL RATES.

**Dr. H. S. Gour:** Before, Sir, you commence with the work of the day, may I be permitted to make a very short statement dealing with an amendment which was carried yesterday evening. My friends are anxious that that amendment should be recalled and reconsidered and I have been considering in what way it can be done. I do not want you, Sir, to commit yourself to any one particular way, but the two ways in which it might be reconsidered are first, on the ground that the whole House has gone into Committee and every matter must be considered as in the Committee stage, and secondly, by suspending the necessary rules. Now, we have come to an arrangement, which I hope the Honourable Member in charge of Government will confirm, and it is to the following effect. We must restore the  $\frac{1}{2}$  anna postage on a letter, but to obviate the objection that was raised to my proposal of amending the  $\frac{1}{2}$  anna postage on letters, it was suggested, and I believe the suggestion has met with the approval of Government, that the Government should issue a  $\frac{1}{2}$  anna letter postcard like what we have in England and like the commercial houses in this country issue. If the Post Office were to issue these, it would minimise the fear which the Government have that in every case they would have to weigh the letter and that very often the Post Office find that these letters are of greater weight than allowed for  $\frac{1}{2}$  anna and have considerable trouble in recovering the money due on account of these over-weights.

**The Honourable the President:** Order, order. I am afraid I cannot allow the Honourable Member to argue the merits of a proposal of that kind. In consultation with the Honourable the Finance Member he may be able to come to terms with him, but that will have to be done behind the scenes.

Dr. Gour suggests that we are really in Committee. The constitution of this Assembly does not include the process of going into Committee as in the House of Commons; but I may say for the information of the Honourable Member that neither under our procedure nor under the Committee procedure of the House of Commons can I find any loophole by which we could go back

upon the decision which we have made. The clause in question, with its appropriate Schedule, has been added to the Bill by the decision of the Assembly. It would be instituting an unfortunate precedent from the Chair if I were to rule that that question could be reopened by going back upon what we have decided. But, as the Honourable Member and the Assembly are aware, the ultimate fate of the clause in question has not yet been decided. There will still be a further opportunity for the Assembly to come to a final decision on the matter. Between now and that moment I suggest to the Honourable Member and his friends that they get together round the table of the Honourable the Finance Member, if the Finance Member, in his busy moments, can spare the time, and come to an agreement on the proposal which he has just put forward.

**Mr. Eardley Norton :** Do I understand from the ruling of the Chair that this House has never been in Committee?

**The Honourable the President :** Under the rules and Standing Orders, there is no Committee stage on the floor of the Assembly. The Committee stage provided for is that of a Select Committee or of a Joint Select Committee. That is our only equivalent of what is called the Committee stage in the House of Commons. As a matter of fact in practice what we have been engaged in, this morning and yesterday, has been virtually the Indian substitute for the House of Commons Committee procedure, not in exactly the same form, but with practically the same result.

**Mr. Eardley Norton :** Subject, may I ask, to the right of the speaker to speak once?

**The Honourable the President :** Yes.

**Mr. N. M. Joshi :** May I know, Sir, whether under the rules for the appointment of a Select Committee we cannot ask that the whole House go into Committee?

**The Honourable the President :** I should not like to give a ruling on that point off-hand. But my recollection is that there is no provision under the rules which would enable me to accept a motion of that kind.

We are working upon rules which have been deliberately left somewhat elastic in order to give the Assembly time to judge as to what is the best way of developing its own procedure. As we have gone through this session we have already discovered ways in which possibly that procedure may be reformed. The time will no doubt come when we shall have to take up the whole question, but I would suggest that we should not be too hasty to bring that time on before questions have ripened for decision.

**Rao Bahadur T. Rangachariar :** May I say, Sir, with reference to what fell from the Chair, that so long as a man who writes an ordinary letter in this\* way will not be treated as the man who writes a letter in this\* way, we on this side of the House are quite willing to agree to any suggestion that the other Chamber may make.

**The Honourable the President :** I have been given to understand that Honourable Members have spent a profitable hour of Tiffin in arranging the business for this afternoon. I gather that a number of amendments which

\* (Holding up letters to illustrate his point.)

[The President.]

appear on the paper will not actually be moved, but in order to keep matters in order, I shall call upon Members in the order in which their names appear in the list of amendments in front of them.

**Lala Girdharilal Agarwala:** Sir, I withdraw my amendment No. 40.\*

**Bhai Man Singh:** Sir, I withdraw my amendment No. 42.†

#### SUGAR AND MOLASSES.

**Munshi Mahadeo Prasad:** Sir, the amendment that I have proposed runs :

‘To raise the import duty on item 35, that is, sugar and molasses, from 15 per cent. proposed by the Finance Member, to 25 per cent.’

My reason for moving this amendment is that this sugar which is imported into India by foreign countries, its import should pay us the revenue of which we are in need. The estimate of the Honourable Mr. Hailey is that we shall get Rs. 65 lakhs from this item if we raise the import duty from 10 per cent. to 15 per cent.

If we raise the duty from 10 per cent. to 25 per cent. we shall be making one crore and eight lakhs of rupees. We have to find out ways and means of reducing the freight on coal, fodder and other things, and if we raise the import duty, we shall not be able to reduce the rate of freight on railways.

Now, Sir, the second reason is that by reducing the duty we shall be encouraging the indigenous industry of refining sugar in this country. The next point is that the rural population of India will not suffer in the least because they do not use refined sugar such as others do. It will provide labour in the villages for the villagers. We might remember that before 1882 sugar was refined in one or two villages apart. By Act XI of 1882 the import duty on sugar was removed and large quantities of sugar began to be imported into India.

Up to 1894, sugar was still imported into India free and during the period of 12 years from 1882 the industry of refining sugar in India had nearly died out. It was in 1894 that a duty of 5 per cent. was levied on the import of sugar and then it was raised to 10 per cent. in 1916.

When the increase of the duty on the import of sugar was under consideration in the Legislative Council in 1916, this is what the Honourable Mian Muhammad Shafi said:—‘I welcome the enhanced tax proposed to be levied on sugar and tobacco as calculated to protect our indigenous sugar and tobacco industries.’

If we analyse the figures up to 1914 by looking at the statistics on record, we find that Java, Mauritius, Austria-Hungary, United Kingdom, Egypt, China, Hong Kong, Straits Settlements, Germany and other countries, including Japan, used to import sugar into this country. Now, further, in the notes of the Honourable Mr. A. C. Chatterji, I find that the following places were concerned with the sugar industry in the United Provinces: Saharanpur, Muzaffernagar, Meerut, Bulandshahar, Farukhabad, Rohilkhand Division,

\* Items 29 to 34 be omitted from part II, and the entries in column 2 of those items be inserted as item 121-A in part V.

† Item No. 35. The words ‘but excluding confectionery’ be omitted.

Sitapur, Hardoi, Kheri, Fyzabad, Gonda, Sultanpur, Barabanki, Gonda and, I may add, Balia, Benares and Gorakhpur Districts. The Government finding that this industry began to die out, they helped them on by granting sums to them.

Now, Mr. Hadie, the Deputy Director of Agriculture in the United Provinces, has dealt with this subject in his book and it makes interesting reading.

In Bihar, Bengal and Assam, the sugar industry used to flourish in times of yore, and I believe that in the Punjab and the Central Provinces the refining of sugar used to be an industry. However, with the advent of the foreign sugar into India, the industry in this country began to decay, and, in my opinion, it should be revived again. The figures which I have got from the Government statistics are as follows. They are to be found in the 9th issue of the report of Commercial Statistics, Volume I. In 1909-10, we imported sugar to the value of 11 crores and 52 lakhs and in 1918-19, it was 15 crores and 61 lakhs. Now, Sir, I submit by importing such large quantities of sugar into the country, these large sums of money were drained out of the country and very little revenue was received. If we raise the duty on the import of sugar we shall be making a provision for definite ways and means of meeting our present deficit. When I examine the figures in weight, I find that in 1916-17, the sugar imported was 1.2 crores of hundredweights and in 1917-18 it went up to 1.5 crores of hundredweights. The revenue that was derived from import duties was Rs. 19,85,738 in the year 1918-19. Thus from the point of view of revenue as well as from the point of view of encouraging the sugar industry of India, we must levy a duty on the import of sugar, at least and not lower than 25 per cent. to begin with.

Now, Sir, it may be said that the sugar will become dear and will not be within the reach of all in all the provinces. I beg to submit, Sir, that in the villages which have the greatest part of the population, very few persons use this refined sugar from foreign countries. They will be contented with the raw sugar that they use. Now, Sir, the rates of sugar would not rise because of this import duty. If I am correct in analysing the situation, it is the middlemen who raise the price of goods, and not the import duty. There should be a principle for the levying of import duty in the interests of the country; we should levy the duty to have the revenue to meet our own demands. I was reading only the other day a book in the other room of this building which is entitled 'Where to find your law' and there I found, that in England in order to have the import duty on tobacco to increase the revenue of the State, it was forbidden that tobacco should be cultivated in England. I beg to submit, Sir, that all these factors ought to be taken into consideration when levying an import duty on imported goods. I beg to submit, Sir, that in order to encourage our own industry we should raise the duty to at least 25 per cent. as I have submitted in my amendment. Now, Sir, I find from studying the figures that by raising the duty to 25 per cent. something will be made. Even, Sir, if the import may decrease to some extent, the figures given by the Finance Member will be available. With these remarks I beg to commend this amendment for the favourable consideration of this House.

Mr. C. A. Innes: Sir, I think that I shall be interpreting the sense of the House if I deal with this amendment very shortly. Mr. Mahadeo Prasad bases his proposal on two grounds. In the first place, he says that

[ Mr. C. A. Innes. ]

he wants revenue. He says that because by raising the duty from 10 to 15 per cent. we hope to make 85 lakhs, therefore by raising the duty to 25 per cent. we shall make considerably more than a crore. Well, I deny that assumption altogether. We shall set up at once the law of diminishing returns and if we pitch our duty too high we shall lose revenue. I do not think there is any doubt about that. Now I must confess that I was rather doubtful whether we were justified in raising the duty on sugar, at all. The price of sugar, as everybody in this House probably knows, is extraordinarily high. It is very high, because there is at the present time a world shortage of sugar and that world shortage of sugar, when we get down to bedrock, is due to the fact that the beet crop in Europe has been seriously diminished during the war. The price of sugar was so high that we had appeals during last year to stop the export of sugar. We were unable to meet these appeals because, had we done so, we should have stopped a transit trade. The danger is that if we raise the duty to 25 per cent. we shall stop our supplies. There is a world shortage of sugar. There is not enough sugar to go round. If we make the price of sugar so high that people cannot afford to buy it in India, that sugar will go elsewhere.

The second argument raised by Mr. Prasad was, that we should raise the duty to 25 per cent. in order to give the Indian industry a chance. Well, Sir, we have a 15 per cent. duty on sugar now—at least we ask the House to agree to a 15 per cent. duty—and it seems to me that a tariff rate of 15 per cent. should give the Indian industry a very fair chance of progressing.

I must also remind the House that a Sugar Commission has just sat. When that Commission's report is received and considered, such action will be taken as is possible to improve the sugar industry. But I do not think that we should anticipate the action on that report by adopting this proposal. The only effect of it will be that we shall make a necessary of life, an article which enters into common consumption, which is already extraordinarily dear, dearer still. The price of sugar is now two or three times what it was at the beginning of the war, and I do not think that this House should agree to any action which would drive up the price of sugar still further. I doubt very much whether we shall get any more revenue by adopting this proposal, and I think that the House will be well-advised if it does not agree to the proposal.

**Mr. A. D. Pickford:** Sir, I will not detain the House for more than one minute. There is not the slightest doubt that if Munshi Mahadeo Prasad's proposal is accepted, the firm in which I am interested will almost immediately make more money than it is making now, and, therefore, I think you will regard me as completely disinterested when I say that I am entirely opposed to this suggestion which has been made. It is perfectly true that it will drive up the price of sugar and the extra price of sugar we shall take out of the Indian consumer. That is not the desire at all of those who think that a reasonable percentage is legitimate. The desire of those who think in that way is that the manufacture of sugar in this country shall be increased and that the manufacturers shall get their profit on sugar manufactured as the result of that increase, and not out of the pockets of the inhabitants of India who are already paying a very high price, as Mr. Innes has pointed out, for what is a necessary of life.

**Mr. Harchandrai Vishindas:** I make a suggestion, Sir, to cut short the debate. My friend, Munshi Mahadeo Prasad, has already been told that he will not receive the support of the House, and I would therefore ask him to withdraw his motion at once.

(Several Honourable Members at this stage asked the Honourable Member to withdraw the motion.)

**Munshi Mahadeo Prasad:** One minute, Sir. In view of the fact that hope has been extended to the House that action will be taken on the Sugar Commission's report, I beg to withdraw the motion.

The motion was, by leave of the Assembly, withdrawn.

#### MATCHES.

**Mr. B. Venkatapatiraju:** I move motion No. 51, Sir. This is regarding matches :

'That item No. 44 be omitted altogether, or in the alternative :

'In item No. 44.—Matches, the words 'containing not more than 75 matches' be omitted, or in the alternative, the figures '90' be substituted for the figures '75',

**Mr. C. A. Innes:** May I interpose for one moment with your permission, Sir? It will perhaps save time if I say that Government are prepared to agree at once to the limit of matches per box being fixed at 100.

**Mr. B. Venkatapatiraju:** Then, I do not press my amendment, Sir.

**Bhai Man Singh:** We have not followed the Honourable Member.

**The Honourable the President:** The Honourable Member will hear in a moment.

The question I have to put is :

'That in item 44 for the figures '75' wherever they occur, the figures '100' be substituted.

The question is, that that amendment be made.

The amendment was adopted.

#### SILVER BULLION OR COIN.

**Mr. E. L. Price:** As regards amendment No. 59\* that stands in my name, I do not withdraw it but I understood that it had been substantively dealt with.

**Mr. K. G. Bagde:** Before moving my amendment Nos. 61,† and 62‡, I should like to know the increase that would accrue in the revenue from the proposed change.

\* That after item 44 the following new item be inserted :  
44A. Silver bullion or coin two annas per tola.

† No. 61. That item 46, 'Grain and pulse, all sorts, including broken grains and pulse, but excluding flour' be omitted.

‡ No. 62. That item 48, 'Fire-wood' be omitted.

**Mr. E. L. Price :** No imports.

**Mr. K. G. Bagde :** Then I withdraw them.

The amendments were, by leave of the Assembly, withdrawn.

#### DUTIES.

**Mr. B. A. Spence :** All previous proposals made in this Assembly for increasing the revenue of this country have been defeated, and I wonder if my amendment No. 64, namely :

'That for the heading 'articles which are liable to duty at 11 per cent. *ad valorem*' the following heading be substituted :

'Articles which are liable to duty at 12½ per cent. *ad valorem*.'

will suffer the same fate.

Judging from the temper of the House, I do not wish to detain the House by a long speech in support of this amendment. In asking for the support of the House and of the Government, I base my claim on similar lines to those made by defendants in libel cases, where I understand the line of defence takes the following form ; first, there was no libel, secondly, if there were a libel the defendant did not utter it, and thirdly, if the defendant did utter the libel it is justifiable. Similarly I ask for a general customs tariff of 12½ per cent., because, firstly, if the Honourable Finance Member's anticipation of imports during the coming year be correct, the increase would give us an increase in the revenue of 1½ crores, and we know that further increases in revenue are greatly needed. Secondly, if our imports fall off from the figure estimated by the Honourable Member, the increase proposed may make up for the deficit which would otherwise occur. Thirdly and lastly, if the increase in customs check imports considerably, that is what we want. It would restore the balance of trade, and the rise in exchange would be of great value to the country, and, I venture to submit, to the Finance Member in particular.

**The Honourable Mr. W. M. Hailey :** I propose to ask you to allow us to postpone this amendment until we see the result of our labours on the rest of the motions before the House. We shall then be able to say exactly where we stand as the result of what we have done to-day. This applies to both Nos. 64 and 65, though I may explain now to the House that it would be far more convenient to us, if we had to take an increase over 11 per cent., to take 12½ per cent. instead of 12.

The motion :

'That the amendment (No. 64) proposed be postponed' was adopted.

The motion :

'That the amendment\* (No. 65) proposed be postponed' was adopted.

**Mr. M. K. Reddiyar :** My amendment is the same as that of the Honourable Mr. Spence, Sir (No. 76).†

\* 'No. 65. That in the heading to part IV of the said Schedule for the figures and words '11 per cent.' the figures and words '12 per cent.' be substituted.'

† 'From part IV omit item No. 97 altogether and insert it in a separate part headed 'Articles which are liable to duty at 12½ per cent. *ad valorem*' and re-number the other items and parts accordingly.'

**The Honourable the President :** Does the Honourable Member wish to postpone it?

**Mr. M. K. Reddiyar :** Yes, Sir.

**The Honourable the President :** The amendment is :

'That from part IV omit item No. 97 altogether and insert it in a separate part headed 'Articles which are liable to duty at 12½ per cent. *ad valorem*' and re-number the other items and parts accordingly.'

The question is :

'That the consideration of this amendment be postponed.'

The motion was adopted.

#### FODDER, BRAN AND POLLARDS.

**Lala Girdharilal Agarwala :** Sir, I move this amendment No. 88 :

'That item 119 be omitted and the entry in column 2 of that item be inserted as item 45-A.'

I do not want to take up the time of the House. I think it is necessary to supply fodder, bran and pollards as cheaply as possible and I therefore move this amendment.

**Mr. C. A. Innes :** I do not understand the effect of the amendment which has been moved by Mr. Agarwala. Is it that fodder, bran and pollards which are now liable to duty at 11 per cent. should be transferred to part III liable to duty at 2½ per cent? I do not think the matter is of very great importance, but if the House would like these small items to be taxed at 2½ per cent. the Government are quite prepared to agree.

**The Honourable the President :** The question is that this amendment be made.

The motion was adopted.

#### UMBRELLAS INCLUDING PARASOLS AND SUNSHADES.

**Mr. B. Venkatapatiraju :** Sir, I move :

'That at the end of part IV the following item be inserted :

'120A. Umbrellas including parasols and sunshades, and fittings therefor.'

Sir, we have already heard from several Members during the Budget discussion that umbrellas are not a luxury, and what I suggest is, that instead of charging a duty of 20 per cent. on umbrellas, they should be charged at the rate of 11 per cent. The Government might very well accept such a proposal. Umbrellas in this country, whether we carry them in the scorching sun or in the drenching rain, are not a luxury.

**The Honourable the President :** The question is :

'That at the end of part IV the following item be inserted :

'120A. Umbrellas, including parasols and sunshades, and fittings therefor.'

**Mr. C. A. Innes :** Government agree to that amendment, Sir.

The amendment was adopted.

The Honourable the President: All these amendments\* relating to umbrellas are, I think, disposed of right down to No. 108.

#### PATENT MEDICINES.

Lieutenant-Colonel H. A. J. Gidney: Sir, I am afraid I shall have to proceed with my amendment. I shall not detain the House very long. My amendment refers to the imposition of a tax of 20 per cent. on Patent Medicines. The duty on Patent Medicines is now 7½ per cent. and I wish to increase it to 20 per cent. My amendment runs as follows:

'That the following item be added to part V, namely:

'1.0. Patent Medicines.'

'NOTE: The term *Patent Medicines* has the same meaning as under the rules of the Inland Revenue of England.'

My one reason for doing so is 'Necessity': with a deficit of about 19 crores facing us I feel sure the House will unanimously accept any legitimate method of increasing our revenue.

The legal aspect of this amendment can be best dealt with by referring to the treatment meted out to Patent Medicines in England. Sir, in England, the duty on Secret Medicines is regulated by the Stamp Act of 1804 as amended by the Stamp Amendment Act of 1812. The Act of 1804 was itself in part an amending act. The tax on proprietary medicines remains, but that on advertisement through and by which their sales exist and flourish has been most unfortunately repealed. The Act of 1804 contained a schedule of about 450 patent medicines. In the Act of 1812—this was replaced by a new schedule in which about 550 proprietary medicines were mentioned by name. To-day the list of patent medicines has a total of many thousands which can be readily obtained from the Inland Revenue Returns and accept *en-masse* by the Government of India. Sir, I have not been able to obtain any recent Inland Revenue returns on patent medicines, but in England, during the years 1896-1908, the amount received by the State from the Stamp duty on patent medicines increased from £266,403 to £334,141. The value of these stamps which the vendors are compelled to fix on the bottles or packages varies according to the sale price of the articles, being from 1½d. to 10s. In 1908, the British public purchased 41 millions of stamped patent medicines and paid a total of about £3,000,000. The vendor judging from his peculiar sale prices of 1s. 1½d. or 2s. 9d. takes good care that the consumer pays not only for his patent medicines but also for the price of the Stamp duty imposed on him. There is no doubt that the sale of patent medicines has enormously increased during the past decade and this is not to be wondered at considering the freedom with which they can gull the ignorant public by their wonderful 'cure-all' advertisements which I understand are not taxable. In fact, the blatant frauds perpetrated on the public became so serious that the British Medical Association exposed them in 1909. The results have been published in book form 'Secret medicines, what they cost and what they contain'. A perusal of these books will, I feel sure, be of enormous interest and benefit to the Honourable Members. Let me quote a few well-known patent medicines with their compositions, cost prices and sale prices:

1. *Dr. William's Pink Pills for Pale People*.—Sale price 2s. 9d. for 30 pills, cost price 7½d.

\* On the List of Business.

2. *Bile Beans for Bilious People*.—Sale price 2s. 9d., cost price  $\frac{1}{4}$ d.
  3. *Mother Seigels Syrup*.—Sale price 2s. 6d. for 3 oz. cost price  $\frac{1}{4}$ d.
  4. *Carter's Little Liver Pills*.—Sale price 1s. 1 $\frac{1}{4}$ d. for 42 pills, cost price  $\frac{1}{4}$ d.
  5. *Beecham's Pills*.—Sale price 2s. 9d. for 90 pills, cost price  $\frac{1}{4}$ d.
- A Member*: They are worth a guinea a box.

**Lieutenant-Colonel H. A. J. Gidney**: Yes, and with the exchange at Rs. 15 per £ and not Rs. 10.

The above are pre-war prices—add 100 per cent. and even then the frauds are apparent. I am glad to have this opportunity of exposing the frauds and dishonesty practised by the vendors of patent medicines.

Sir, the present import duty on all drugs including patent medicines is an *ad valorem* 7 $\frac{1}{4}$  per cent. I submit, it is unjust to levy an equal import duty on patent medicines and 'honest drugs'. The former should be subject to a much higher duty, which, I suggest, should be 20 per cent. *ad valorem*. If this were accepted, the change would not entail the introduction of any new machinery for a list of the patent medicines can be easily obtained from the Inland Revenue returns and accepted by the Government of India. The same can be done regarding patent medicines from all other foreign countries.

Sir, the value of imports of proprietary and patent medicines in India as obtained from official records is as follows:

	Rs.
1917-18 . . . . .	21,84,442
1918-19 . . . . .	24,50,647
1919-20 . . . . .	30,48,798
1920-21 (ten months) . . . . .	26,12,241

All at present subject to 7 $\frac{1}{4}$  per cent. *ad valorem* duty. I understand, Sir, that this return does not include patent medicines from America and other countries which, if included, would swell the import value to at least 50 lakhs yearly. The present import duty is 7 $\frac{1}{4}$  per cent. *ad valorem*. This on Rs. 31,00,000 would bring in a revenue of Rs. 2,25,000. If raised to 20 per cent. as suggested in my amendment the revenue would be Rs. 6,20,000, *i.e.*, a net increase of about 4 lakhs. I therefore commend this amendment to the House and feel sure that it will be accepted unanimously.

**Mr. C. A. Innes**: Sir, I think that I ought to object to this proposal on grounds of principle. I do not think that we ought to use our Customs Tariff in order to prevent or to hamper patent medicines from coming into the country. If it is necessary in any way to regulate the use, or check the growth of the use of these patent medicines in this country, I submit that that legislation should be undertaken separately and that the matter should be considered apart from the Customs Tariff. It seems to me a wrong principle that we should use this Tariff for discriminating between what Colonel Gidney calls 'genuine' drugs and patent medicines. For all I know, patent medicines may consist of genuine drugs, and I believe myself that many of them do. But my main objection, as I have said before, is one of principle. I think we ought to make it a principle that we should not use the Customs Tariff for purposes of this kind.

The amendment was negatived.

**The Honourable the President :** The question is :

That Schedule II stand part of the Bill.

The motion was adopted.

**The Honourable Mr. W. M. Hailey :** I beg to move, Sir :

'That the consequential amendments as to re-numbering and the like be made in the Schedules as now amended'.

This is merely a formal motion in order that the amendments may be put in the necessary order, and gaps, etc., avoided.

**The Honourable the President :** The question is :

'That formal consequential amendments as to re-numbering and the like be made in Schedule I'.

The motion was adopted.

#### RAILWAY AND STEAMSHIPS.

**Mr. A. D. Pickford :** Sir, I shall endeavour to detain the House as little as possible. I feel, however, that I must ask for the indulgence of the House for a few minutes in order that I may make the position of this amendment perfectly clear to the Members. I ask this because unless the effect of the amendment is made clear, I feel there will be a grave risk that really serious injustice may be done. The amendment that stands in my name is as follows :

'That in clause 4 all the words after '1921' shall be deleted, and in their place the following shall be inserted :

'(a) Section 8. (1) of the Freight (Railway and Inland Steam-vessel) Tax Act, 1917 shall be repealed, and the following section substituted therefor, *vis.*

'3 (1) Subject to the provisions of this Act' there shall be levied and collected on goods carried by :

- (a) any inland vessel in British India a tax at the rate specified in that behalf in Schedule I, or
- (b) any railway in British India a tax at the rate specified in that behalf in Schedule II.'
- (b) For the second Schedule to the aforesaid Freight Tax Act, 1917, the Schedule contained in the fourth Schedule to this Act shall be substituted and numbered II.
- (c) The second Schedule to the aforesaid Freight Tax Act, 1917, shall be numbered III, and
- (d) In section 5 of the aforesaid Freight Tax Act, 1917, 'Schedule II' shall be altered to read 'Schedule III' and any other consequential alterations that may be necessary shall also be made in the said Act.'

Sir, I hope, Honourable Members will not be alarmed by the terms of that amendment. It looks a very complicated affair, but it is really perfectly simple; and, believe me, contains no trade slimness at the back of it. The effect of it is simply this. The proposals of the Government are that a surcharge should be levied on all goods carried by railways and by inland steam-vessels. The only effect of this amendment is to continue the surcharge on railways, but leave

the position with regard to inland steam-vessels as it stands at present. That is the whole effect of it, and all the other verbiage is merely a question of getting the thing into proper order, the schedules into their normal order. Now, the House will naturally ask, why should inland steam-vessels be treated differently from railways in this matter? The answer is very simple. The inland steamship companies of which there are a fair number are private commercial concerns, like, for instance, a sugar company, or cotton company or a jute mill or an ocean steam-ship company; they differ in no way except for the fact that they do come into competition with railways, and especial with State railways. Now, it is a fact that inland steamers compete from point to point with the railways. That is one fact which I would ask Members of this House particularly to note. The second fact which I would ask Members particularly to note is, that in the past where for any reason it has been necessary to levy more freight on goods or passengers carried it has been done generally by raising the rates on railways with the sanction of the Railway Board, and a corresponding increased rate is levied as the inland steam-vessel companies may think desirable. Now, it is perfectly clear that if the railways do not raise their rates the inland steam vessels cannot without raising their rates continue to pay. What is the position now? And in connection with this it is necessary for the House to examine very carefully indeed the reasons which the representatives of Government have given for the proposed surcharge. The position is that the Government come to the public and say:

'The cost of working railways has gone up. We think, therefore, we must raise the rates, that we must get more money in order to meet the deficiency.'

Now the Railway Board, as its habit is, says, 'We have not had time. We cannot yet carry out this complicated business of raising rates.' The steamer companies on the other hand, being commercially run shows, say 'We are prepared to raise the rates at once to meet our working costs if the Railway Board will wake up and raise their rates.' Very well, that is no use to the Honourable the Finance Member. He has got to come up with the Budget and he looks round to see how he can get out of the difficulty into which the Railway Board has put him; and he says to us:

'As I cannot get the railway rates increased, I must in the meantime place a surcharge on all the goods that are carried by railways.'

At the same time, he says, 'I am going to include the Inland Steam Vessels.' Now on the first point,—I am not quite sure if I have made the point clear, but I want to make it quite explicit from the actual words which have been used by the Honourable the Finance Member in introducing the Budget. In paragraph 30 he says: 'I submit therefore, that quite apart from our present financial necessities, a moderate increase of rates particularly on goods traffic, the rates for which are mostly still on a pre-war basis, could be amply justified on business grounds.' If that is not clear enough, in paragraph 31, discussing the postal rates, he says: 'The remarks which I have just made, regarding the justification, as a business proposition, for an increase in railway rates, apply with somewhat greater force to the case of our Postal rates.' That is to say, as he continues, 'it is at any rate safe to say that our net revenue from the Post Office has been steadily diminishing owing to the very large growth in working expenses mainly due to increased pay of the staff, and that next year the Postal Department will, unless the charges we make to the public for Postal services are raised, actually be running at an appreciable loss.' That is the position in a nut shell. They say that the working cost has gone up, they are

[ Mr. A. D. Pickford. ]

losing money on railways and therefore they must put the rates up. If Honourable Members will say, that is legitimate in the case of Railways, why is it not so in the case of Inland Steam Vessels. I want to explain what the position is. Remembering what the Honourable the Finance Member has said, it means this. Remembering also, may I say, that practically all railways are in part State-owned, some completely State-owned, some of those with which the Inland Steam Vessel Companies compete are entirely State-owned. Take for instance, the Eastern Bengal Railway and in a minor degree the Assam Bengal Railway. Now they are going to charge the public more money; by carrying its goods they take that money into their pockets, that is to say, into the public revenues of the country. They take that money out of the pockets of the revenue again, and give it back to the railways in order to meet their working costs.

Now that is quite a legitimate thing. The public is merely paying for the added cost of running the railways in India. But what is the position in the case of the steam vessel companies? Something entirely different. They, too, have had their working costs put up; so much so that they are carrying on with the greatest difficulty. They say they want to raise their rates, it is legitimate that they should raise their rates, but the Railway Board won't let them or rather, the Railway Board won't raise their own rates, therefore they cannot raise theirs. But on the top of all this the Government comes along and says:

'We are taking the money from the railways and it is quite true we are giving it back to the railways: we are going to take it from you as well and it is quite certain we will not give it back.'

Mr. Hailey will admit he is not going to give it back to the Inland Steamer Companies; there is no suggestion of the sort.

Now, that position seems to me to be perfectly clear; there is a legitimate charge being made on the public to meet the increased cost of railways, while there is a completely illegitimate charge going to be levied on Inland Steam Vessel Companies - to meet what costs? Certainly not the increased cost of the running of the inland steamers, but to help the general revenues of the country! Now, Inland Steam Vessel Companies pay their taxes in exactly the same way as every other commercial company does. They pay income-tax, they pay supertax if they make enough, which is not likely if this passes, and they pay any other taxes that may be going, and yet there is this extraordinary differentiation, in this proposal, between their position and that of other commercial companies. They are going to have this really intolerable burden thrown on them as one of the effects of the proposal which has been made. As a matter of fact, I give it to the House as a present, it would be hard enough if the State railways were competing on ordinary lines, on ordinary commercial lines; but they are doing nothing of the kind. To my knowledge, one of the State railways is a charitable institution supported at the expense of the public. And I give the Members of the House a present of this for any future Resolution which a Member may care to place before the House: but its immediate effect on the problem with which we are faced at the present moment is, that not only are the inland steamers competing with the railways, but they are competing with what is not in fact legitimate competition. But even if it were legitimate competition, I feel quite sure that the Members of the House must have seen, from the arguments that have been used, that the

inland steam vessels are being made to pay something which other commercial companies are not asked to pay and they are being asked to pay that something for a reason with which they are in no way concerned. It will be absolute injustice to allow this provision to remain.

May I say that the argument may possibly be used that a surcharge was imposed on inland steamers in, I think, 1917, during the war, and like many other taxes, while opposition was shown to it, the opposition was of a comparatively mild character in view of the fact that the war was on and had to be paid for.

May I just quite briefly reiterate. The purpose of the tax has been made clear beyond all measure of doubt by the Honourable the Finance Member. The purpose of the tax is legitimate so far as railways are concerned in order to meet the increased working costs. It is illegitimate so far as inland steam vessels are concerned, because money is being taken from them and placed into the general revenues and they are getting nothing out of it to assist them to meet their increased working costs.

The inland steam vessels are private commercial concerns which are, by this proposal, taxed over and above any taxation which is imposed on other commercial concerns. They are and must be, as long as the present railway policy of the Government continues, in direct point to point competition with State or partly State railways. I am quite sure that if the House does not accept this amendment which I place before it, it will be doing a very grave injustice to a service which is of the greatest value to the country and which employs a very large number of people. On the other hand I feel, also, that there is not the slightest risk, in view of the explanation which I have given to the Honourable Members of this House, of its not accepting the amendment which I have placed before them.

**Mr P. P. Ginwalla :** Sir, I am afraid, so far as conditions in my province go, that I must oppose my Honourable friend's amendment.

I believe Mr. Pickford has been to Burma, but he has probably forgotten the state of affairs there, and, if he wishes, I am quite prepared to take him back there with me and show him round. He will find in Burma that there is no competition whatever between one railway company and another or between a railway company and a flotilla company or one flotilla company and another for so far as Inland steam vessels are concerned, there is an absolute monopoly in Burma. Time after time attempts were made by smaller companies to compete against the one big concern there and they all failed. Not long ago a rival company, for which I was appearing, not only broke but its assets were eventually bought out by the flotilla company. In regard to smaller ventures, also, the same has been the result and, speaking for Burma, I should be very glad if a larger tax were levied. You can look at the Dividend lists of the company. They have killed all the small Burma boat traffic on the river practically and I think the Burmans would welcome any measure which would enable the river steam vessels traffic to be diverted to some extent to the Burmese boats.

**Mr. A. D. Pickford :** May I rise to a point of order, Sir? I did not say that all Inland Steam Vessel Companies competed with railways.

**Mr. P. P. Ginwalla :** I am very glad to hear that my Honourable friend is willing to admit that there is at least one company that needs no protection

[ Mr. P. P. Ginwalla. ]

in this particular form. If you look at the map of Burma, Sir, you will find that it is cut up by rivers, creeks and various other water-ways, upon which you see nothing except the launches of the Irrawaddy Flotilla Company, and, if there is any means by which the Burmese boat craft could be revived, this is one of the ways, and I hope the Honourable Finance Member will at least next year make an exception in favour of Burma and put a much higher tariff upon this inland steam vessel river traffic in the rivers of Burma.

**Rao Bahadur T. Rangachariar:** From the able way, Sir, in which the Honourable Mr. Pickford has presented the case to the Assembly I was rather led away from the point we are considering. I thought we were considering ways and means for finding out our deficit caused by the Budget we have just passed and also trying to find revenue for that purpose. The Honourable Member now complains that the Inland steamship companies have got to find ways and means for making up their deficits, about which we know nothing. We know our deficit and we are finding means to make up that deficit. I take the Honourable Member's word that the affairs of the steamship companies require investigating. But we are not here to find ways and means to meet any deficit for the steamship or any other companies. We are here to find funds for our own deficit and therefore the object of this surcharge is a tax for public purposes—not to make money to either run the railway or do any other thing. We are raising a tax for the purpose of meeting our deficit. If that is understood, all these questions, which the Honourable Member has raised and which no doubt deserve sympathetic consideration on another occasion, must be put on one side as this is not the occasion when we can go into them, and, therefore, Sir, I suggest that every pie now taken should go to meet our own deficit and we must not confuse the issue by taking into account the affairs of private concerns.

**Mr. E. L. Price:** Sir, as I understood it when this schedule was first put before the House, it was this. That this schedule was expressed as a purely temporary thing till the adjustment of freight charges next year to meet the increased cost of railways was ready. It was a purely temporary thing. Well, Sir, I take it, that it is in the interests of the whole country, that if the freight charges on the railways have to be revised, they should be revised as soon as possible, but it seems to me, that if we pass this schedule in any such form, where the Government will get not only a surcharge on their own business carried by the railways but where they will also pocket a surcharge on the traffic carried by somebody else's commercial enterprise, that the Government, having this illegitimate profit, need never revise the freight charges at all! So long as they can get an illegitimate profit from the Steam Navigation Companies, it seems to me they have every inducement to procrastinate. And I suppose, Sir, that if they can pass the schedule in this way, the freight charges will not be revised during the new financial year.

**Mr. J. Chaudhuri:** Sir, I shall only say one word with regard to Mr. Pickford's argument. It is this, that while State Railways are run out of public funds or loans raised by the Government, if they make a profit, the profit goes to the people, but, in the case of steamer companies, the profit goes to private individuals. And for that reason I should equalise the conditions under which State Railways and steamer companies carry on their business.

**The Honourable Mr. W. M. Hailey :** I have listened with great care to Mr. Pickford's statement, and I am bound to say that I, and, I think, my Honourable friend Sir George Barnes also, were much struck by what appeared to be the justice of some parts of the claim that he put forward. His case is, that we are taking the whole benefit of the surtax on the steamship companies, and that in so far as we are taking the whole benefit of a tax placed on their enterprise, we are preventing them thereby from making the necessary increases in their charges which we all know to be necessary in order to enable them to carry their traffic. We have had to admit the necessity for an increase in the working expenses on our own enterprises, and this increase will be met in part at all events by the surtax which we propose to impose. When we carry through the necessary arrangements, that surtax will give place—I hope at an early date—to a revision of the schedule of freights; but if we take the whole of the surtax on the steamer companies, they cannot make any revision of their rates. On these grounds, therefore, I confess I was struck with the justice of the claim put forward by Mr. Pickford. I do not agree with the whole of his claim, because we expect to make something more for ourselves than the necessary increase in the working charges of Railways; that is to say, that we do regard this in part as an actual tax on transport. I was, therefore, I confess, after consulting Sir George Barnes, prepared to agree that in view of the fact that our Railways and the private steamship companies were in competition, we should take as a measure of the taxation which was placed on them half of what we are proposing to place on our own Railways, and I thought that would be a fair settlement of the question. I admit that there is some force in the case that Mr. Rangachariar has put forward; but I do see the necessity for allowing the steamship companies to make a revision of their charge to meet increased working expenses, and it seems to me that justice requires that we should give them some scope to do so. I am therefore prepared to put to the House for its decision that we should allow the steamship companies to impose half of any charge that we are imposing in the case of Railways. If the House is prepared to accept that, we would carry out the necessary drafting of the amendments to give effect to it. For, it has still to be decided in view of Mr. Spence's proposed amendment, what form our surtax on Railways should take.

**Sir Frank Carter :** Sir, the Honourable the Finance Member seems to admit the principle that the surcharge is unjustifiable, and kindly asks the steamship companies to accept a half. Why a half? I do not think it is at all a question of a half or one-fourth. Nothing of the kind. It is a question of the whole or nothing. The Railway companies have had, I am quite sure, at least three months to consider this question of rates at least. I presume this budget has been on the tapis for about three months. Steamer companies and commercial firms can make alterations in their rates in less than three months. Why cannot the railways do the same? As regards competition, the steamer companies have to face competition not only from other steamers, but also from country boats. Why not put this surcharge on country boats? Why should you put it on steamers only? I must protest most strongly against any suggestion of a half.

**Mr. B. Venkatapatiraju :** Sir, I find it very difficult to appreciate the difficulties placed before us by the Honourable Mr. Pickford and the justice which the Honourable Mr. Hailey has seen in that demand. Supposing we

[ Mr. B. Venkatapatiraju. ]

continued to charge the old rate, what would be the effect? Supposing we do not impose any surcharge, does it make any difference in their present difficulties? Now, Sir, the increase of 5½ crores according to the statement of Honourable Mr. Hailey which this surcharge brings,—is it not taking it from the pockets of the poorer people of the country and why should you want to raise at such a time as this, such an amount? Is it not because we are unable to carry on the administration we want to tax them so heavily, and are we to take into consideration any sufferings of rich people on this occasion? If the Government can afford it, why should we tax the poor. Let us not charge any surcharge at all? Let us not raise 5½ crores for this purpose. As for the justice of revising the steamship rates, there will be time for us to discuss it. We are now in a dire difficulty, and we want to meet certain contingencies. In order to meet them we want to see how best to tax our people, that is, to tax ourselves to supply funds to the Exchequer. For that purpose we have to see whether we have to exempt duty on this, on that, or the other. After making all these people pay this amount, now we have got a proposal that something must go to the pockets of some companies, and the Government say, 'Of course it is just. We have no objection to sharing with you at least one crore by giving the companies 15 lakhs.'

**Dr. H. S. Gour:** The general exhortation of my learned friend that we have got to raise taxation and must not discriminate between companies that pay taxes and those that escape taxation does not commend itself to me. These steamship companies are struggling for their very existence. If I understand rightly, the dividend that they pay is the very reverse of the dividends which this morning Mr. Innes read out from a commercial paper. What is the dividend that they pay? I am told they pay the very miserable sum of 4 to 5 per cent, and I submit that to saddle them with this surtax is to embarrass them at a time when they are struggling for their existence. Merely because you want money, that is no reason why you should pick other people's pockets. I submit that, if you want money, it must come from sources that are naturally available to us. I do not know anything about the history of these companies beyond what I have stated. But I am deeply impressed by what Mr. Pickford has said, that while the railway companies which have been surcharged get a refund in the shape of working expenses, these commercial concerns which are doing a public good in carrying goods at a cheaper rate on the rivers are surcharged a sum of money which is not refunded to them at all. I submit that the barest justice due to these companies requires that we ought to refund this money, and I ask the Honourable the Finance Minister not to do half justice but whole justice by conceding to charge them no surcharge at all.

**Rao Bahadur T. Rangachariar:** May I rise to a point of order? How are you going to revise the Budget at this stage? Are you going to re-write the Budget by writing half and half?

**The Honourable the President:** I am glad to say that as it is not a point of order, I have not to settle that problem.

**Mr. Harchandrai Vishin'as:** Can we have an idea as to what amount of loss this will entail upon our revenue, this concession asked for by Mr. Pickford half of which is conceded by Honourable Mr. Hailey?

**The Honourable Mr. W. M. Hailey :** The whole tax would be about 25 to 30 lakhs ; it is a little difficult to get at the exact figures—and half would be 12½ to 15 lakhs.

**Mr. A. D. Pickford :** May I ask the Honourable Mr. Hailey to elucidate that a little? What would be the total surcharge on railways and inland steamers of which 12 lakhs would be for inland steamers?

**The Honourable Mr. W. M. Hailey :** Out of the 5½ crores, it would be 25 to 30 lakhs on inland steamers.

**Mr. Manmohandas Ramji :** I wish to oppose this amendment on this ground. We are raising our taxes in order to make up the deficit, and therefore we are charging the people for their articles of necessity by putting a surcharge on railways and on steamers. In case of railways it has been pointed out by the Honourable Mr. Pickford that the surcharge will be going towards the expenses to make up the deficit in the working charges of the railways, and in the case of steamers, even if they are incurring enhanced charges for working, they will not be allowed to recoup anything from this tax. Now the anomaly comes here. In case of railways if you do not pay them anything in one sense, on the other hand, you will have to make good that loss. Supposing the Finance Member had not thought of putting the surcharge, the deficit in the working of the railways would have been the same, similarly, the loss would remain also in case of steamship companies the same—why this differentiation? If Government gives this refund to the railway companies in the shape of working expenses or write off the loss that would occur, it means one and the same thing. If you put the money under one head or in the other it makes no difference. But here it is proposed that private companies because they are losers must recoup something from this tax, which is not good. Of course if there is any justification for raising the rates of the inland vessels let a concrete proposal be brought before this House and discuss it on its merits. Of course they can come to the House and to the Government and say 'Here we are losing. Increase our rates.' The Government should not lose any time and should at once consider it and accede to their request or say 'No.' But it is not justifiable to bring the subject in this manner.

**Mr. T. V. Seshagiri Ayyar :** I feel compelled to intervene in this debate. The reasons assigned by the Honourable the Finance Member for meeting Mr. Pickford half way are somewhat curious. Yesterday, Sir, we had a debate about the tea industry and about the hides and skins business. Those who were responsible for the tea industry told us that the trade was languishing and that, therefore, we should not impose any taxation ; and the same argument was put forward in regard to the business in skins and hides.

Then, this Assembly told them that we have nothing to do with the languishing state of the trade. What we are concerned with is whether the industry can bear the tax. It is not a poor man's concern, and, where the country is suffering from a financial deficit, it is the duty of the Government to go to those persons who are in a position to make a profit and ask them to give a portion of the profit. Now Sir, in the case of Joint Stock Companies, are we not taking a portion of their profit? In the case of the income-tax and in the case of the super-tax, are we not taxing private people? I do not understand the reason why, because the railway companies are in a

[ Mr. T. V. Seshagiri Ayyar. ]

different position from the Inland Steam Navigation Companies; therefore, the Steam Navigation Companies should be treated differently from other taxpayers, namely, the income-tax payers, the super-tax payers and Joint Stock Companies.

In these circumstances, Sir, it seems to me that the demand made by Mr. Pickford should not be acceded to by this House.

**Mr. R. A. Spence :** Just dealing with what Mr. Seshagiri Ayyar has said, I think that, if he carries his proposal to the extent that he should, according to what he says, the Honourable the Finance Member should put this surcharge on all goods carried in country carts and on all goods carried in every form of transport in this country.

**Mr. A. D. Pickford :** I rise to a point of order in this respect, that the Honourable the Finance Member has made a proposal to us and I should like to say that I demur in the strongest possible manner not only to the injustice of the original proposal, but to what has been perfectly rightly called the giving of half-justice. At the same time, if that is the feeling of the House, in the interests of companies that cannot be choosers because of this policy, I feel that I can take no other course than to accept the proposal which has been made by the Honourable the Finance Member. I cannot express strongly enough my feelings with regard to the manner in which my suggestion has been received by him and the terms of the half-justice counter-suggestion.

**Mr. Harchandrai Vishindas :** Sir, I think we shall be committing a great error of principle if we concede this demand either to the whole extent as Mr. Pickford has asked or to the half extent to which he has just now agreed. The only ground that is put forward is one which was put forward yesterday in regard to the tea industry and the hides and skins industry and, therefore, I suggest that we should not look to the interests that are hit by this legislation. There are innumerable people affected by this measure to whom the same principles would apply as have been urged to-day and as were urged yesterday. Take the whole list; any number of people will be hit, any number of people's incomes would be reduced, any number would have to pay much more than they are paying now. It so happens that the gentlemen who have shouldered these proposals last night and to-day have very carefully studied the cases of the companies on whose behalf they have spoken, because they are very well educated people in possession of all the statistics, and, therefore, they have been able to present these three cases with great ability and great assiduity before the House. But if the same kind of work had been undertaken by any other Member on behalf of other interests, I submit a much stronger case could have been made out. But simply because nobody has taken that trouble in regard to other interests, I think there is no reason why we should favour these interests at all.

**Dr. H. S. Gour :** I move that the question be now put, Sir.

**Lieutenant-Colonel A. J. Gidney :** Sir, the Honourable Member Mr. Pickford's exposition of a very intricate question has impressed me very much.

I submit he has clearly shown that the super-tax to be imposed on these

steamship companies is an unjust one. If a similar tax were imposed on country boats it would be called 'zoolum.'

We have here listened to-day to three kinds of logic or objections for three different amendments. For we had Mr. Jamnadas' amendment thrown out because various companies made such enormous profits and should be taxed accordingly. Another case was thrown out on principle, but we were not told what the principle was. Another one is about to be thrown out now by offering a half measure remedy, for a gross injustice. Is this reasonable? Is this just? Is this logic? It is not; and one is seriously tempted to call this not *logic*, but '*zoologic*.' I consider that this supertax on these steamer companies is not a just one, and the only remedy for that is not to impose it at all and to accept the Honourable Member's amendment in full.

**Mr. A. D. Pickford:** Sir, what is the position of the suggestion that the Honourable the Finance Member made which I was prepared to accept?

**The Honourable the President:** As far as the Chair is concerned, the position of that suggestion is that it never reached the form of an amendment. Ample opportunity, I think, was given for it to be put as an amendment, but the amendment was never moved.

The Assembly divided as follows:—

AYES—14.

Abdulla, Mr. S. M.  
Agarwala, Lala G. L.  
Ahmed, Mr. Zahir-ud-din.  
Carter, Sir Frank.  
Gidney, Lt.-Col. H. A. J.  
Gour, Dr. H. S.  
Gulab Singh, Sardar.

McCarthy, Mr. Frank.  
Muhammad Ismail, Mr. S.  
Mukherjee, Babu J. N.  
Pickford, Mr. A. D.  
Price, Mr. E. L.  
Spence, Mr. R. A.  
Watson, Sir Logie Pirie.

NOES—51.

Abdul Quadir, Maulvi.  
Aiyer, Mr. A. V. V.  
Aiyer, Sir Sivaswamy.  
Am ad Ali, Mr.  
As'ad-ul-lah, Maulvi Miyan.  
Ayyar, Mr. T. V. Seshagiri.  
Bagde, Mr. K. G.  
Bardawalla, Mr. S. K.  
Bhargava, Mr. J.  
Chaudhuri, Mr. J.  
Crookshank, Sir Sydney.  
Dalal, Sardar B. A.  
Das, Babu Braja Sundar.  
Dwarkanadas, Mr. J.  
Fell, Sir Godfrey.  
Gajjan Singh, Mr.  
Ghulam Sarwar Khan, Mr.  
Chaudhuri.  
Ginwala, Mr. P. P.  
Girdhardas, Mr. N.  
Hailev, The Honourable Mr. W. M.  
Hajeebhoy, Mr. Mahomed.  
Holland, The Honourable Sir Thomas.  
Hutchinson, Mr. H. N.  
Ibrahim Ali Khan, Nawab Muham-  
mad.  
Iswar Saran, Mr.

Jatkar, Mr. B. H. R.  
Jejeebhoy, Sir Jamsetjee.  
Joshi, Mr. N. M.  
Kabraji, Mr. J. K. N.  
Latthe, Mr. A. B.  
Mahadeo Prasad, Mr.  
Mahmood Schamnad, Mr.  
Mudaliar, Mr. Sambanda.  
Mukherjee, Mr. T.  
Nand Lal, Dr.  
Nag, Mr. Girish Chandra.  
Neogy, Babu Khitish Chandra.  
Norton, Mr. Eardley.  
O'Donnell, Mr. S. P.  
Rajan Baksh Shah, Mukhdum Syed.  
Ramji, Mr. Manmohandas.  
Rangachariar, Mr. Tiruvenkata.  
Reddiyar, Mr. M. K.  
Samarth, Mr. N. M.  
Sarfaraz Hussain Khan, Mr.  
Singh, Mr. B. P.  
Sircar, Mr. N. C.  
Subzposh, Mr. S. M. Zahid Ali.  
Venkatapatiraju, Mr. B.  
Vishindas, Mr. Harchandrai.  
Waghorn, Colonel W. D.

The motion was negatived.

**Mr. E. A. Spence :** Mr. President, the amendment standing in my name was drafted with the idea that the House would have accepted the principle of differentiating between Inland Steam Vessels and Railways, and as the House has not accepted that view my amendment will have to be altered in so far as it merely now concerns Schedule I, section 3, that is, instead of the proposals put forward by Government that there should be a surcharge based on the maund irrespective of distance, my amendment is that the surcharge should be a percentage of the freight paid.

The debate that we have just now had is one which some people might think is very opportune as it has given me a good many ideas, and therefore it has given me an opportunity of distinguishing myself, but it may give me an opportunity of extinguishing myself if I cannot deal with the various points that have been brought up by the Members. There is one thing, Sir, that I noticed, and it is this. I heard that this surcharge that was going to be placed would bear upon the poor people. I think the Honourable the Finance Member will bear me out in saying that this surcharge is one which is not going to bear upon the poor people at all, whether you have it in the form of a percentage as proposed by me or in the form proposed by the Honourable the Finance Member. It is merely a charge made by Government in order to meet the deficits which have occurred in the Budget which, I think, are mainly due to their not having revised the Railway Tariff early enough, and it only means a very small percentage on the cost of freight. It has got nothing to do with the cost of the articles. Now, my contention is, Sir, that the proposals of Government, as based at present, are unfairly based, for I maintain that they lay an extra burden on the man who draws his supplies from a short distance, and if I am wrong in my contention that this charge does not bear on the poor people, well then, I certainly think that the charge should be made in the way I suggest, because the poor people bring their supplies from short distances and not from long ones. Now let us take a concrete case that just occurs to me, of a man in Bombay sending away goods, there being a consumer in Poona, a consumer in Delhi and a consumer in Simla. Now, the man in Poona is paying on his particular goods, whatever they may be, 8 annas a maund, and under the Government proposal that man has got to pay a tax of 2 annas in the maund. In other words, that man is paying an extra tax of 25 per cent. on the cost of getting his goods. But you take the man at Delhi with the same class of goods. There the rate per maund is Rs. 3. Government say you merely pay 2 annas in the maund extra and that man is only paying 4 per cent. extra. And then you take somebody up in Simla the Olympian heights we hear so much about—and there the freight charge is, let us say Rs. 4 per maund. (These are true proportions that I have mentioned on a particular article). Two annas in the maund in a Rs. 4 per maund charge is 5 per cent. Now, why should certain people who get their supplies from near at hand have to pay more than people who live a long distance away? If you have a percentage charge on freight it is the same for everybody all round.

Now, one great question that naturally comes up is,—you make the suggestion of a percentage basis, but how is it going to affect our revenue? In the speech I made on the Budget, I am afraid I made a mistake. I said that a surcharge percentage of one anna in the rupee would be equal to the Finance Member's estimate of 5½ crores from his proposals. Well, I cannot find the figures on which I based that, and I am afraid I may be a

little bit wrong, because I see, looking up under Railways, that the gross earnings from all the railways in 1918-1919 from goods traffic, that is, general merchandise, military stores, coal and coke, live stock and other goods traffic, was 49 crores. Well, you have got to deduct from that a certain amount for military stores presumably, but there has been an increase in traffic, I should think, and we may take it that from the total goods traffic on railways the gross receipts are Rs. 50 crores. • Now, 12½ per cent. of that would give you Rs. 6¼ crores. If, however, you take the Rs. 49 crores that I have mentioned and deduct the Military traffic, you get only just over Rs. 47 crores, and a 12½ per cent. tax comes to Rs. 5,90,00,000, so that from that point of view we are going to get as much money as we are from the proposals of the Honourable the Finance Member. In fact, we are going to get possibly a little more, and I hope, in view of that, that those Members who have got amendments coming after me for imposing a different rate for coal, coke, etc., or whatever it might be, will not vote against my proposal, because, I think, they will admit that the percentage basis is the fairest.

Now one of the reasons why it is necessary to make this surcharge at all, is that—you heard this very strongly just now—it is due to the Railway Board not having revised their rates. Now if they revise them, they should revise them in the form of percentage and if they are going to take off the surcharge when they have got the rates revised, the surcharge could be best made in the form of percentage—so much per maund, which would amount to the same however far the goods go.

I do not think I need detain the House any longer, but I would ask the Honourable the Finance Member to consider that, in view of the fact, that the alteration will not reduce his Budget—may, in fact, increase it—it is a much fairer way. I do trust, Sir, that the Honourable the Finance Member will accept this amendment.

**The Honourable the President:** I understand the Honourable Member moves his amendment as regards the Schedule.

**Mr. R. A. Spence:** Sir, if I may, I should like to say that as the House has thrown out the differentiation between railways and steamship companies, my other amendment was based on that and it now practically comes down to the Schedule.

May I point out again that I want the vote to be on the net freight charge. I understand that in some cases there is a certain charge made by the railway companies for goods and then a rebate is given off those goods on the railway receipt. It is not a question of giving back money afterwards.

**The Honourable Mr. W. M. Hailey:** When Mr. Spence first put this proposal to us in the course of his speech on the Budget, I thought it was a matter that ought to be considered by the proposed Joint Select Committee. It is a somewhat technical matter, and one which requires a good deal of expert consideration; but in the interval my Honourable friends Sir George Barnes and Colonel Waghorn have discussed the question with me with a view to comparing the merits of the percentage system and the surtax system. As Mr. Spence says, the advantage of the percentage system is that it gives traffic the benefit of the special terms which railways always arrange to suit the capacity of different classes of goods to bear particular rates. Certain classes of raw materials, such as limestone, for instance, can only bear low rates, and in

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practice they get the benefit of such rates ; the railways also, where necessary, give special terms for long distances. And the advantage of the percentage rate is of course that the goods which obtain the benefit of these special rates would also obtain the same benefit under the percentage system.

There is, of course, an additional advantage in that the booking clerk in preparing a way bill would find it far easier to make a percentage addition, so long as the actual calculation is not too difficult, rather than draw up a bill for surtax. I am free to admit that there has been some slight difference of opinion among ourselves on the subject. I do not think that the Railway Board like the proposition as much as I do, but I confess myself that on the whole it has many attractions, not the least of which is perhaps that it will render the task of revising the goods rates easier than if we were to put on an enhanced surtax, because the railway companies will then have some experience of the working of the percentage addition to their existing goods rates. Well, Sir, when we discussed this case we considered it as a whole. I know that Honourable Members here feel that we ought not to increase the burden in respect of a certain class of articles, such for instance, as food grains, fodder and firewood. I have made a calculation to see how a percentage rate could be worked in the fairest manner possible to all interests. I could not, I am afraid, accept the 2 annas which Mr. Spence has put forward, but I am prepared to suggest that instead of two annas, we should take 2½ annas, but, in return for that, we should free entirely food grains and pulses, firewood and fodder, not only from the increased surtax but from the existing surtax. That is to say, they would bear no surtax of any kind. I put that forward, Sir, as an alternative. The tax would be on the net freight and it would include what is known as 'other coaching traffic,' excluding passenger traffic. No tax would be imposed in respect of coaching passenger traffic. If that is done, I think that the sum that would be realised would be practically equivalent to that which I put forward in my budget proposals.

**Sir Sivaswamy Aiyer:** Sir, I wish to ask a question or two of the Honourable the Finance Minister for my information. At present I myself and a number of my friends here feel rather befogged on this subject. We do not exactly know what the effect of these proposals will be. One point upon which I wish to elicit information is this,—whether as the result of this amendment any portion of the surcharge will go to the benefit of the Railway Companies or not. Presumably not. I wish to know whether I am right.

Then, Sir, the other point upon which I wish to have information is this. At present there are concessions made by the Government, I believe by executive notification under the Railways Act, exempting district boards from the payment of surcharge upon road materials and things of that kind. Some of the district boards have been very much exercised by our surcharge proposals, and I have in my hand a telegram from a district board in the Madras Presidency, requesting me to urge upon the Government the need for a continuance of the exemption, which they have hitherto enjoyed. What I wish to know from the Government is, whether the concessions hitherto granted to district boards in respect of the carriage of road materials and so on from the present surcharge will be continued to them in respect of the surcharge now proposed to be levied.

**The Honourable Mr. W. M. Hailey:** Sir, I can answer at once my Honourable friend's questions. This is a tax and no part of it will go to Railway

Companies. As to the second question I know that the Railway Boards, particularly in Madras, have taken a very great interest in this matter. My Honourable friend has brought with him one telegram that he has received on the subject. If I have not brought with me, Sir, all the telegrams I have received on the subject, it is because I wish to husband my strength; my office is full of them.

We grant those concessions now. We shall go through the list of concessions that are now granted under the existing Act, and we shall endeavour, as far as possible, to maintain them. These are granted under executive orders, and are not specifically provided under the Act. We shall retain under the new Act the same power of granting concessions, and we shall go through the whole list, and, as far as possible, maintain them.

**Sir Frank Carter:** I should like to ask one question, Sir. The Honourable the Finance Member in his speech said that there was at present a free zone for goods carried 10 miles or less, which he proposed to extend to 20 miles. I do not see anything in this Act with regard to the increase in the mileage.

**The Honourable Mr. W. M. Hailey:** We do not need a free zone at all now, Sir.

**Mr. R. A. Spence:** Sir, in view of what the Honourable the Finance Member has said, for which I am very grateful, may I crave leave of the House to be allowed to alter my amendment so that after the words 'all goods' in column 1, the following words be added, namely, 'except food-stuffs, grains and pulses, firewood and fodder'. They will meet what the Honourable the Finance Member was good enough to say Government will agree to. The e words will meet, I think, also the amendments standing in the names of other people, and I hope that the amendment as amended will meet the wishes of the House.

And then in column 3, Sir,—I beg the Honourable the Finance Member's pardon for leaving out the most important part—for the rate of tax, 2½ annas be inserted instead of 2 annas.

**Rao Bahaçur T. Rangachariar:** I wish to have a doubt cleared, Sir. I quite see the simplicity and the advantage of the process suggested by the Honourable Mr. Spence, namely, a uniform increase of 2½ annas on the existing rate per rupee of freight. What I am doubtful about is, whether, when you call it freight, it will go to the Government. I have not got the Act with me, and I do not know how this amendment will affect our right to that freight if you call it freight, I only raise a doubt. But so long as it is clear that every pie of it will go to the Government, I am quite in sympathy with the motion. I am only doubtful whether the freight will go to the Government.

**The Honourable Mr. W. M. Hailey:** Sir, I think I can clear that doubt also. I have here the existing Act that makes it quite clear that this is a tax. The Railway companies take no share whatever of the existing surtax, and they will take no share under the same law of the proposed surtax.

If it is now decided to put the amendment to the House, Sir, I would ask that it be completed by the addition of the words 'all goods including

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other coaching traffic,' but excluding, of course, the items mentioned by Mr. Spence, in the first column.

**Mr. E. L. Price:** Sir, I cannot quite understand the matter. It seems to me that surely this amendment of Mr. Spence would give Government a great deal more than they originally asked for. The original demand was for 2 annas per maund. Now they are going to take  $2\frac{1}{2}$  annas in the rupee. Surely that is a very much bigger thing.

**The Honourable Mr. W. M. Hailey:** I can show the Honourable Member the figures; they have been worked out in some detail.

**The Honourable the President:** Amendment moved:

'That in clause 4, all the words after the figures '1921' be deleted, and in their place the following be inserted:—

'For the first Schedule to the Freight (Railway and Inland Steam-vessel Tax) Act, 1917, the following Schedule be substituted, namely:

*'Schedule 1.*

1	2	3
Goods.	Unit or method of taxation.	Rate of Tax.
All goods including other coaching tariff but excluding foodstuffs, grains, and pulses, firewood and fodder.	Per rupee of net freight payable under existing Acts.	Two and a half annas.

The amendment was adopted.

The motion:

'That clause 4, as amended, stand part of the Bill' was adopted.

**The Honourable the President:** I think I am right in saying that the decision just made by the House in amending clause 4 entails the omission of the existing Schedule 4 in the Bill. We have substituted for it a new method of calculating surcharge.

**The Honourable Mr. W. M. Hailey:** May I move as a formal amendment:

'That the fourth Schedule to the Bill be deleted.' as we have now agreed to a different method?

The motion:

'That Schedule 4 be omitted' was adopted.

The motion

'That clause 5 stand part of the Bill' was adopted.

## • SCHEDULES.

**Mr. J. K. N. Kabraji:** The amendment which I beg to move is this:

'That in the proposed Schedules to the Income-tax Act—

(1) for the figures '5,000' wherever they occur the figures '3,000' be substituted;

(2) for the figures '10,000' wherever they occur the figures '6,000' be substituted;

(3) for the words 'two pies' in Schedule I the words 'three pies', and for the words 'four pies' in the same Schedule the words 'six pies' be substituted.'

I have proposed the amendment in case it is necessary to make up any loss on the tariff Schedule. I am not quite clear to what extent the tariff Schedule has been amended altogether because the consideration of some amendments has been postponed, notably the amendment for raising the duty to 12½ per cent. instead of to 11 per cent.

I should like that to be discussed and disposed of first before I can move my amendment to the fifth Schedule. I therefore request that the consideration of my amendment may be postponed, until the remaining amendments to the first Schedule have been disposed of.

**The Honourable the President:** Order, order. I think that in the conditions under which the original motion for postponement was accepted by the Assembly, the presumption is that the Finance Member must be in full possession of all the changes in the rates before he has made up his mind whether he is prepared to raise the rate from 11 to 12½ per cent. Therefore I think the Honourable Member is not in order in asking for a postponement of this motion.

**Mr. J. K. N. Kabraji:** I was given to understand by the Honourable Mr. Hailey that the amendment to the Income-tax Schedule would be taken up last of all.

**The Honourable the President:** No doubt the Honourable the Finance Member imagined that it would be taken up last. He probably did not then know that circumstances would arise which would necessitate the consideration of the first Schedule, which would carry the heading of part V of the first Schedule to the very end of the consideration of the whole Bill.

**Mr. J. K. N. Kabraji:** In that case I have no wish to press the amendment.

**Dr. Nandlal:** On a point of order, Sir, since the Bill is before the House, though the amendment is withdrawn or not pressed, we can go into the merits of the Bill and I hope the Chair will allow me to go into its merits before I oppose the Bill.

**The Honourable the President:** The Honourable Member can oppose the Bill when the motion is put that the Bill be passed.

The amendment was, by leave of the Assembly, withdrawn.

ARTICLES LIABLE TO *AD VALOREM* DUTY.

**Mr. E. A. Spence:** Sir, I think that the few words which I said to the House might still be in their memory and therefore there is no necessity for me to go over the matter again and I, therefore, merely formally move:

'That in Schedule I for the heading 'Articles which are liable to duty at 11 per cent. *ad valorem*' the following heading be substituted 'Articles which are liable to duty at 12½ per cent. *ad valorem*'.'

**The Honourable Mr. W. M. Hailey :** Sir, the House will very well understand the struggle within my breast. I believe that the House would give me that 12½ per cent. if I asked it now and I believe that, if I got it, my position would be much securer; I might look those complicated and sometimes embarrassing statements regarding our balances which come to me once a week, I might look them in the face with a great deal more confidence. But, at the same time, I am bound to admit that I believe that the taxation which the House has already passed will give us what we asked for on the 1st of March, and I am therefore not justified in asking for this addition to our resources.

**The Honourable the President :** the question is :

'That in Schedule I for the heading 'Articles which are liable to duty at 11 per cent. *ad valorem*', the following heading be substituted :—

'Articles which are liable to duty at 12½ per cent. *ad valorem*.'

**Mr. E. L. Price :** Sir, I was under the impression that this was going to be put to the vote, but now I understand that the Honourable Member who proposed this is willing to withdraw—(Cries of 'No, he is not—') Well, his friends will not allow him to do so. I do appeal to this House, a House which has this morning rejected a tax on a luxury or a quasi-luxury that would have brought in a crore of rupees, that, contrary to the wish of the Honourable the Finance Member, it should *not* impose extra and unnecessary taxation in a Schedule which covers a large number of articles in daily use and in fact of universal necessity.

**Mr. N. M. Samarth :** Sir, I have my doubts as to whether the estimates which we have had from the Honourable the Finance Member as to the revenue will be realised. He has taken one shilling and eight pence as his average of exchange. I have my doubts whether he will be able to realise in the course of the year that average. If he is not able to realise that, the revenue will fall short of his expectations, and it is on that ground that I strongly support this motion to raise the duty from 11 to 12½ per cent. People may sometimes think that, where the Honourable the Finance Member is not willing to raise it, it is none of our business to ask him to do so. Why should we raise it? I beg of you to take it from me that it is not my desire to make the country pay more than what the Finance Member would have to ask it to pay in the larger interests of the country. But you must also remember that a reference was made to what is called the Lancashire agitation and I should not be surprised if the Honourable the Finance Member is fighting shy of an agitation of that character being set up in England. Whether he is or is not, I should strongly advise this House, to come to his rescue in spite of himself and raise the duty from 11 to 12½ per cent. if or when that his estimate of one shilling and eight pence, which is not, I am afraid, going to be realised, may not land us in another difficulty.

**Lala Girdharilal Agarwala :** Sir, one additional reason why I want to press that the duty of 12½ per cent. may be accepted is that I have had an informal conversation with some of the Members of the Council of State and they think that some of the rates, for example on letter postage, should be reduced. And it would be very convenient to the Honourable the Finance Member, when the Bill goes to the other House, to have a little more in his pocket.

I therefore submit, Sir, that this Honourable House should accept the proposal and leave some room for reduction in other items.

**Mr. J. Chaudhuri :** Sir, I beg to oppose this motion. I have already said that piece-goods manufactured in this country go up in price according to rises in the price of imported goods. I do not desire that piece-goods should further go up in price. Some people have said that fixing this duty at 12½ per cent. will make calculation easy, because that will work out to two annas in the rupee. But knowing the practice of shopkeepers we know that if we raise the duty to 11 per cent., they will realise from their customers 12½ per cent. But if we fix the duty at 12½ per cent. they will very likely, instead of putting an additional two annas on the rupee, put up the prices by three annas. So I think this fixing of the duty at 11 per cent. will put a check on the ordinary traders in raising the value of the goods by more than two annas in the rupee. As it is, we know by going round the market for buying things that these petty shopkeepers have put up their prices all round. A friend of mine, a member of this House, went to buy biscuits and was told by a shopkeeper only yesterday—'Don't you know, the Sirkar has imposed 50 per cent. duty on this thing, so I want 50 per cent. more.' So if the duty is fixed at 12½ per cent. unscrupulous traders will take great advantage of it, whereas the fixing of it at 11 per cent. will put a check on the further raising of prices, either by the Mills or by the traders, and for that reason I oppose this motion.

**Sir P. S. Sivaswamy Aiyer :** Sir, with all respect to the gentlemen who have moved this Resolution and spoken in support of it, I must confess that it sounds to me very strange and incomprehensible. The Honourable the Finance Minister told us that he would be quite satisfied with the rate of 11 per cent. which he had proposed and that it would bring him in all the revenue that he wants for the requirements of the year. Now we propose to offer him an extra 1½ per cent. and thereby increase the burden on the consumer and put more money into the pockets of the Government to pursue a policy of extravagance, or if you would like so to call it, profligacy, by increasing the salaries of Government servants, increasing the staff and committing all those atrocities with which we generally credit them. Well, it looks to me very much like cutting off your nose to spite your face. The reason given by Mr. Samarth is this : The merchants of Manchester wish to interfere with our right to levy our own import duties, and for the purpose of making an emphatic assertion of our right we should tell them that we are going to raise it to 12½ per cent. . . .

**Mr. N. M. Samarth :** I rise, Sir, to offer a personal explanation. This is not what I said. I said, I wanted to . . .

**The Honourable the President :** Order, order.

**Sir P. S. Sivaswamy Aiyer :** Now, Sir, I do not think that that is a sufficient justification for raising the rate of tariff. I am sure that if necessary the Honourable the Finance Minister will get up now and assure us that at the back of his willingness to be content with 11 per cent. there is really no feeling of tenderness for Manchester, and no feeling of unwillingness to fight Manchester upon this point. I believe it is really nothing more than a perfectly justifiable and proper desire to protect the interests of the consumer and the tax-payer, and, therefore,

[ Sir P. S. Sivaswamy Aiyer. ]

I think it is our duty to support the Finance Minister's proposals and be content with the burdens which have been already laid and not be a party to any increase of the burdens. If perchance the revenue that is anticipated from these sources is not equal to expectations, Government will, of course, come to us again with fresh measures; but that is a thing which we need not anticipate now. I am perfectly certain that if you go to the country no one in your constituencies will thank you for this addition to the burden by 1½ per cent. I would strongly oppose this Resolution.

**Chandhuri Shahab-ud-Din:** Sir, I had no mind to speak on this motion, but as I find some difference of opinion among the members, I feel it my duty to say a few words. I strongly support the duty of 12½ per cent. It was in this very Chamber, in this very House, that the other day we expressed to the Finance Member our desire to find money for building soon the new capital of India. It was in this very House that we discussed the necessity of developing Indian industries. It was on this ground that one of the Honourable Members of this House proposed an hour ago that the customs duty on sugar should be raised from 15 to 25 per cent. It is yet under consideration whether the Postal rates which were passed yesterday should, with the consent of the Government and of the President, be reconsidered. In view of all these considerations, I very strongly support the duty of 12½ per cent. I do not think that Government, if they get a little surplus revenue, will become extravagant. I think we can rely upon the good sense and wisdom of our Finance Member. With these words, Sir, I support very emphatically the proposal to charge 12½ per cent.

**Dr. Nand Lal:** Sir, I confess, my experience, as a member of the legal profession, has never brought this sort of case before my eyes: the plaintiff demands a certain amount of money, and the defendant says 'I am prepared to give more'. I have never heard of a case of this type. Here the Government put forward certain demands, based on certain rates, and this Honourable Assembly is going to suggest to the Honourable the Finance Member that we are prepared to give more. I ask the members of this Honourable Assembly, what answer will you give to your constituents if a question is put to you? What answer have you got? They will say 'you have been putting burdens, yourself, upon our heads; you have been giving money extravagantly; Government did not want so much, you yourself induced Government to charge us so much.' On this ground I oppose the motion, which, I think, has been wrongly moved before this House.

**Mr. N. M. Joshi:** I rise, Sir, to oppose the motion for raising the import duties. It seems to me that in this Assembly the manufacturers and the industrialists are represented in a larger measure than they ought to be.

Sir, every one knows that the import duties will fall upon the consumers whose number is after all much larger than of those who will benefit by the industries. Therefore, this Assembly which claims to represent the larger number of the people of this country should not support the motion that has been put forward. We do not want more money, the Government does not want more money, so why should we add to the revenues of the Government and give them an opportunity to spend more money when it is not necessary at the cost of the people of this country?

**Mr. Jamnadas Dwarkadas :** Sir, I have great pleasure in supporting the motion which has been proposed by my Honourable friend Mr. Spence. I cannot understand, Sir, the objections,—I may say with great respect,—raised by my Honourable friend Sir Sivaswamy Aiyer against the acceptance of the motion. Sir, when the Honourable the Finance Member proposed that a duty of 11 per cent. be imposed on all imported articles, it was contended that, after all, the masses, the poorer classes, will not have to bear the burden, because the articles that are imported are not largely consumed by the poorer classes. Now when the question comes of raising a per cent and a half more, the argument is adduced by the representative of labour in this Assembly that the poorer classes will be affected . . .

**Mr. N. M. Joshi :** I did not say poorer classes at all. I said consumers.

**Mr. Jamnadas Dwarkadas :** Well, Sir, if that class of consumer is going to be affected which surely does not mind paying 1½ per cent. more, more especially in view of the fact that his paying 1½ per cent. more is going to give an impetus to the industries of this country, then I say this Assembly is justified in raising 1½ per cent. more.

But, Sir, the other objection that was raised by the Honourable Sir Sivaswamy Aiyer and my Honourable friend Mr. Joshi was, why we should give more money to Government than it wants. I want to emphasise the cogent argument advanced by my Honourable friend Mr. Samarth. The item of exchange is not a certainty, and at the end of the year we shall find ourselves in a very awkward position unless we have made provision by raising 1½ per cent. But, Sir, I appeal to this Assembly on a ground which, I am sure, will carry weight with them. I am sure that there is not one member in this Assembly who does not believe in the growth of swadeshim in this country. I believe that there is not one member who would not, if he could manage it, use swadeshi articles so as to encourage all the Indian industries in this country. Well, if the profession is not merely in words but it is also in practice, then, I think, it is incumbent on every member of this Assembly if he is a real swadeshi, to raise 1½ per cent. more and not reject this motion.

**Mr. J. P. Cotelingam :** Sir, I rise to support the amendment, although there are a few cries here and there in the Assembly against it. The arguments advanced by my Honourable friend Mr. Samarth appeal to me as sound as they are based not for spiting Lancashire as alleged, but on his doubts as to whether the average of 1s. 8d. being realised by the Honourable the Finance Member. Well, if the Honourable the Finance Member assures this House that the average will be maintained throughout the year . . .

**The Honourable Mr. W. M. Hailey :** No.

**Mr. J. P. Cotelingam :** The Honourable the Finance Member says he cannot give us an assurance to this effect. Therefore, Sir, I should like to see that some provision is made to meet unforeseen contingencies.

Sir, in the few remarks that I made on the Budget speech, I appealed to the Honourable the Finance Member to take into consideration the demand made by the country that some relief should be given to the holders of 3½ per cent. and 4 per cent. securities. I also asked that the postal rates be not oppressively increased with a view to meet those demands, I then said that the import duties may be raised to 12½ per cent. so that the necessary funds may be found. I therefore support the amendment.

**Dr. H. S. Gour :** Sir, I should not have thought that this House, which had treated this Budget with such severe parsimony in the earlier stages of its discussion, would exhibit a sudden outburst of magnanimity by raising the customs duties from 11 to 12½ per cent. and presenting a farewell gift of Rs. 1½ crores to the Honourable Finance Member, about whom many words, quotable and otherwise, have been printed and spoken in connection with this Budget. Now, the more I see this great divergence in the views of the Honourable Member between the outset and now, the more suspicious I become as to what could have been the object in suddenly presenting the Honourable Finance Member with money which evidently he does not want. He says he would be glad to have the money ; I should be glad to have it too ; but that is not the question : the question is, has he demonstrated the necessity for this general taxation which will increase the price of all things in this country by at least 1½ per cent.? A great many of my friends have made no secret of the fact that this rise from 11 to 12½ per cent. is intended for the purpose of creating a protective wall against outside imports. Now, Sir, so far as we, the general public, are concerned, we are not interested in the manufacturers of textile goods, we are not interested in the profits of the middlemen ; we represent the general public at large, and our sole object at this present moment is to see whether this increase of customs duties from 11 to 12½ per cent. is in the interests of that public.

Now, I submit, Sir, unless I am assured that the revision that this Assembly has made in the Budget involves a loss of Rs. 1½ crores which has to be made good, I am not convinced that a *prima facie* case has been made out for raising the customs duties from 11 to 12½ per cent. I have still to hear from the Honourable the Finance Member that this is the result of our general discussion of the Finance Bill, and I submit, Sir, that so long as we are not assured that this money is necessary for the purpose of tiding over this year of scarcity and famine, I should be most reluctant to vote one single pice more than the Honourable the Finance Member demands and needs. The Honourable Mr. Cotelingam conjured before himself the possibility of the exchange not being at 1s. 8d. which figures in the Budget. I am no prophet in exchange matters, no more than the Honourable the Finance Member, and I do not ascribe to Mr. Cotelingam any greater infallibility in that respect.

It has been said *ad nauseam* that the Budget is a gamble in rain. It may be said with equal truth that the Budget is a gamble both in rain and in exchange. I therefore submit that we know absolutely nothing as to what course the exchange is likely to take any more than we know what will be the nature of the monsoon in the ensuing season ; and unless I am sure of both, I am not in a position to predict whether this Budget will be a budget of a surplus or of appalling deficit. We have no right to assume that our expenditure will be heavier than what has been budgetted for. Let us not present in advance a pessimistic picture to ourselves and mistake our real intention of enhancing the customs duties while we are about them, for the purpose of taxing the textile fabrics. Sir, I feel with the opening statement of the Honourable the Finance Member that the customs duty must be regarded as primarily made in the Budget solely as a fiscal measure intended for the purpose of raising the revenue. I submit that on no account should it be permitted to be distorted from its normal purpose by converting it into a protection tariff. This suggestion—the enhancement of the customs duty from 11 per cent. to 12½ per cent.—has manifested

a clear desire that their intention is to create a protection for the whole of the textile industries to the detriment of imports that come from another border of the British Empire. I feel, Sir, that as a member of the British Empire, I have also a duty towards that Empire. Therefore I say that while our duty is primarily to this country, we must not overtax the people on a mere possibility for the sake of meeting a contingency which may never arise. It is one of the principles of political economy which we learnt in our earlier days that taxation must be commensurate with the demands of the State. Here we have provided the Honourable the Finance Member with the sinews of war to the extent necessary for the ensuing financial year, and I submit no case whatever has been made out for raising this revenue—as some Honourable Members have said—to meet a possible contingency.

If such a contingency arises, I say there will be time then for this Assembly to act, but we have no right whatever to anticipate that time and I therefore submit that this Assembly should vote against the amendment moved by Mr. Spence on the short ground that no case has been made out for enhancing the customs duty from 11 to 12½ per cent.

**Mr. Harchandrai Vishandas:** Sir, may I propose that the Honourable the Finance Member do now reply to the question raised relating to exchange and then the debate be closed?

**The Honourable Mr. W. M. Hailey:** Sir, the duty of the Finance Member is to prepare the best estimates he can and then to put before his Legislature the easiest and the fairest and the most equitable way possible of getting the necessary money. If, in the course of dealing with his proposals for expenditure, the Legislature makes any changes in them which decrease the amount of the assumed expenditure, it is his duty to indicate to the Legislature the consequences that will be involved in regard to any proposal for taxation before the House. That, Sir, is what I have attempted to do. I put forward the best estimates I could frame, and nothing has occurred since, save of course in so far as the House has varied our demands for grants which justifies me in saying to the Legislature that these estimates must be modified. Take the item of expenditure first. I am bound by the votes passed by the Legislature. Some Honourable Members have suggested that if we had larger resources at our disposal, expenditure might be incurred under certain heads; but we, as a Government, are bound by the votes which have been given to us and, even if we found ourselves in possession of the most enormous windfall, we would not spend more money on these objects than the House has seen fit to vote. There is one item of expenditure, however, which I admit is uncertain, the item to which the Honourable Mr. Samarth has referred, namely the expenditure which will be incurred on account of any loss in exchange. That, Sir, was a doubtful item when I put it forward: I put it forward as a doubtful one and it remains a doubtful one. Exactly the same arguments apply now as applied then; I do not now feel justified in asking the House to make a larger provision for loss in exchange, simply because the facts were so uncertain. I admit—to come to the other side of the account—the revenue side—I admit that I have had sometimes misgivings whether we have not pitched our estimates of revenue receipts too high. Many Honourable Members here, well acquainted with the state of trade and with far better capacity than I can

[Mr. Hailey.]

ever possess for estimating its possible course for the next twelve months, have hinted the same that we have been unduly optimistic. If our estimates of receipts are not achieved, there will of course be a deficit. But there again, Sir, the factors are indeterminate; and it would be altogether going beyond my proper functions if I were to say to this House that I have put forward estimates which are so uncertain that I must ask them to make a large extra provision to guard against any exigent happenings during the course of the year. Well, Sir, I have tried to give briefly what are the functions of the Finance Member and how I have tried to perform them. But I may say there is one thing always present in the mind not only of every Finance Member but, I think, of every Member of Government. Whatever the uncertainties before one may be in the course of the year, however unpleasant it may eventually be to have to face a deficit, yet there is always one sound principle. Taxation is always to be deplored. And every Member of any responsible Government always try to keep taxation down as low as possible. It is because I have tried to do that that I may possibly have put myself in a position of some slight risk—perhaps even, as some Members might here think, of considerable risk—of having to face a deficit. But, Sir, I would rather have to take risks of that nature than I would involve myself in the certainty of imposing one pie more of taxation than I thought was immediately necessary.

**Mr. Harchandrai Vishindas :** Sir, I move that the question be now put.

**Mr. Amjad Ali :** Sir, I beg permission to say something. Since I have been attending this Budget discussion, nothing has appeared so shocking to me or so ridiculous to me as this amendment and the speeches in support of that amendment. Sir, since the Budget is being discussed here, the Honourable the Finance Member has been opposed and cried down that he has been taxing the people right and left and that the poor people will die of these heavy taxes. Now that it is about to be closed, I find a sudden outburst of charitable feeling on the part of certain Members of this House towards the Honourable the Finance Member. Sir, I fail to understand the wisdom of this amendment and the speeches in support thereof. I should only style that amendment and the speeches in support thereof as altogether ridiculous, and as a measure adopted to do a good deal of injustice to the poor people whom we represent. Sir, it is certainly our duty to represent our people and also to be of great help to the Government in the matter of revenue. No doubt about that. But at the same time we should bear in mind that we should do things either for the people or for the Government fairly and squarely. What strikes me most in this amendment, Sir, if I mistake not, is this, that the Honourable the Finance Member would be exceedingly pleased to hear the speeches of the Honourable Mover and his supporters, that they are going to give him some more money which he does not want. He will be very much pleased and say : ' Oh ! these Members are coming with money to help me '. But they should bear in mind that he represents the Government and that it is his first duty to see that no slur is cast on the administration of Government. He knows it fully well that any amount of flattery, any amount of cajolery on the part of any particular member will not help him an inch. On the contrary, Sir, it will cast a slur on the administration and will give the people outside and the newspapers full opportunity to criticise the Government, to criticise the Finance Member, and also criticise the 'Members of this House as mercilessly

as they have been doing since the creation of this Assembly. I therefore beg to submit to this House that we should not lend any support to this flattery. On the contrary, we should set our face against this sort of flattery.

At this stage several Honourable Members rose and moved that the question be now put.

**The Honourable the President :** The question is that the question be now put.

The motion was adopted.

**The Honourable the President :** The question I have to put now is, that the following amendment be made :

'That in Schedule I for the heading 'Articles which are liable to duty at 11 per cent. *ad valorem*', the following heading be substituted :

'Articles which are liable to duty at 12½ per cent. *ad valorem*.'

The Assembly divided as follows :

AYES—21.

Afsar-ul-Mulk Akram.  
Barodawalla, Mr. S. K.  
Bhargava, Mr. J.  
Cotelingam, Mr. J. P.  
Dwarkanadas, Mr. J.  
Ghulam Sarwar Khan, Mr. Chaudhuri.  
Ginwala, Mr. P. P.  
Girdhardas, Mr. N.  
Hajeebhoy, Mr. Mahomed.  
Ibrahim Ali Khan, Nawab Muhammad.

Jejeebhoy, Sir Jamestjee.  
Keith, Mr. W. J.  
Man Singh Bhai.  
Muhammad Ismail, Mr. S.  
Rajan Baksh Shah, Makhдум Syed.  
Bamji, Mr. Manmohandas.  
Reddiyar, Mr. M. K.  
Samarath, Mr. N. M.  
Shahab-ud-Din, Mr. Chaudhuri.  
Spence, Mr. R. A.  
Subzposh, Mr. S. M. Zahid Ali.

NOES—56.

Abdulla, Mr. S. M.  
Abdul Quadir, Maulvi.  
Ahmed, Mr. Zahir-ud-din.  
Aiyer, Mr. A. V. V.  
Amjad Ali, Mr.  
Asjad-ul-lah, Maulvi Miyan.  
Ayer, Sir Sivaswamy.  
Ayyar, Mr. T. V. Seshagiri.  
Bagde, Mr. K. G.  
Bryant, Mr. J. F.  
Carter, Sir Frank.  
Chaudhuri, Mr. J.  
Crookshank, Sir Sydney.  
Dalal, Sardar B. A.  
Das, Babu Braja Sundar.  
Fell, Sir Godfrey.  
Gajjan Singh, Mr.  
Gidney, Lt.-Col. H. A. J.  
Gour, Dr. H. S.  
Gulab Singh, Sardar.  
Hailey, The Honourable Mr. W. M.  
Holland, The Honourable Sir Thomas.  
Hullah, Mr. J.  
Hutchinson, Mr. H. N.  
Ikramullah Khan, Mr. Mirza Muhammad.  
Innes, Mr. C. A.  
Iswar Saren, Mr.

Jatkar, Mr. B. H. B.  
Joshi, Mr. N. M.  
Kabraji, Mr. J. K. N.  
Latthe, Mr. A. B.  
Mahmood Sahamnad, Mr.  
Maw, Mr. W. N.  
McCarthy, Mr. Frank.  
Mitter, Mr. D. K.  
Misra, Mr. Pyari Lal.  
Mudaliar, Mr. Sambanda.  
Mukherjee, Babu J. N.  
Mukherjee, Mr. T.  
Nand Lal, Dr.  
Nag, Mr. Girish Chandra.  
Neogy, Babu Khitish Chandra.  
Norton, Mr. Eardley.  
O'Donnell, Mr. S. P.  
Percival, Mr. P. E.  
Pickford, Mr. A. D.  
Price, Mr. E. L.  
Rangachariar, Mr. Tiruvenkata.  
Rao, Mr. P. V. Srinivasa.  
Sarfazaz Husain Khan, Mr.  
Sharp, Mr. H.  
Sircar, Mr. N. C.  
Venkatespatiraju, Mr. B.  
Vishindas, Mr. Harchandrai.  
Waghorn, Colonel W. D.  
Watson, Sir Logie Pirie.

The amendment was negatived.

**Mr. Manmohandas Ramji:** Sir, looking to the fate of the other proposition which has just been voted on by the Assembly, I am willing to withdraw my amendment\*. But I have one statement to make. I put in this proposition not because I wished to raise a protective wall against foreign imports, but, as I had given two notices of motions to do away with the tax on matches and to reduce some other taxation, I therefore gave notice of this amendment in order to meet the deficit.

**Mr. M. K. Reddiyar:** Sir, I beg to move the amendment which stands in my name. It reads as follows :

'That in Schedule I, from part IV omit item No. 87 altogether and insert it in a separate part headed 'Articles which are liable to duty at 12½ per cent.' *ad valorem* and renumber the other items and parts accordingly.'

Sir, I sent in this amendment in order to place more funds in the hands of Government in order that they should be able to help the Provincial Governments to do away with their contributions to the Central Government.

I move the amendment which stands in my name.

**Mr. E. L. Price:** Is this in order, Sir?

**The Honourable the President:** I think it is in order because Mr. Spence's amendment was to substitute 'Articles which are liable to duty at 12½ per cent.' for the 11 per cent. heading. The present amendment adds a new heading altogether. As the lesser was covered by the greater, the amendment moved by Mr. Spence was taken first; but I do not think it excludes the amendment in the name of Mr. Reddiyar.

**Mr. N. M. Samarth:** Sir, I beg to support this amendment. Apart from the reasons which I gave for the necessity of increasing the revenue so that Government may not be embarrassed by their calculations of one shilling and eight pence not being realised,—and so far as my calculations go, I am afraid, they are not likely to be realised,—there is another strong reason which has been referred to by the Mover of this amendment.

This House will remember that on a previous occasion I pleaded strongly for the 988 lakhs contribution which the Provincial Governments have to make to the Government of India being reduced as early as possible, as recommended by the Joint Parliamentary Committee. Unless the Government of India are placed in possession of sufficient funds and not perpetually be in a position to make somehow the two ends meet, there is absolutely no hope of any of these contributions being reduced or done away with. Bombay is a great sufferer in that respect. We in Bombay have a deficit and that deficit will go on increasing unless the heavy contribution we make under income-tax be removed or decreased . . . .

**The Honourable the President:** Order, order. We are not discussing the destination of the money but the origin from which it comes.

**Mr. N. M. Samarth:** My point, Sir, is that I justify this increase of revenue for the Government of India, on the ground that the Government of India may thereby be enabled to give the much needed relief to the Provincial Governments.

\* 'That in the heading to Part IV of Schedule I for the figures and words '11 per cent.' the figures and words '12 per cent.' be substituted.'

**Mr. B. Venkatapatiraju :** Sir, I would have been glad to support this amendment, but I cannot possibly furnish any reasons to tax the people to the extent of an additional sum of one crore. Who is after all to pay that amount? If I could think that the Manchester people will pay the whole amount, I should vote for it. But after all, it is you and you alone who will have to pay the whole amount, and therefore it is impossible for us to go to the country as messengers of evil, saying that we have increased the taxation even when the Government do not want it. Sir, in any other country would the people's representatives ever care to offer more money or to agree to the imposition of additional taxation which the Government had not asked for. In this case we are in the unhappy position of offering more than we can afford. And we have already had complaints of the extravagance of Government in the general discussion of the budget. I therefore appeal to my friends, though I am just as anxious as they are to help the Provincial Governments in the matter of their contributions, I appeal to them not to let our people be taxed a pie more than is absolutely necessary.

**Mr. K. G. Bagde :** Sir, it will be clear from the contents of the amendment that is before the House that the intention of the Mover is to benefit the textile industry of this country. I am of opinion that we shall see our industries prospering, but certainly not prospering at the cost of the community. We read of the prosperity of the industries in other countries, but at whose expense, and at whose costs, have they prospered? If we go through their history in detail we shall find that they bring money from other countries. We are told, and we have been appealed to again and again in the name of swadeshi, that we should help our textile industry. Sir, I would remind the House of certain proceedings that took place here yesterday. The question before us was regarding the Hide industry. Is not the Hide industry a swadeshi industry? But what did we do? The sense of the House was against it. We did not help that industry by acceding to the demands made by the advocates of that industry.

But there is another reason also why we should not now support the motion before us. We have got sufficient money, and I see no cause why we should burden the tax-payer more. With these words I oppose the motion.

**Mr. M. K. Reddiyar :** Sir, I withdraw the amendment.

**Khan Bahadur Zahir-ud-Din Ahmed :** Sir, I rise to oppose this motion. It has practically come to this, that the plaintiff does not press his claim, but the witnesses support it. Now, I think if this were a court of justice the suit would have been immediately dismissed. When the Government does not need it, we must not assume a superior position and tell them what they should require, especially when the country is suffering so much from famine, and other sorts of diseases.

The amendment was, by leave of the Assembly, withdrawn.

**The Honourable the President :** The question is:

'That Schedule I, as amended, stand part of the Bill.'

The motion was adopted.

**The Honourable the President :** The question is:

'That Schedule V stand part of the Bill.'

The motion was adopted.

**The Honourable the President :** The question is :

' That Schedule VI stand part of the Bill.'

**Dr. Nand Lal :** On a point of order, Sir, I may be permitted to speak. No discussion has been launched on the merits of Schedule VI. Since it is now before the House, it is under the provisions of section 68, it may be discussed, and I beg your permission, Sir, to discuss it. This relates to the super-tax. I may submit, in the first place, that this Schedule, which relates to super-tax, is uncalled for, and I oppose it very strongly. The Members of this Honourable House will bear in mind that every civilised and good Government ought to see that the ability to produce wealth in the country is increased. It should not be hampered. Now, what is this super-tax? Super-tax says that you are an able man, that you possess the ability of gaining more, therefore you should be taxed. Now, the principle which I have laid down before this Honourable House—I need not repeat it—shows that the present demand is not justified. There were no arguments in support of the contention which I am raising before this House if uniformity were to be observed; but in the case of super-tax there is not a shadow of uniformity. The assessee not only pays the tax along with other assesses, but he is also called upon to pay more than the others have paid. What will be the effect of this on the financial, moral, social and political condition of the people and the country in which this super-tax is going to be enforced? Taking the financial aspect of it, it means that the little enterprise which is still in its infancy will be nipped in the bud. Members of this House will bear in mind that some of the banks which are now going on may be weakened owing to this exorbitant super-tax, why? If they earned Rs. 10 lakhs they will have to part with one-fourth of that. The dividend which will be distributed will be distributed after payment of this super-tax. Therefore a good many companies, which are in their infancy now, will be put at a great discount. Similarly, members of professions, who by virtue of their ability, influence, or hard work, earn money, would say, why should we earn? What additional advantage is given to us? The reply on behalf of the Government would be that there is the police to take care of your property, there is the educational department to educate your children, there is the medical department to look after your health; for all these considerations you ought to pay. The assessee will say, 'I am prepared to pay the ordinary tax, but what additional advantages are you going to give me for the super-tax'. 'I am paying ordinary Income-tax, along with the other assesses; what additional compensation are you giving me because you are taxing me so heavily with super-tax'. He will not apply his mind to the pursuit of money, he will not apply his mind to the development of commerce which he has undertaken to do; and what will be the consequence? The wealth of the country will be eventually diminished; the ability, which the country possesses of producing wealth, will be reduced; learning, as a matter of fact, will be at a discount. Then morally what will be the result, when Government is going to impose such a heavy tax? The assessee will try to evade the Super-tax Act, and as all of you know, only that law is good which leaves smaller room for evasion. Every assessee's attempt will be to evade this law, and an evasion of the law means telling a number of lies. He will try to evade this law in one way or another. Therefore, this law which is being passed now cannot be called a good law, because it will affect the morality of the people. That law is good which is adhered to and complied with by the people with satis-

faction. If there is any fear of their becoming insincere, owing to that law, then, I am afraid, it is not a good law.

Now socially what will be the effect? If there is a joint Hindu family and the income earned by that family is taxable, so far as the provisions of this Super-tax Act are concerned, the head of that family will try to evade the law and ask his son to go away and try to show that a certain portion of the income which was made, was made separately by him. In this way, accounts will be cooked, forgeries will be committed, and false accounts will be kept. Therefore, the Super-tax Bill, which is before us, will have a very mischievous effect, so far as the phases enumerated above by me are concerned.

Now let us consider what will be its effect on the political conditions? Naturally, companies, banks and other industrial and trading concerns will begin to say 'Oh, Government is going to take one-fourth of our income' and it will give them the greatest possible pinch. The man, who is pinched hard, will never have sympathy with a man who gives that pinch. Therefore on this ground also, I submit that the Super-tax Bill, which is before us, will not bring about the desired result.

On all these points, I submit, the Super-tax Act, which is before the House now as a Bill, will not bring about that gain which is contemplated by the framers thereof, and eventually it will be cause of a greater loss. On these grounds, I very respectfully submit that the members of this Assembly, who represent wealthy men also, have to think about their condition of mind, and I would remind the House of it. This is a crucial work which is being done before this House, so far as our constituencies are concerned. Therefore, I am sure you will give your very great consideration to this point. With this submission I respectfully urge that you will give support to what I have submitted.

**Mr. R. A. Spence :** Sir, I move that the question be now put.

The motion was adopted.

**The Honourable the President :** The question is :

'That Schedule VI stand part of the Bill.'

The motion was adopted.

**Mr. B. Venkatapatiraju :** Sir, at this late hour, I do not propose to take up much of your time. I suggest that the diplomatic words which we are accustomed to find in the Statutes should be replaced by giving reasons. My suggestion is that in the Preamble, for the word 'expedient' the words 'found necessary on account of abnormal growth of expenditure, military and civil' be substituted. Hitherto, Sir, the Government have not been responsible to the people. They did not need to explain why they imposed taxes or why they enacted any law. They have done these things according to their sweet will and pleasure. Now they ask us to share the responsibility. It is the first time in the annals of our country that the Honourable the Finance Minister comes forward with a deficit of Rs. 10 crores and asks that taxes to get about 18 crores should be imposed on the people in one year, and especially at a time when the people are not in very affluent circumstances. Though we have felt our own misgivings, we have voted whatever demands were made by the Government with slight reductions, and to support those grants, we have

[ Mr. Venkatapatiraju. ]

now passed practically all the provisions of the Finance Bill with slight modifications. And when we go to the people, is it not our duty to explain why we have imposed these taxes? Therefore let us confess what we have done. If the members of the Assembly disagree with me that not on account of the growth of military expenditure and on account of the growth of civil expenditure, but on other grounds we are obliged to make up this loss, it is another matter. If you agree with me that on account of this abnormal growth of military and civil expenditure there was a deficit and to meet that deficit we are providing all this money, I say let us honestly confess it and put it in black and white so that people might understand that on account of absolute necessity we are obliged to tax ourselves to the extent of Rs. 18 crores and when a favourable opportunity occurs we will reduce it.

With that object in view, Sir, I propose this change in the preamble.

**The Honourable Mr. W. M. Hailey:** Sir, this is really a question of current drafting practice. I do not remember to have found in my researches in the modern Statute-book, that the Lawyers, when drafting other Bills, have given them elaborate and picturesque reasons why they were necessary. I do not, for instance, remember having seen on a Divorce Law, a preamble containing reflections on the frailty of virtue, nor have I seen on a Taxation Act imposing death duties a preamble reflecting on the shortness of human life. There are Acts the object of which is either to reduce or to increase the taxation on liquor. Well, I have never seen them headed with apposite proverbs such as the Greek 'Ariston men hudôr' or those Hindustanee words which many here perhaps know and which some will appreciate:

*'Jabtak na ho sharab  
Hai be maza kabab'*

Perhaps the Honourable Member would like to see at the head of our Bill the lines of Canning:

*'What I give thee sixpence, I will see thee d—d first?'*

Sir, if we once begin this course of explanatory preambulation, I suggest that while we shall render our Statute-book perhaps a little more picturesque and interesting than it is at present, we may perhaps also run the danger of being regarded by our successors as a little whimsical.

**Rao Bahadur T. Rangachariar:** Sir, perhaps the Honourable the Finance Member will excuse me if I give him precedents for this suggestion. I think he will have read the preamble of the Regulations introducing permanent settlement in Bengal, Madras and other places. Many wicked deeds committed before this permanent settlement was introduced by previous Governments are referred to and it was in order to prevent those wicked deeds, it is stated, that we introduced it. As recently as 1911 in the Acts about the relations between the House of Commons and the House of Lords, I remember quite distinctly that the preamble recited was something like this:

*'We are now going to reform the House of Lords by introducing the elected element, till then we must enact these provisions.'*

Therefore I can say that there is no novelty in this proposal. Not that I myself support the motion before the House (laughter).

(Cries from Honourable Members of 'Withdraw! Withdraw' !!)

**Mr. B. Venkatapatiraju:** My Honourable friends seem to be very anxious that I should withdraw my amendment. In deference to their wishes, I am withdrawing it against my will.

The amendment was, by leave of the Assembly, withdrawn.

**The Honourable the President:** The question is :

'That this be the\* preamble of the Bill.'

The motion was adopted.

**The Honourable the President:** The question is :

'That this be the title† of the Bill.'

The motion was adopted.

**The Honourable Mr. W. M. Hailey:** I beg to move, that the Bill, as amended, be now passed.

**Mr. Eardley Norton:** This, Sir, is our first Budget, and before we part with it, I should like to say a few words on questions of principle which underlie its genesis and define our attitude towards, and our rights in connection with, it. I trust, Sir, now that the child, which has been born amid the clash and turmoil of financial quarrels, and which we restore to the arms of its putative parent, will in course of time grow up a strong, handsome and useful stripling. We have endeavoured, as far as we possibly could, to make its entry into this world as little uncomfortable as possible. There remain after its christening one or two considerations not unworthy the expenditure of two or three minutes' careful attention.

There is an uneasy sensation in more quarters than one of this House that the Honourable the Finance Member—with regard to whom I desire to say nothing unpleasantly critical at this stage, either with regard to his Finance Bill or to his Budget—there is, I say, an uneasy suspicion that he is not speaking his own mind, is not writing with his own hand, is the creature of impulses outside the geographical limitations of British India.

Whether that is really so, we cannot tell. But a suspicion, to that effect is with us and in us. A suspicion, which while it releases the Honourable the Finance Member in one direction, attaches to him in another direction the not very enviable responsibility of trying to arrange mosaics not of his own making into a respectable pattern that shall please our eye.

This Assembly has already shown itself—and shown itself justly—to be sensitive of any encroachment upon its rights, jealous of any invasion of its financial privileges. I ask it to-night in memory and expression of that sensitiveness and that jealousy to hear and note the few remarks I have to offer.

Now with regard to the real author or authors of the policy which is responsible both for the Budget and the Finance Bill. There is internal evidence, during the discussion within the four corners in this House, that neither measure traces descent from the Honourable the Finance Member; that he is not really a free agent with reference to either; not with regard to the important question of the sale of Reverse Councils; not with regard to the important question of exchange; not with regard to the omission of the duty upon imported silver bullion; these are clear indications that the Honourable Member is speaking with a borrowed voice. Whence does it come from and to whom does it belong?

\* Whereas it is expedient further to amend the Indian Tariff Act, 1894, the Indian Post Office Act, 1898, the Indian Income Tax Act, 1918, and the Super Tax Act, 1920, and to amend the Freight (Railway and Inland steam-vessel) Tax Act, 1917; It is hereby enacted as follows.

† The Indian Finance Bill, 1921.

[ Mr. Eardley Norton. ]

If we are right in our suspicions that while we can congratulate the Finance Member on the stand he has made against Lancashire, we cannot extend the congratulations to the surrender to London—then indeed, I am on safe ground in suggesting to this House that we are permitting alien influences to mould our financial policy, and that unless we are alert and sensitive and jealous we shall be permitting a policy to prevail which will have for its end the furtherance of interests which are not India's but the interests of another country. Against that I ask this House to arm itself, ready to strike in self-defence against all who seek to exploit the resources of this land for the augmentation of their own private wealth. When the Honourable the Finance Member was asked for an explanation with regard to the Reverse Councils, I see that he made this statement in his speech at page 77 of the Gazette of India :

' We have frequently been asked to explain how far the persistence in the selling of Reverse Councils on the system first adopted was due to our deliberate choice or how far the responsibility lay with the Home authorities. Particular emphasis has been laid on the failure to adopt the system of sale by competitive tender. I regret that it is not within the power of Government to answer these inquiries.'

Why not? Did they not know, or, knowing, will they not answer? I cannot entertain for one moment the suggestion that the Government have not got the answer. The only possible inference is that they have it and will not reveal it. I think we are entitled to apply to the Honourable the Finance Member from his failure to produce the legal presumption most hostile to himself. It is quite clear to me, and I hope it will be equally clear to this House, that the reason why the Finance Member was unable to answer that particular question with regard to the policy of his Government in the matter of the Reverse Councils was because he did not wish to implicate persons who are not here and who do not desire to be here.

I pass over the policy of exchange. That also has been debated and condemned. Then I come to a question of importance, so far as this Member is concerned. I pass to the matter of the suggested impost upon silver bullion. I am not here to reopen the merits or demerits of that matter. The decision has been taken not to enforce any import duty. I only refer to it to use it by way of illustration of the dangers which I ask this House to take cognizance if it intends to preserve its financial privileges unimpaired among which I hope it will include the right to enforce a policy which puts Indian values in the forefront as matters of greater relative importance than English interests. Now, with regard to the question of bullion, I remember the Honourable the Finance Member telling us two or three days ago, or perhaps a little earlier than that, that he could not define his attitude upon that question without reference to the bullion merchants of Bombay. One Member here to-night, my Honourable friend, Mr. Price, has already referred to the fact, and fact it is, that the Honourable the Finance Member was not so tender in his dealings with other interests than the bullion silver interest—interests, surely as important, for instance, the food and the clothing of the poorer peoples in India. As far as I am aware, the Honourable the Finance Member made no reference to any previous conference, before imposing taxation, with the sugar dealers or the piece-good merchants or the importers of cigarettes or the importers of wines and spirits. Why then does he show a difference in his treatment between commodities such as these and the question of bullion? Is it because he wishes to safeguard interests which

are not resident in India but at home? Is it that he is swayed by foreign impulses, by active wirepullers elsewhere whom in a measure he is ashamed to avow? Is it a fact that the real reason for this approach to the so-called bullion merchants of Bombay is that it is an approach to the bullion merchants not in Bombay, not in India, but in England? We have had to resist the open attack made upon us by Manchester and we have answered Manchester, I think upon the whole, with credit to ourselves. We have now, Sir, to resist the equally insidious and perhaps more dangerous attack made upon us by those who, being none the less powerful and none the less dangerous, have at their disposal a human instrument so facile, so persuasive, and so insidious as the Honourable Member sitting opposite me. If, as a matter of fact, the real influences which are prevalent with the Honourable the Finance Member, in the composition both of his Budget and his Revenue Bill, be influences which are outside our reach as being outside India—influences to which my Honourable friend, Mr. Price, has alluded as 'busybodies,' then I put it to the House that we should be prepared to be trebly jealous of our privileges, and trebly sensitive against the intervention of 'busybodies' who are not likely in the measures they frame to postpone their financial advantages and interests to ours. And if it be true—I am afraid that it is—if it be true that the real impelling and controlling influences with regard to this matter and other financial matters are to be found in England and not in India, then I think that this House would like very much to know, who is the Rasputin behind our financial Czar, to which I would add the supplementary question, where is he living, in Delhi or in London? Is it in India where we can control him, or is he at home outside our jurisdiction? So long as a suspicion such as this is permitted to float in the minds of members, it creates an extremely unpleasant and unhappy feeling with them. It compels them to believe that they are really puppets, and that these financial considerations are brought forward not, as they should be, solely for the benefit of the peoples of India, but under alien guidance for the benefit and prosperity of men who have long exploited India for their own ends and who intend to prolong that process without interruption in the future. On this question of bullion, let me refer to a telegram coming from Calcutta. I think it was in yesterday's *Pioneer*. It is as follows:—'The Secretary of the Calcutta Bullion Association has wired to the Financial Department of the Government of India praying that no duty on silver should be now imposed and in any event that no duty be levied before June next.' Are we not entitled to ask, why such a telegram should be sent? Why should these gentlemen who are able to make these markets fluctuate, no doubt, to their own financial benefit, be urging on the Government an extension of time which shall exempt their own pockets from the inconveniences of taxation? Are they not somewhat similar, Sir, to the criminal who says to the learned Judge who is trying him: 'I am not guilty, my Lord, either of manslaughter or of murder. But if you are going to pass a sentence on me, please convict me of manslaughter.' Here are these bullion merchants of Calcutta, I suppose in touch with the bullion merchants of Bombay, seeking to get outside the four corners of this taxation by asking this Government (for no reason assigned and for no reason assignable) to postpone the period from which this Act shall come into force in order to enable them to secure their deposits afloat and house them intact inside Bombay. I do not propose to touch upon the merits of this Bill. These have passed beyond our criticism and control. But I do wish to linger for a moment on the caution which this Bill enjoins upon all those

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who wish to preserve in tact the control of this House over fiscal questions. Yesterday it was the Council of State. To-day it is the occult power behind the scenes in England. Each is dangerous in a different degree. Both must be met and fought and crushed. It would be impossible for us who have followed the procedure of this House for many days and followed it, I hope, with patience, discernment and interest, not to recognise and applaud the attitude on both sides of the House, as indicative of a desire on each side to work the new reforms honestly and honourably in the spirit of cordial and mutual good-will. There has been much of give and take on both sides. I have been as much struck with the courtesy and the frankness as with the ingenuity and resource of the Honourable the Finance Minister opposite. I have been struck not only by his attitude, but by the attitude of all the Government officials who have had occasion to stand up and answer our questions, to give us information, or to defend their positions against our attacks. I do not think that any member on this side of the House can honestly complain that he has not been assisted in every legitimate way and in very generous extent to a common effort to make good this our first meeting on the reformed Legislative Assembly by the Honourable Members opposite who represent the Government. Their attitude affords a complete answer to the hostile criticism which not so long ago was in certain quarters flung against the Members of the Indian Civil Service, of whom it was said that they would embody and practise the real and discontented opposition to the spirit of the reforms; that they would combine themselves to resist the progress sketched, and that in them we, the elected non-officials, should find our most inveterate and unyielding foes. I am glad to be able to think that that criticism has been shattered; that it is devoid of all foundation; and that if it be permissible to draw an inference from the conditions of to-day, I may claim, in a prophesy of the future, to look with confidence to honest and considered support from quarters to which prejudice had ascribed opposition. I have been a hostile and inconsiderate critic of Government. So the unthinking say. If so, which I deny, my recantation is all the more valuable. I have always thought that when the reforms took statutory shape the same official world outside that service which attempted at one time to postpone what some considered would be the hour of their execution, would be the first to render, as they have rendered, loyal and selfless service for the achievement of progress. For that we on this side of the House are deeply and publicly grateful. As I said, my main object in rising to make these remarks was to accentuate the duty all of us inside this House, and, more especially, those of us who sit as the non-official elected members, owe to ourselves if we are honest and to India and Great Britain alike if we are wise. The nominated members who, we may feel sure, are as able as ourselves to contribute to the total of political wisdom have not given us audible evidence of their presence or of their opinions in this House. We have seen them, we have watched them, and we have admired them, but we have not heard them except in very rare instances. I take pride in the intervention in debate of the Honourable the nominated member behind me who hails from Ootacamund. I regret the modesty and self-imposed reticence of the nominated members inside this House, a modesty and reticence not always accompanying their attitude outside. I trust that, as we grow older and get more acclimatised to the novel procedure of this infant institution they will imitate my Honourable friend behind

me and give us clearly and audibly the benefit of their long administrative and executive wisdom and experience. From the Members of this House who have appropriated the larger share of the debates, I claim on the whole the exhibition of a remarkable self-restraint, even though I recall the number and the variety of the speeches which have come from this side of the House, and more particularly from my especial quarter, the Madras quarter, of this House. We have achieved one notable triumph. In the long history of the Government of India this is the first time that a Government Finance Bill has had one single line of its financial proposals altered, an achievement which upon the whole has been accompanied with moderation and a tendency to compromise. Lastly, let me urge upon my Honourable colleagues, the elected non-official Members of this House, that we should be always upon our guard against the introduction, however slight, of any element which points to the deprivation or the infringement of our right to control our own finances; that we should proclaim on this, our first opportunity, our own financial independence; that we should openly assert our intention to stand on our own and not upon borrowed legs; that we should declare our resolution to be masters in our own financial house.

**Dr. H. S. Gour:** At the close of the Budget and its accompanying Finance Bills, I entirely and heartily associate with my friend, the Honourable Mr. Eardley Norton, in congratulating the members of the Government for their unflinching courtesy and spirit of compromise in dealing with the difficult questions with which the non-official members were concerned. I echo the sentiments of my Honourable colleagues in saying that whatever may have been the suspicions of elected members of this House about the attitude of the members of the Indian Civil Service, those suspicions have completely disappeared, and the attitude of the members of Government has been one of continuous sympathy and unflinching friendliness. I have no doubt whatever, Sir, that this is a most hopeful augury for the future success of this House. I conclude, Sir, by asking you whether it would be in order to put the coping stone upon this Finance Bill by harking back to a question which I asked this House earlier in the day. If I understood you aright, you said that the question could be again moved later on when the whole Bill came up for the vote of this House. If it is open to me to mention that question there is one point upon which this House feels keenly, and it is the continuance of the half an anna postage, and it is the poor man's plea and I hope the Honourable Members in charge of Government will accede to it. I have reason to believe that they will accede to it, and if that is done, we shall have complete confidence in the budget and the Finance Bill which we have just now passed.

**The Honourable Mr. W. M. Hailey:** Sir, I think it would be unfitting that I should allow this occasion to pass without thanking Mr. Eardley Norton and Dr. Gour for what they have said this evening in regard to the conduct of the Bill from the Government side. At the same time, I wish heartily to reciprocate from our side their expression of good feeling; and to say, if I may be allowed to say this to the House, how much we, on our side, appreciate the forbearance it has exhibited, admire its industry, and most of all appreciate the goodwill it has shown to us. It is usual in other countries for a member of the Government who has to bring forward a piece of difficult and contentious legislation to make sure before he goes to the legislature that he has a majority behind him. I think there are few who would venture into a representative assembly with an unpopular scheme of

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taxation in the face of a large potential majority against them without much misgiving and much apprehension. I can only say for ourselves, Sir, that knowing from the first that we had to rely on convincing the House by reason, we have throughout done our best to be open and honest in placing our case before it. We have realised throughout that any attempt to hold back any part of our case, any attempt to get round a difficult situation by mere strategy, would be more than useless; it would indeed be dangerous to our own cause. We have been content to rely and indeed we have been obliged to rely, on the strength of our own case. Our best policy was to attempt to help the House to a right decision on each point that arose; and I know that I can say beforehand, that every Member of this Government will always attempt to take exactly the same attitude with the House.

Purely by way of reference, and not by way of combativeness, for I feel that, after the two days we have just spent together, contentiousness on my part would, at this stage, be out of place, purely by way of reference and nothing else, let me try to enlighten Mr. Eardley Norton regarding our attitude on the subject of bullion. There is no dark ogre anywhere, outside this country or inside it, that has controlled our attitude on this question. In fact, Sir, I am revealing no official secrets whatever when I say that we have had no communication with Home upon the subject. Perhaps that will disabuse his mind of any impression on the subject of our relations with the Home authorities on this point. He quotes a telegram which he has received from the bullion dealers of Calcutta. I have received very numerous telegrams from Japanese traders in silk, from liquor merchants, from match merchants, from every kind of merchant in the country affected by our proposed taxes, and I class the bullion traders in my mind at all events in exactly the same way as any other community whose interests are affected by this Bill.

And now, Sir, I do not wish to delay the House any further. The House has shown to us, as I have said before, singular forbearance and singular goodwill; I only hope that it will now see its way to pass this Finance Bill and to allow us to commit it to another House, with the sure assurance that the Bill in itself, if a not very pleasant piece of measure, is yet a sound piece of legislation on which we need not look back with any misgivings.

**The Honourable the President:** The motion is :

' That this Bill, as amended, be passed.'

The motion was adopted.

The Assembly then adjourned till Monday, the 21st March 1921.