

*Monday,
3rd February, 1896*

ABSTRACT OF THE PROCEEDINGS
OF THE
Council of the Governor General of India,

LAWS AND REGULATIONS

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ABSTRACT OF THE PROCEEDINGS
OF
THE COUNCIL OF THE GOVERNOR GENERAL OF INDIA,
ASSEMBLED FOR THE PURPOSE OF MAKING
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Abstract of the Proceedings of the Council of the Governor General of India, assembled for the purpose of making Laws and Regulations under the provisions of the Indian Councils Acts, 1861 and 1892 (24 & 25 Vict., cap. 67, and 55 & 56 Vict., cap. 14).

The Council met at Government House on Monday, the 3rd February, 1896.

PRESENT :

His Excellency the Viceroy and Governor General of India, P.C., G.M.S.I., G.M.I.E., LL.D., *presiding*.

His Honour the Lieutenant-Governor of Bengal, K.C.S.I.

His Excellency the Commander-in-Chief, G.C.I.E., K.C.B., V.C.

The Hon'ble Sir A. E. Miller, K.T., C.S.I., Q.C.

The Hon'ble Lieutenant-General Sir H. Brackenbury, K.C.B., K.C.S.I., R.A.

The Hon'ble Sir C. B. Pritchard, K.C.I.E., C.S.I.

The Hon'ble Sir J. Westland, K.C.S.I.

The Hon'ble J. Woodburn, C.S.I.

The Hon'ble Mohiny Mohun Roy.

The Hon'ble C. C. Stevens, C.S.I.

The Hon'ble A. S. Lethbridge, C.S.I., M.D.

The Hon'ble M. R. Ry. P. Ananda Charlu, Rai Bahádur.

The Hon'ble Sir G. H. P. Evans, K.C.I.E.

The Hon'ble Alan Cadell, C.S.I.

The Hon'ble J. D. Rees, C.I.E.

The Hon'ble G. P. Glendinning.

The Hon'ble Nawab Amir-ud-Din Ahmad Khan, C.I.E., Bahádur, Fakharuddoulah, Chief of Loharu.

The Hon'ble Rao Sahib Balwant Rao Bhuskute.

The Hon'ble P. Playfair, C.I.E.

COTTON DUTIES BILL.

The Hon'ble SIR JAMES WESTLAND being called upon, addressing His Excellency the President, said :—" In the first place, I beg to express the very great pleasure with which I and the Hon'ble Members of Your Excellency's Legislative Council see you take your seat once more amongst us as our President."

He then presented the Report of the Select Committee on the Bill to provide for the Imposition and Levy of certain Duties on Cotton Goods. He

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said :—" The principal change which the Select Committee have made in this Bill, so far as its substance is concerned, is in the adoption of a system of valuation different from that proposed by me when I introduced the Bill. My object in making the two proposals which I then laid before the Council was that we might be able to hit upon a system which would ensure absolute equality as between imported and home-made goods. I found at our conference with the members of both trades that this compromise for different reasons suited neither of them. The importers are particularly anxious that the duties levied upon them should be duties strictly *ad valorem*. To the millowners the same system would be convenient, but for the fact that under the system on which we levy duties upon the millowners, the goods upon which they are levied pass out of our control, so that it is not possible, except by means of samples, to refer to them. Under these circumstances, to enable the millowners to work the system with ease and to prevent difficulties arising from minute questions of valuation, we have provided in the Bill that tariff valuations may be imposed upon the goods which they produce. This system of tariff valuation we intend to apply to the chief products of the mills, so that by far the bulk of those products will be assessed on a tariff valuation which approximates as closely as possible to actual values, but will at least make the values not dependent on the price as they run from day to day, and as they might be estimated from day to day by different millowners. This system, I have ascertained, suits the millowners, and provides for equality of taxation as among the millowners themselves. I shall probably be able to issue a Notification to-day fixing certain tariff valuations, because it is a matter on which we have been making minute enquiries for some time past, and a matter in which the Bombay millowners have been able to give us considerable assistance.

" There are also three or four points in which we have modified the Bill as first presented to us, all these points being matters in which it was desirable to give certain protection to the millowners in respect of their trade secrets, so as to prevent an inspector, who may be no permanent servant of Government, and may find himself afterwards in a position to make use of the secrets of one firm for the advantage of another, from doing so.

" We have therefore provided that, under certain circumstances, the records of the mills may be withheld from the inspectors on the ground that they contain trade secrets; we have provided also that the millowners who are obliged to keep samples may, when called upon to produce them to the inspector, insist on their being forwarded in an intact condition to the

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Collector. We have also made provisions by which the Local Governments may prescribe in case of inspections that the entry of the inspector to certain parts of the mill where processes which are of a secret nature and which the millowners should not be required to divulge are carried on, may be subjected to certain restrictions.

“The question of stores has also, I ought to mention, been before us. It is not a matter in which the Select Committee have taken any action, but it has been before the Select Committee, and I may mention that, as I proposed when the original Bill came before the Council to give exemption to millowners with regard to a limited amount of stores, so I propose, as soon as possible, to provide that certain classes of stores, of which I have obtained a list from the millowners of Bombay, may be imported by them without payment of duty. It is easy enough to arrange so far as regards the millowners themselves. The difficulty only arises when the millowners, instead of importing themselves, provide themselves through agents. I have thought it desirable to mention these matters although they are not matters relating to the Select Committee, because it will show the Council and those interested in this Bill that we have attempted in these matters, as far as possible, to meet the claims of those gentlemen who have taken the trouble to come from Bombay and from Cawnpore to lay their views before us. With these remarks I beg to present the Report of the Select Committee.”

The Hon'ble SIR JAMES WESTLAND moved the President to suspend the Rules of Business to admit of the Report of the Select Committee being taken into consideration.

THE PRESIDENT declared the Rules suspended.

The Hon'ble SIR JAMES WESTLAND moved that the Report of the Select Committee be taken into consideration.

The Hon'ble MR. PLAYFAIR said:—“My Lord, it will be within the recollection of Hon'ble Members that the initial efforts of the members of the Select Committees who dealt in December, 1894, with the imposition of a duty on cotton goods imported into this country, and an excise on Indian manufactures were based on a desire to avoid protecting the local industry against Lancashire manufacturers. For this reason and to remove all possible chance of dispute and cavil, the limit of exemption from excise was fixed at yarns counting 20 hanks and less to the 10lb. bundle, although sufficient evidence had been produced to satisfy many Hon'ble Members that the line for exemption

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might with safety be drawn at count 24s and under. It will also be within the recollection of those Hon'ble Members who were present and took part in the discussion upon the Report of the Select Committee that the Hon'ble Member in charge of the Finances went so far as to say that it was open to the Government to reconsider the merits of raising the limit to embrace yarns of count 24s and under, and it was understood that Government did not forthwith adopt so high a limit, as among other reasons the Secretary of State had stated that he believed he would be furnished with facts to show that a trade did exist between England and India in fabrics made from yarns ranging between 20s and 24s. No such information has, however, been forthcoming. It may fairly be presumed from the further light thrown on the subject that it was not to be obtained. Nothing has been produced, therefore, to contradict the views held by Hon'ble Members that competition on the part of Lancashire mills with the production of the coarser fabrics spun and woven in Indian mills does not exist. On the other hand, further examination in India proves that in reality no competition exists in goods made from yarns below 20s. Cotton drill goods, such as are worn during the hot weather months by Europeans and Eurasians, are almost the only fabrics made of 20s yarn that come to India from abroad. It has been shown that these importations are insignificant, representing a little over two per cent. of the entire import-trade in cotton goods, that these drills are manufactured more largely in America than in England, that long staple cotton is more suitable for the manufacture of these goods, and that the quantity imported has not fallen off since custom-duties were imposed. This trade is of such a retail description, supplying the wants of the European community, that it would have been no less unreasonable had the Bond Street tailors objected to a five per cent. duty being levied on their superior suitings while the Cawnpore Woollen Mills were permitted to produce their serges and angolas free of excise. Hon'ble Members cannot but be impressed with the fact that there is nothing before the Council to show that goods manufactured in India enter into direct commercial competition with goods imported from the United Kingdom. And this leads me to say that the theory of substitution, under the argument that the exemption of the lower qualities from taxation tends to divert the course of consumption from the higher to the lower class of goods, is groundless, and is disproved by the fact that the purchasers of the coarse Indian-made fabric are distinct and separate from the purchasers of the Lancashire product. As an illustration it might as well be argued that it would be unfair in England to tax for revenue purposes velvet and let fustian go free in case substitution should take place to the detriment of the velvet manufacturer.

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Statistics of past years are unfortunately incomplete, but it is more reasonable to assume that any falling off that may have taken place last year in importations of Lancashire manufactures of a low range of counts is the natural reaction to over-supply and is not a consequence of the Indian import-duties. It has been further demonstrated that it is impossible for Lancashire to compete in this trade, for even with American cotton at 3*d.* per pound it has been shown that the Bombay millowners have an advantage up to 27 per cent.

“And after all what is this Indian trade over which so much contention has unfortunately arisen? An examination of statistics shows that the power-loom spindles in India amount to 1-25th and the power-looms in India to 1-60th of the world's supply. In relation to Great Britain's equipment, which represents one-half in spindles and one-third in looms of the world's supply, India possesses 1-12th part of Great Britain's spindles and 1-19th part of her looms. May India not have this little ewe lamb? My Lord, I have every sympathy with the depressed condition of Lancashire trade, and for the welfare of England as well as of India everything that can, legitimately, be done to afford relief should be granted; but, because Lancashire masters may be alarmed and discontented on account of the state of their affairs, I see no reason why they should unjustly attack a separate industry in India. The proposals under these Bills mean a remission of taxation of Rs. 51½ lakhs (or 37 per cent.) on Manchester goods and an increase of Rs. 11 lakhs (or 300 per cent.) of taxation on Indian-made goods. It is surely but natural that Indian manufacturers should stoutly object to a transfer of taxation from the customers of the Lancashire mills to those of the Indian mills when no practical reason has been adduced to justify this, and when remission of Indian taxation is being made. It is a transfer of taxation from the richer to the poorer classes of the community, that is not required for fiscal considerations, that is not warranted when a surplus in the finances is available, and I may add that the annoyance is intensified by the knowledge that this shifting of taxation cannot be of the least benefit to Lancashire. Unfortunately a sense of injury has been created in the minds of Lancashire manufacturers by the imposition of a duty on cotton goods, which feeling it is highly desirable should be removed. It has been recognised in India that it would be a matter of very serious concern were an embittered controversy and political hostility to exist between the manufacturing communities of England and India. The readiness with which local manufacturers have addressed themselves to a consideration of the subject in response to the agitation by Manchester, and the impartial manner in which they have stated the facts of the case for the

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information of Your Excellency's Government, manifest to a remarkable degree their desire that even justice should be secured. Their proposal, that the class of yarns and fabrics freed from excise should be exempt from import-duty, and that locally-manufactured cloth and yarns of 20s and over should pay an excise, was supported by the Chambers of Commerce of India and the Government of Bombay and should have removed the sense of injury that has unfortunately sprung into existence, without implying loss of revenue. It should have done more than remove 'a shred of protection' against Lancashire, as it would have turned the scale against the Indian manufacturers so long as a duty on any stores is levied. A duty on stores adds to the cost of exported yarns, and to this extent the Lancashire manufacturer will have an advantage in competition with Indian products in those foreign markets to which India sends three-fourths of her production. I say with frankness I do not anticipate that this proposal in itself, any more than the measure now put forward by the Government, would either bring about a revival or lead to a development of Lancashire trade, Lancashire having long since ceased to export the coarser qualities, supplying India with shirtings instead.

"A remission of taxation is always welcome, and the present proposal again proves the elasticity of the Indian revenues. It is surprising that it should now be possible for the Government to offer any remission remembering the despondent tones that were uttered in this Council Chamber not many months ago. For myself I should have preferred that the attention of the Government of India should have been devoted, if a remission of taxation were admissible, to lowering the railway rates for the carriage of exports and imports over the main lines of the State Railways. It seems to me that working as Government is now doing for a dividend of from 8 per cent. to 10 per cent. on the liberal capital of the State Railways, and at the same time improving block at the expense of revenue, may check the development of Lancashire trade far more seriously than the imaginary injury arising from the imposition of customs-duties. As an illustration I would like to say that were Government to give up the surplus revenue it obtains from the East Indian Grand Trunk line, which last year amounted to the identical sum of taxation that Government is prepared to remit, namely, Rs. 50,00,000, the produce of the country would have a better chance of competing successfully in the markets of Europe with crops of other countries, and that the benefit to be derived from cheap railway freights by the people of this country, including the poorer classes, would also directly benefit Manchester in creating a

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greater demand for her wares. I personally place this claim for remission of taxation first. I think it is sound in principle and would be beneficial in results. Next to this there might well come the consideration of what has been so frequently characterised as the iniquitous income-tax, the limit of which might have been raised for the benefit of the poorer classes even if Government did not see its way to redistribute or entirely abolish the impost. Either of these proposals would have been of benefit to the community, and, if Lancashire would actively support the extension of the railway system in India, and if Government would carry out and give whatever terms are necessary to secure the construction of a system of feeder-lines by which Manchester goods may be brought to the door of the Indian peasant, and be exchanged for the produce of his land, it would, in my opinion, be a permanent benefit and do far more than this method of dealing with a surplus which, after all, may be accidental.

“ I offer these remarks in the hope that when Government comes to deal with a further surplus it will give consideration to this commercial requirement.

“ The Council is now assuming that the finances and future prospects admit of reduction in taxation, but without a statement of the finances it is very much in the position of a Board of Direction of a public Company called upon to approve of a dividend being distributed without having an estimate of the revenue account. I would further observe that it has been admitted that sterling exchange is now the most important factor in the realization of a balance in the finances of the State, and I assume that Government has anticipated what effect a revival in trade with Lancashire, which it is intended by this Bill to promote, may have upon exchange.

“ I do not approve of the principle involved in the Bill, and, if Government intends to proceed with the Bill, regardless of the opposition it has created, I can only hope that when trade has become accustomed to the alteration it may be continued without further loss; but to ensure this I would like to obtain from Your Excellency's Government something in the nature of an assurance that this legislative measure is looked upon as a final settlement of the question, and that, so long as the finances permit, there need be no further alteration in import-duties. I am convinced that, if Your Excellency's Government and Her Majesty's Secretary of State for India do not intend that the proposals now put forward shall be a final solution and settlement of the question as far as Lancashire is concerned, and that Lan-

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cashire shall not be permitted to regard this as an instalment of her demands, the Bill will not only be useless, it will be injurious, and will involve the trade of the country in annoyance, agitation and loss against which I would enter a strong protest. The legislative measures affecting currency and commerce passed during recent years have with their initiation brought severe loss on sections of the commercial and industrial community, and so serious are the consequences involved in an alteration in fiscal policy that in Paper No. 5, attached to the Bill, an earnest protest has been preferred by the importers of Manchester goods against the interruption to business caused by the numerous changes to which the duty and the tariff have been subjected, and the hope is expressed that the settlement now about to be come to may be a lasting one, and that importers may be allowed to conduct their business in peace for many years to come."

The Hon'ble RAO SAHIB BALWANT RAO BHUSKUTE said :—"My Lord, the Government of India is justly entitled to the warmest gratitude of the people of this country for the most appropriate consideration they have given to the much difficult problem of the re-imposition of cotton-duties. It is quite true that the Government has been placed as it were between the hammer and the anvil. Yet a deal of the anxiety so unnecessarily excited may still be quieted. Educated public opinion and especially that of the English and Indian mercantile communities in this country may be said to have been fully represented by the Millowners Association of Bombay. That opinion, my Lord, is not only favourable to the cause of good government but is sure to foster a spirit of contentment amongst the masses. I shall confine my observations to the able speech, made by the Hon'ble Mover in introducing the Bill, to the letter from the Millowners Association and to the representation of Lancashire manufacturers.

"The framers of the Lancashire case have gone far off the range of existing facts, in representing that under the influence of the import-duties the prosperity of the Bombay mills has gone forward by leaps and bounds. It is evident, my Lord, that the mill industry here could not have been in a thriving condition, owing to the condition of the exchange, to the war in Eastern Asia, and to the effects of the closing of the mints. Allow me therefore to mention that the statement that the depression of Lancashire manufacture is due to any unnatural impetus given to the Indian mills cannot be true. Mr. Marshall rightly remarks :—"throughout these papers there is no shadow of a hint or suggestion that the bad times which have overtaken Lancashire

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of late can have any other source or origin than India, and any one reading them or otherwise unaware of the facts would come to the conclusion that there had been no increase in the spinning power in any other part of the world than in India.' He then appends a table showing how much the United Kingdom alone added to its spinning power during the last four years. Her trade in India is comparatively smaller. Her trade with this country in fabrics of 20s and lower is almost a nullity. She may have a real grievance. But the remedy sought for is not specific for the distemper. It would simply be amputating the leg when there is pain in the fingers. Even the Hon'ble the Finance Member holds the same opinion when he says:—'But although the Manchester case is in these and some other points much exaggerated there are other matters in which we feel we must admit that the treatment of Indian and Manchester goods is not quite on the same level.'

"The Lancashire men, we are told, have made out their case by a set of figures which show that during the first five months of 1895 there was a large falling off in the shipment of cotton goods from England to India. If comparative statistics are to have any value, they must extend over a very wide area, and that narrower the basis of a fact asserted the less reliable is the logical consequence likely to be inferred from it. It is for the same reason that Lord Salisbury impresses upon statesmen the necessity of using large maps. Lancashire complains that she has suffered from a shortage of nearly 300 million yards in her export. She more than hints that India has absorbed herself the trade which she has lost. But it is highly gratifying to find that the Hon'ble Mover is duly sensible of the invalidity of this assertion and does not consider that whatever Lancashire may have lost in this time of depression is India's gain. It is therefore quite out of place to make any comments on the hints she throws out.

"My Lord, we are all aware that the idea of protection is very repugnant to our most benign Government. This is neither the time nor the occasion to enter into a discussion on free trade and protection for this country. The established principles of free trade have been applied to this country, and I, for one, would never ask a favour partaking of the nature of a protective system, even though it is an admitted fact that the theories of the Western science cannot have a salutary effect on this country. No less an authority than Mr. Mill advocates a temporary protection to infant and promising industries—an opinion which though rejected by his school has a strong reaction in its favour. But taking our stand on free trade alone, it cannot be

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made out that in the duties as they have hitherto been levied there can be any protection afforded to India. Properly speaking, it is only 30s and 40s of the Indian goods that enter into direct competition with Manchester. This is the opinion held by experts of established capability like Mr. Benzonji Dadabhoy Mehta, the Manager of the Empress Mills at Nagpur. But Indian mills hardly 'produce yarns of better class than 30s.' This is the belief of an authority as high as the Hon'ble Sir James Westland himself. There is therefore no real competition between Lancashire and India. The former does not, or rather cannot, trade in lower counts, while the latter cannot produce the higher ones. The truth of the non-existence of competition is evident enough in spite of the perverted attempts of Lancashire to prove contrary. She is moreover not affected by the incidence of the import-duty. Nor has she any grievance in the lower counts because, as the Hon'ble Mover has said, the quantity of articles sent by her to Indian markets is too inconsiderable for any attention. But Lancashire does not admit even this palpable fact. Little of the fabrics manufactured in Lancashire out of the yarns of counts 20s and under comes into India. The Bombay millowners could, in consequence of this fact, very easily dislodge their opponents from their ground from this standpoint. Mr. Marshall emphatically asks why Lancashire has left to India the virtual monopoly in the supply of low count yarns to China? The truth is that when American cotton is at three pence a pound it costs nearly two annas more to lay down a pound of twenties made from it in Bombay, than to lay down a pound of the same quality, namely, of twenties, made from Indian cotton.

"My Lord, I have endeavoured to bring to Your Excellency's notice that no injury has been done to Lancashire by any exemption from excise granted to Indian yarns of 20s and lower. Nor has any protection resulted from it to India.

"It is now necessary to sum up the Bombay minute of the Hon'ble Mover dated the 14th of July, 1894. He admits therein :—' That the mills do not as a matter of fact produce yarns of better class than 30s; that Indian cotton is not generally suitable for spinning higher counts; that there is no chance of American cotton being imported into India for purposes of finer counts; the Egyptian cotton which is suited for fine spinning is imported only to a limited extent for the sake of experiments only; that besides above Lancashire starts with great advantages over India, machinery costs less, building and erecting are expensive in India; coal lies the next door to Manchester, while Bombay

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mills get theirs from England; depreciation is great in India, wages are high in India; considering inefficiency of labour is required to be made up by number; and lastly that one of the reasons which prevent Indian millowners from attempting to compete by importing yarns and weaving (finer fabrics) from them is that when a mill weaves from its own spinnings the yarn is conveyed to the weaving department on its original spindles. A mill that purchases yarns to weave would have first to pay in the price of the yarns, the cost of the reeling, bundling and packing, and then in its own wages, also the cost of conveyance, unpacking and unbundling. All this is prohibitive as a matter of competition, and, though in Lancashire some mills do weave from yarns spun elsewhere, it is done only when it is possible to convey the yarn on its original spindles.'

"The Hon'ble Mover has thus enumerated the advantages which England has over India. The mathematical value of these far more than exceeds five per cent. Or, to be more clear, the advantages which England has over India cannot be obviated by an *ad valorem* duty of five per cent. on goods imported therefrom into India. Does an import-duty of five per cent. on Lancashire goods prevent the merchants therein, in spite of their numerous advantages, from competing with the merchants of Indian fabrics duty-free so far as 20s are concerned? With all the advantages in her favour Lancashire could not compete with her rival when there was no duty.

"In spite of the numerous disadvantages to India, she could undersell her rival either in her home market or elsewhere. A slight *ad valorem* duty could have interfered little with the existing state of things. People are often apt to forget and overlook future consequences when a change against the existing state of things is aimed at. They are often inclined to ignore its consequences and declare in favour of that state which has stood the test of time. The complaint of Lancashire against the exemption granted in India to the lower counts is but similar. This is unnatural. The rest is in order. I mean her attributing to it her present depression. I am quite confident that Your Excellency's Government will not yield to such vague representations.

"The Hon'ble Finance Minister lays some stress, however, upon one claim of Manchester and says:—'That the exemption of the coarser goods creates a difference in price between the coarser and the finer, which tends to divert the course of consumption from the finer to the coarser.' Nothing can strike one more than this argument. I proceed to point out its weakness. The

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question of clothing is not decided by the strict economical equalisation of supply and demand. Cloth is one of those commodities whose supply can be increased at less cost of production. It is one of the necessities of life though of a lesser degree. Nearly 85 per cent. of our population are agricultural labourers. Their subsistence is so scanty that they are constantly on the brink of famine and starvation. They cannot even afford to clothe themselves. If such persons clothe themselves they necessarily resort to the cheapest possible clothing. There is no choice to them. Supposing excise-duty were equalised with the import-duty, the present state of things will remain unaltered. How is Manchester bettered by the duty? The relative difference in the increased prices remains the same. As long as Manchester goods made from the yarn of 20s or lower do not enter into competition with the Indian fabrics woven out of a yarn of that quality, the latter will be the only staple cloth of the poorest.

“Moreover, when exemption was first granted to counts 20 and the lower ones, it was done on the due consideration that foreign yarns of that quality never entered into competition in India, and if at all they did it they were too inconsiderable. If, however, the articles manufactured in India out of the yarns of 20s and lower were excised, no advantage is gained by any foreign dealer. How can one gain an advantage when one does not exist? But at the same time millions will have to buy their coarse cloth at an unnecessarily higher price which is sure to tell heavily on their impoverishment. Those who are best able to pay for a tax and that too in proportion to their higher comfort will have their tax reduced and the deficit will be filled up by the poorest, all other circumstances remaining the same!

“Ascending from the poorest class let us rise to one immediately above it. This class cannot exactly be called the middle class. In India even this class has its own peculiarities and distinguishing features. This class has imbibed a slight tincture of education. It has broken the links of pitiable ignorance and grasped the advantages of a higher and more comfortable state of existence, the concomitant appendage of civilization. This class has frequently to move in a superior society. A contact, however slight, with western civilization has rendered them alive to the importance of finer clothing. It therefore strains its means with a view to furnish itself with a dress as decent as possible. The effect of a slight increase in prices, though felt never, renders their resort to a meaner dress imperative. No doubt the duty is to them a hardship, yet not so stringent as to drive them from the finer to the coarser manufacture.

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"It is no doubt an acknowledged and an established maxim of economical science that when an article is made dearer its demand proportionately diminishes and some customers are excluded. But an abstract proposition has a variety of modifications. An increased taste for finery, regard to fashion, comfort, and decency prevent the class of whom I am speaking from resorting to a coarser and therefore cheaper cloth. The duty raises the prices, but the rise is not material. There is no paradox in this. But if we were to look to the poorest class of people, helplessness and poverty are beyond measure so great that the duty as proposed would materially fall very heavily on them, whereas the class immediately above them, owing to modifications given above, will prefer any other privations to sacrificing an outward semblance of decency. Just as in politics every abstract proposition requires a modification of circumstances, so also in economics every principle has a variety of counteracting influences. It is circumstances which give in reality to every established principle its distinguishing colour and its discriminating effect. The class to be burdened by the proposed duty is the poorest. The reduction in duty from five to three per cent. and a half will certainly be a decided advantage to the class immediately above it. But though it may be an advantage to them the proposed taxation will materially alter the condition of the poorest class. The former class feels the burden, yet it does not overpress it. It persists in resorting to its former raiment at the sacrifice of some other necessities of life. Because it cannot go without it. Competition is hampered in this country by custom, and the Lancashire argument about the diversion of trade is therefore quite futile. What is true of the class immediately above the poorest is true of all other classes above it. The other class of men will never exchange their fine clothing *for a coarser* one, so long as the conventional ideas of fashion and respectability remain unchanged. But for the counteracting modifications I have briefly outsketched, the argument would have had a deal of intrinsic force in it.

"The Hon'ble Finance Member says :—' They claim also that there is no such marked difference between the goods above the line and the goods below the line as would prevent the latter from being substituted for the former.'

"This argument will speak for itself, considering the Lancashire manufacturers were practically withdrawn from competition with the Indian mills by past experience, when there was no duty levied on imported goods. She does not send goods to India made even from yarn of 24s. She has therefore nothing to urge against this distinguishing line fixed by Your Excellency's

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Government. Again, a consumer's nicety in cloths of 20s, 21s and 19s may be questioned, but that in decidedly higher or lower counts cannot be doubted. Every one of us knows that when we go to the market we are always anxious first of all to see the different marks, stamps and impressions upon the cloth offered for sale. Customers know best how to make an adjustment for themselves.

"The other argument having some cogency in it is:—'The Lancastrian manufacturers claim that they can spin 20s just as easily as higher counts, and that they could, if they were not prevented by our fiscal measures, substitute for the cloth they at present send to India a cloth made wholly or partly of non-dutiable counts which would be a substitute for and find the same market as their present importations.' If Manchester had any chance of successfully doing this, the attempt would certainly have been made long ago. I am sure, my Lord, Your Excellency's Government will not make radical changes in our tariff in order that Lancashire may make experiments which she neither made before nor thought of. I have thus endeavoured to point out to Your Excellency that there has been no essential inequality of treatment of Lancashire and India, in the present arrangements. It is an acknowledged fact that India cannot make cloth or yarn of counts above 30. Considerable opportunity thus presents itself to Lancashire to try her skill in counts ranging from 30 to 20. But as a matter of fact that is not the case. When there is no proof, actual or presumptive, that she can compete with India in cloths of yarns of counts 20 and under, it would be perfectly inexpedient to change the entire fiscal arrangement of this country only for the sake of allowing her facility for making an hitherto untried experiment. If her trade be not in a prosperous state, it is owing entirely to other extraneous reasons. If the Government were convinced that the present exemption is detrimental to the just interests of Lancashire, some consideration would have been absolutely necessary for her. But in the present case the repeal of a provision highly congenial to the interests of one class and perfectly harmless to those of another would be highly impolitic.

"In fact, there is no real conflict between the two classes of manufacturers. But it is, if carefully analysed, directed against altogether two distinct classes of men. It is a conflict between the mill industry and the hand-loom industry of this country. Representations from Cawnpore and from that part of the country which I have the honour to represent prove this to a demonstration. If the proposed measure becomes a law, there can be no

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finality of taxation. The hand-loom weaver, who is subjected to no restraints and regulations of the factory laws, and whose wages are not fixed on economic principles, will come into open competition with millowners both here and abroad. The duty which he escapes cannot be too small an advantage to be taken into account. Again, side by side with it the consumer is put to an undue hardship. No adequate consideration has been shown to him. I have already described who he is. He is the wearer of the coarsest and the cheapest cloth. The incidence of the proposed excise-duty must fall on him, if we lose sight of the competition between power-looms and hand-looms. He must necessarily curtail his demand for his rough cloth. In proportion to a diminution in demand the supply must be diminished. Thus the Bill contemplates adding a further hardship to the illiterate helpless poor and a blow to the Indian mill industry. The statesman does not regard the slight rise in price as productive of any consequences. It is indeed surprising that a journal of so much weight and renown should not imagine to itself the miserable plight of the masses living constantly in famine and starvation. My Lord, first of all, the depression of trade in Lancashire is due to extraneous circumstances; secondly, there is no competition between Lancashire and Indian mill industries owing to the divergences in their respective trades; thirdly, the import duty does not change the course of consumption; fourthly, for the sake of giving to Lancashire opportunities for untried experiments the results of which are absolutely certain of failure, the poorest millions of this country ought not to be unjustly taxed; and lastly, the infant mill industry of this vast empire will be considerably hampered by the proposed legislation.

“My Lord, the Millowners Association of Bombay, the Chamber of Commerce there, Elgin Mills Company at Cawnpore, the Chamber of Commerce there, the Bombay Presidency Association, the Upper India Chamber of Commerce, the City of Bombay, the Mahratta Sabha there, the Ahmedabad Mill-owners Association and several other bodies best fitted to judge this question, have all humbly but emphatically protested against the Bill. Public opinion is much stirred throughout this vast empire.

“In the provinces which I have the honour to represent there are three mills; two of them are at Nagpur and the third is a little off from it. All of them have wired to me to lay their grievances before Your Excellency. But still more noteworthy is the telegram from the People's Association in the Central Provinces. The Sarvajanic Sabha of Poona, the most influential native body in this country, and the Bombay Presidency Association rank among the foremost representatives of the public.

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“They all maintain that the tax will be imposed on the clothing of the poorest class of population, which it can ill bear.

“So long as the tax was confined to the better qualities of goods it was scarcely perceptible falling on those who could pay it or who could afford to pay it. Even the Right Hon’ble Lord George Hamilton admits by plain implication in another place the urgent need of relieving the poor from the burden of the salt-tax. The weaving industry may be endangered. The hand-loom weaver is proposed to be untouched. Will not his exemption be a protection to that extent? This will temporarily revive a depressed industry. On the whole we shall lose much and gain nothing.

“While all other importations remain taxed at 5 per cent., cotton only is being on an average taxed and excised at nearly 3 per cent. and a half. Why an artificial stimulus should be given to the cotton industry only is also another side of the question. This will be a sort of protection given to that branch of manufacture.

“It is, my Lord, almost difficult, nay impossible, for mill industry to compete now with the hand-loom if the present measure were passed as it is.

“The only way open to satisfy every one is to draw a line, say, at counts 20 or 22 or 24, and declare all cloths of finer counts to be liable to duty and all others to be free. It is also the opinion of the Hon’ble Mover that such a line would not be objectionable. As no coarse cloth is imported, this line of discrimination would cause no loss in revenue. Several experts have pointed to the practicability and feasibility of such a step. Supposing therefore that the present financial outlook is everlasting and that the relief, granted to the poor on occasions like this by a remission of their burden, to be needless, it will be the most unobjectionable of all ways to mark out such a line and set all cloths of counts of a particular number free from excise or import duty.

“My Lord, it is probable otherwise that the poor, instead of rejoicing at this occasion of a partial and probable relief in the long-continued financial difficulties, will have to grieve for this unprecedented event of placing a fresh burden on them simultaneously with a better outlook, due perhaps to a temporary rise in the exchange. It may also be remarked that there is no finality even in the present measure, and it will have again to be reconsidered.”

The Hon’ble MR. REES said:—“I will not venture to detain Your Excellency’s Council at any length with the considerations which have led me

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to an opinion sufficiently indicated by my vote, or to review the situation a duty which will fall to abler hands. But I would note that Mr. Playfair, speaking for those who raised objections to the Bill, has not referred to one of the chief objections they raised, *viz.*, the extent to which hand-loom weaving will be stimulated by the legislation now proposed. The Hon'ble Member from the Central Provinces has, however, addressed himself fully to this phase of the question. It has been contended that an excise of $3\frac{1}{2}$ per cent. on power-loom goods will press very hardly on the poor, and will so favour hand-loom weavers as to seriously damage the former industry, indeed, so as to lead to the wholesale closing of mills. Mr. Playfair, indeed, could not support this contention, for in March, 1894, in this Chamber, he described a 5 per cent. import-duty as a rate so moderate that to it no consumer, not even the humble raiyat, could take exception, and he designated a tax of 9 pies per head per annum an infinitesimal amount which could be raised with ease and accuracy. The case was then, as argued, one of Manchester *versus* India, but the argument is equally good when the parties are Bombay millowners *versus* Indian weaver, in regard to one quarter of the former's total trade. Again, he asserted with absolute accuracy, though the competitive power of the weaver class is now looked on as an important factor in the case, that this was the class among artisans which in famine times habitually required relief. Indeed though favour to Indian weavers is now suspected and deprecated by millowners, Mr. Playfair, representing with as much accuracy, I am sure, as ability, the opinions of the mercantile community in 1894 in this Chamber, thought that if it were possible to extend help to this class, it would be but assisting a section of the community which has suffered much by the introduction of power-loom manufactures through a foreign occupation of the country, a relief he considered which should not be grudged. In that case, if, indeed, assistance be incidentally afforded, the excise imposed on power-loom cloths should not be unacceptable. As regards the condition of the weavers, it is believed that in Bengal it is not too prosperous, and that numbers have forsaken, and are forsaking, their hereditary occupation for other means of livelihood. Similarly, in Madras the industry is unprofitable, and a large proportion of weavers have become agriculturists, labourers and traders. The durable, and in some rare cases extremely fine, hand-woven cloths of the South have been very much superseded by cheaper machine-made goods. It can hardly perhaps be said in general terms of the South of India that hand-loom weaving is merely a subsidiary industry, but it is in such a condition as to make it improbable, I think, that it will ever seriously compete with the mills.

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Sir Griffith Evans, speaking, I presume, for Bengal and perhaps for Upper India, has said in 1894 that the hand-loom weavers were beaten before the cotton-duties were taken off, and he, like Mr. Playfair, scouted the idea that Manchester or Indian mills could be affected by this unorganized and sporadic industry, even if favoured by a 5 per cent. duty. How then can an excise of $3\frac{1}{2}$ per cent. on Indian-woven cloth prove so disastrous as is represented? And if help to an indigenous industry be an incidental and accidental feature of the present re-arrangement of taxation, how are the masses of the population so adversely affected by the measure? For it is they who chiefly, but by no means universally, use the coarse cloths of the hand-loom produced from low count yarns, which now, as before, will be unexcised. But looked at from another point of view, a poor man does not often buy a new cloth, probably not oftner than once a year, while the women of his family, unless bread winners, wear their clothing still longer. To take the case of a family, a Calcutta coolie on six annas a day, for instance, would pay under this Bill a tax on clothing of about one and half annas a year. Again, the hand-loom weavers, for the most part, use the yarns spun in Indian mills, which, if the local industry is stimulated, should gain and not suffer. Here in Bengal there is no power-weaving, and the local millowners are by no means unanimously of opinion that they have any cause to complain, though those who are of that opinion have not failed to express it more emphatically than those who are content have signified their acquiescence. It is also doubtful whether the poorer classes in India so invariably as is supposed use the coarsest and cheapest cloth they can buy. For example, it is nowhere denied that of 2,480 millions of yards of cloth consumed in India only 240 millions are now duty-free, and the poor are unfortunately more than one-tenth of the population in India, as in other countries.

“It appears, therefore, that objections of this character are not very clearly made out, and, if it be urged that the exemption of fine yarns will lead to their use by hand-loom weavers in the place of the locally spun coarser yarn, it must be held either that a sudden and far-reaching change will be effected in the tastes and habits of a conservative population, which is unlikely, or that such population was induced to give up the use of finer taxed counts by the duty, which latter supposition involves the admission that such duty was, in fact, and to the extent indicated, protective of lower counts.

“As regards the pressure of this taxation upon the Indian populace, it is an admitted fact that of the classes which are to pay this infinitesimal amount,

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to quote again an Hon'ble Member of this Council, the most numerous have profited largely by the fall in exchange, which has made extra taxation necessary. In fact, these classes can well pay what is a very small charge indeed compared with such as they have to meet in consequence of the fluctuations of prices, which are frequent and considerable. Greatly as every one must wish to see taxation reduced, particularly such as is levied from the poor, and more particularly such as is paid by a patient, law-abiding and industrious peasantry, it must be admitted that their poverty is much exaggerated, and many competent and travelled observers hold the opinion that they are, though perhaps in less prosperous circumstances than those in a similar state of life in the richer countries of Western Europe, at the least better off than those of Eastern Europe, and than their brethren in most countries in Asia. A most elaborate unofficial enquiry, lately made by the Inspector General of Registration in Madras, a Brahmin gentleman, whose industry and research are equal to his talents and judgment, shows what the present condition of the Indian peasant is, and how that condition compares with what formerly obtained. I believe myself that the agricultural labourer of South India on Rs. 5 a month is far more fortunate than his brother in Hereford or Essex, and in 1891 and 1892 in the Southern Presidency it was proved that an admirable organisation now mitigates, and makes as tolerable as may be, even the visitations of famine. Hardly, therefore, can the Indian peasantry be described as 'a people dreadfully poor,' and with so little justice can it be suggested that the experience of one of the most terrible calamities which ever visited any country is likely to be repeated in regard to any famine with which a humane and vigorous administration can be expected to successfully deal.

"That the cotton-duties, as at present levied, are to some, if to a small, extent protective is admitted by many of the bodies consulted. Some go farther than Sir James Westland did in introducing the Bill. One Chamber of Commerce, for example, considers it 'indisputable that the effect of the duty on drills has favoured India as against Lancashire and is likely to permanently affect that trade, and that Lancashire manufacturers have a grievance as regards other low count fabrics, such as sheetings, T-cloths, checks and stripes.'

"Other Chambers and public bodies make similar or more qualified statements to the same effect, and many of them offer suggestions for equalization, though it must be admitted that little advantage can result from an exemption

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of cloths under 20s, when it is pretty well allowed that, with only one exception, in regard to which Manchester admittedly has a grievance, no such cloths are imported to an extent worthy of mention in a trade of which the volume is so vast.

“It may also be added in regard to Mr. Playfair’s expression of regret that the proposal of the Bombay Millowners Association, to apply the discriminating line of twenties alike to imported and Indian-manufactured goods, was not accepted, that I understand from enquiry that the difficulties of working a similar system when formerly in force proved so great as to render extremely undesirable its present adoption. It is observed too that one Bombay Chamber, that of Ahmedabad, disapproved the recommendation of the Bombay Millowners Association, as the Import Association of Calcutta did a similar recommendation proceeding from the Bengal Chamber, and that the Import Association ‘*emphatically protested against any line of demarcation being drawn again between cloths of different counts.*’ Nor do all those bodies which approve such a line agree as to the point at which it should be drawn.

“As to the objection taken to these proposals on the ground that they involve a lightening of the tariff in favour of Manchester, the decrease in the duty must profit the consumer, and a reduction was actually recommended by several bodies consulted by the Government as a means of meeting such protection as might be involved in excising Indian spun yarns to countervail an import-duty levied on the completed article of cloth. Moreover, the mere fact that a measure profits the great Lancashire cotton trade should not be to its prejudice in any British possession, and the import tariff as a fact is not one of an all round 5 per cent. as it stands, nor is there, it is believed, in any country a tariff in which all imports are without exception taxed at the same rate per cent. In any case some by no means opulent classes of the natives of India must benefit by the reduction from 5 to $3\frac{1}{2}$ per cent., be they or be they not the poorest of all, and that at least is matter for congratulation. I believe that the consumption of Manchester goods goes a long way down the line.

“One of the newspapers, which has most hostilely criticized these proposals, has in effect said that the extra burden on consumers of lower counts is a small matter, and that the advantage of $1\frac{1}{2}$ per cent. in imports is a small matter, but that giving way to Manchester is an unpardonable sin; and this seems to me to sum up very accurately the objections raised to the Bill and at

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once to prove that, if no more to its prejudice can be said, it is in the circumstances a very fair compromise. If it lacks, as is stated in some quarters, the element of finality, the attribute is as rarely present in, as that of compromise is seldom absent from, all far-reaching measures of modern legislation.

“With reference to Mr. Playfair’s claim that if any surplus exists the income-tax should be one of the first to go, I take this occasion to state, with all respect to him, the contrary opinion. That tax is generally described as odious and inquisitorial, and no one is more likely to be alive to the objections which exist to its levy than one who not only pays but also collects it. Still, with all its imperfections, it is an honest effort to tax the rich in this country, for even the lowest class it touches is rich compared with the majority of the population. Though I believe the masses can easily pay the impost now proposed, to the small extent to which it affects them, and with the corresponding and compensating advantages with which it is accompanied, yet, if at any time there is remission of taxation, I would see them first relieved.”

The Hon’ble SIR GRIFFITH EVANS said :—“I must remind the Council of how this matter arises.

“The import-duties were imposed in March, 1894, to meet an estimated deficit of about Rx. 3½ millions. But cotton yarns and fabrics were exempted, and the import-duties, including the petroleum duty, were estimated to produce only Rx. 1,400,000, leaving the remainder of the 3½ millions to be provided for by absorbing the famine surplus, and starving and crippling the administration by ruthless retrenchment.

“Public opinion in India was loud and unanimous to an unprecedented degree that cotton yarns and fabrics must be included, and the Government of India had practically no reply to make, except that Her Majesty’s Government would not permit cotton to be taxed, but that it was hoped they would relent when they realised this situation. These hopes were fulfilled, and in December, 1894, permission was received from home to impose the duties on cotton, provided the import-duty was deprived of a protective character by imposing an equivalent duty on similar goods manufactured in India *to the extent to which* they entered *into direct competition* with goods imported from the United Kingdom.

“That the attitude of the Council and of India generally in March, 1894, had much to do with the grant of this permission is shown by the speech of the

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Secretary of State for India in Parliament. But all must acknowledge that he had the severest political pressure to contend with, and that he exhibited no small courage in refusing to sacrifice the interests of this great dependency at the bidding of Lancashire.

“The party that succeeded to power, hampered as many of them were by pledges or semi-pledges given in the heat of a General Election, have also showed the sense of Imperial responsibility which, however latent when in opposition, is generally manifested by English statesmen when the direction of the Empire falls into their hands.

“But Lancashire has been persistent in her demands for the total repeal of the duties, and has objected strongly to the legislation of December, 1894, as unfair and protective.

“The Government of India has strongly represented the interests of India, and the case of both sides has been put forward in documents.

“The Financial Member, in introducing the Bill, has shown how weak the case of Lancashire is, and how strong that of India, as to the non-protective character of the duties. He has, however, concluded that in some small points Lancashire had made out a case, and that, in view of the whole position, a settlement ought to be proposed which would take away all possible grounds of complaint by its ‘conspicuous fairness’ towards Lancashire. He has also informed us that, owing to the rise in exchange and other circumstances, he will be in possession of a sufficient surplus to carry out his proposals.

“These proposals are embodied in the present Bill, and the reasons for them in his introductory speech.

“These proposals are, shortly, to exempt all cotton yarns, English and Indian, from duty at an expense to the revenue of 14 lakhs of rupees, and to reduce the tax on woven cotton goods, English or Indian, to an *ad valorem* duty of $3\frac{1}{2}$ per cent. instead of 5 per cent. as at present— at a loss of about 30 lakhs, and abolish the distinction between counts under 20s and over 20s, and have one uniform *ad valorem* excise on Indian goods woven by power-looms. I heartily wish I could see my way to accepting the proposals, but the objections to them are many and weighty.

“If I could satisfy myself that there would be any finality in the proposed settlement, I might, in view of all the circumstances and difficulties of the posi-

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tion, be disposed to accept it, but I fail to find either hope or promise of finality.

“My Lord, I have always advocated—some think too strongly—the absolute freedom of the Council within the limits of the powers delegated to it by Parliament; but I have always recognized the corresponding responsibility, and have held that the Members of this Council should act as responsible statesmen, and not as members of a debating society, or as members of a political opposition, bent on discrediting the Government of the day, and it is under a strong sense of that responsibility that I now speak.

“I will endeavour to lay before the Council the arguments for and against the Bill, as they present themselves to my mind.

“First, then in favour of conceding to Lancashire what may seem to us more than justice at some considerable expense to India are the following considerations: *First*, it cannot be expected, as I have said in a former debate, that the English nation would allow India to injure its trade and commerce by a protective tariff. It would be contrary to human nature, and Parliament has finally and definitely decided this point, and both the great political parties are agreed on it. In determining to grant India equality of treatment they have done more than any ruling nation has before ever done for a dependency which is not self-governing and has no direct voice in the Imperial Council. I fully accept this position.

“Though Parliament and the English people have decided that India should be treated with justice and fairness, and should have equal facilities for trade, yet, owing to its system of party government, there is strong pressure often put upon the Government of the day (of whichever party it may be) to depart in practice from this rule in special cases, at the instance of some English interest, possessing by reason of votes the means of political pressure. This pressure we must recognise as a fact.

“But inasmuch as the final arbiter in case of dispute is the nation at large and not the interested section, the interested section has always to make out a case of wanting nothing but what is fair. Now in complicated cases it is very difficult for such a nation, with a democratic Government, to form an intelligent opinion as to a dispute on facts between a section of its own traders and a distant dependency. In this case, the nation is being appealed to to support its great principle of free trade, which is almost a fetish in England,

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and not to allow protection against its own industries, and it responds to the appeal; but the nation is not able to judge, as we may be able to judge, whether in this particular instance the principle is being violated or not.

“ Thus, the English Government is left to meet the pressure, and the semi-pledges of members of its party, without much hope of backing from the English people, unless the point can be made clear enough to be apprehended by the ‘man in the street,’ that the principle is not being violated and the complaint is groundless. They too are nearly helpless if the verdict of the nation is against them.

“ The Government of India in conducting the case, so to speak, for India, not without reason, think that it is worth some sacrifice and some concession to put the matter on such a basis that the point shall be conspicuous and indisputable.

“ The Lancashire trade is in a state of great depression at the present time. This is, no doubt, due to other causes, as the Financial Member has pointed out; but, so long as the Lancashire weavers believe it is due to our legislation, they will make frantic efforts to get it reversed, and to deprive India of the whole of the cotton-duty. It is worth while to make some sacrifice to remove this impression. It is ill arguing with empty stomachs, and Lancashire is a great political power.

“ These are strong arguments for abandoning a part of the cotton-duties to save the rest, and even for imposing an unnecessary excise on coarse counts of woven cloth, with regard to which the duties do not, in our opinion, act as a protection; and if I could see any hope of finality in the proposals, I might accept the proposals, even as I have often advised a client to abandon some part of which I thought were his strict legal rights, to avoid a doubtful and hazardous litigation of which I could not foresee the issue.

“ Now I will try to state the other side of the question.

“ *First*, it is proposed to sacrifice about 40 lakhs of revenue from the cotton-duties. I am not in a position to question the statement of the Financial Member that he is able to budget for a surplus considerably above this amount. But the spectre of famine is beginning to loom in the North-West and exchange is uncertain, and it is most inadvisable to part with 40 lakhs of revenue which is raised without the consumer of the cotton goods feeling that he pays it—without discontent or annoyance. We shall never

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again be able to get it back when we need it, as we soon may, and we may, be driven to direct taxation, which in India means discontent.

“*Second*, the money is wanted for the development of the country, and even if it could be spared for remission of taxation it ought to be applied to relieve the poorer classes from the income-tax which sorely oppresses them, as pointed out by Mr. Stevens last March. Even if the cotton-duties were a fit subject for remission, it would be better to reduce the duty all round than to exempt yarns.

“*Third*, pending adjustment of the markets, it is said by the Bombay millowners that the excise under 20s will cause a heavy temporary loss to the Indian mills, which the weaker ones may be unable to stand. ~~Whether this~~ is so or not I am not certain, but it is certain they believe it, and are smarting under a sense of injustice; there will, at any rate, be a large remission of indirect taxation on the well-to-do, and an imposition of taxation on the poorer classes, so far as they consume the coarser goods of the Indian mills, but, if the hand-loom weavers supply the very poor, they will not be affected.

“*Fourth*, we are asked to protect the hand-loom weavers by a 3½ per cent. duty both against the Indian and Lancashire power-looms. In March last I thought the hand-loom industry had been so beaten out of the field that no small protective duty could revive it, but the figures produced by the Bombay millowners go to show that the hand-looms produce two-thirds of the cloth woven in India, as against one-third produced by power-looms; and the census tells a similar tale from the number of weavers. If this be so, the Indian power-looms may receive a severe check and be more or less crippled by a 3½ per cent. protection to hand-looms. Moreover, in many places, I am informed, the hand-loom weavers weave from finer imported yarns. If this be so, we shall in endeavouring to free Lancashire from an imaginary indirect protection create a direct protection against her in favour of the hand-looms. What practical effect this may have I have no means of judging, but I clearly see that Lancashire will not be slow in availing herself of this argument, and will probably join hands with the Indian millowners in abolishing the duties imposed by this Bill as being directly protective.

“I do not see what answer we shall have to this argument, as the permission to impose the duties is conditional on the total elimination of direct protection.

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"*Fifth*, now there are two or three other smaller matters with regard to which I would wish to advert; and first of all with regard to the direct protection of $1\frac{1}{2}$ per cent. spoken of by the Hon'ble Member in his speech.

"The Council will remember that he makes it out in this way: that there are 85 per cent. of cotton yarn per pound in the case of shirtings, and that it is taxed at seven annas. Thus, a pound of shirting manufactured in India pays six annas. On the other hand, the Manchester goods are paying nearer eight annas, and there is $1\frac{1}{4}$ per cent. difference which ought, as he says, to be adjusted. But, from the enquiries that I have made, it would appear that this is a perfectly simple matter that could have been simply adjusted. It appears, as far as I can make out, that it arose in this way: that the tariff valuation of this yarn was fixed when cotton was extremely low; that cotton rose shortly afterwards, but that the Revenue Department—ordinarily so vigilant—did not take any notice of this rise and that the tariff valuation was not changed, and that as a matter of fact if the valuation had been changed when the price of cotton went up, which it did, that this would disappear, or nearly so, and that it would be a very small matter very easily rectified and not a matter which would give any difficulty at all."

The Hon'ble SIR JAMES WESTLAND:—"Perhaps Sir Griffith Evans will allow me to interrupt him so far as to say that these figures were not given by me as an accurate estimate, but only as pointing out that Manchester had gone a very roundabout way to show what it might have done in a very simple way. I did not put forward six annas or eight annas as an accurate amount. I rather pointed out that for accurate calculation it would be better to refer to the statement of the Bombay millowners."

The Hon'ble SIR GRIFFITH EVANS:—"I accept the statement of the Hon'ble Member, but it does not interfere with my argument. The exact figures are not material, but my information is that the difference—whatever it is—arises from that fact and could have been rectified in a way. Of course they were not keen to suggest to the Hon'ble Member that he should rectify it in that way. It was not to their interest to do so. He has got to look for his own revenue, and if he makes a small slip in their favour they are not likely to tell him; but I believe he will find that that is really the case. There is another point which I must refer to, and that is the difficulty about this dividing line of 20, and I cannot help feeling—and it must have appeared to the Financial Member himself—that that difficulty was not so very insuper-

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able; for if the difficulties of drawing a line at 20s had been so great as is represented, surely the Financial Member would not have in his Bill as laid before the Select Committee attempted for the purposes of tariff valuation to draw a line at 30s—a very much more difficult operation. I cannot help thinking that executive orders to allow a little elasticity would have overcome the difficulty of the dividing line.

“Not being satisfied with the reasons for this step, nor with the policy of the total remission of duty on yarns, and seeing the evils it produces, or may produce, and seeing no hope of finality in it, but only stronger grounds for a fresh attack on the fragment of the cotton-duties we are seeking to preserve, I cannot approve of this Bill.

“But I desire especially to say that I recognise it as an earnest effort on the part of Government of India, made on behalf of India, to close the controversy on what they consider the best terms obtainable for India. They are entitled to ask us practical men to give them credit for an honest attempt to deal with a very difficult situation, and to close the controversy on what they consider the very best terms for a lasting settlement, and they are entitled to ask us to come to our conclusions with due regard to all the difficulties of the practical situation.

“I see from to-day's telegrams that one prominent member of Her Majesty's Government has expressed his satisfaction with this measure, as eliminating all protection from the cotton-duties. But there has been no time for him or for Lancashire to consider the detailed discussion of the matter contained in the recent memorials of the Indian millowners; and I see no sign that he or Lancashire has grasped the fact that by freeing all yarns and taxing all power-loom woven goods we are deliberately giving a direct $3\frac{1}{2}$ per cent. protection to the goods woven in hand-loom. I would it were possible to delay the measure until it could be ascertained what view will be taken of this important point.

“It is not for me to suggest a scheme, but, if the Bombay proposal is not feasible, it would have been safer to eliminate protection by taxing by an excise and import-duty all yarns and cloth the product of power-loom. If it was desired to remit a portion of the cotton-duties in view of a surplus, they might have been reduced to 3 per cent. all round. We could then, if necessity arose, have raised them again to 5 per cent. But, so long as protection is eliminated, I see no reason for treating cotton differently from any other article included in the schedule of taxation.”

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The Hon'ble ANANDA CHARLU, RAI BAHÁDUR, said :—" I cannot better commence my remarks than by showing, at the very outset and intelligibly to the merest layman, how, in respect of cotton-duties, the results of the proposed measures would contrast with those of the Acts now in operation.

" India now contributes, under this head, about 7 lakhs of rupees. It is proposed to give this up and substitute for it 18 lakhs of rupees, *i.e.*, make it pay about 11 lakhs more than at present. Lancashire now contributes 1 crore and 39 lakhs of rupees. It is proposed to beat it down to 87½ lakhs. In other words, a magnificent present of Rs. 50 lakhs is proposed to be made to contentious Lancashire, and through it to the well-to-do consumers possibly, while an onerous burden of 11 lakhs is proposed to be heaped on the back of contented India.

" It is not for me to say with what amount of contentment this contrast, when it goes abroad in this unvarnished form, will be received by the public at large. There must indeed be an overwhelming justification for such an extraordinary step. I maintain, my Lord, there is no such thing, as best shown by the Hon'ble Mr. Evans.

" Unavoidably lengthy as has been the Hon'ble Mover's speech as the initial exposition of the Government proposals, the result of boiling it down to get at the real matters at issue may be put in a few brief sentences. The first point of contention between Lancashire and India is pretty fully set forth in the subjoined sentence in the speech of the Hon'ble Mover :—" The first of these (points) is the effect of our drawing the life of taxation, for Indian goods, at 20s. That effect, says Lancashire, is two-fold: (1) Lancashire manufacturers claim that they can spin 20s just as easily as higher counts, and that they could, *if they were not prevented by our fiscal measures*, substitute for the cloth they at present send to India a cloth which would be a substitute for and find the same market as the present importations.' (2) Manchester claims that the exemption of the coarser goods creates a difference in price between the coarser and the finer, which tends to divert the course of consumption from the finer to the coarser.

" The second is but a corollary of the first. Grant the relief claimed in the first, the second must right itself. Then we may take it that the complaint is just this and no more, *viz.*, Lancashire says, ' You are handicapping me with a duty in a sphere where India is free. Give me like freedom.' This done, it ought, by its own confession, to be able to compete with India and keep its

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customers from running over to the latter. If this is a *just* complaint, one would expect that the logical and the only remedy open for our Government to apply is to remove the duty on Lancashire goods under 20s and say to the complainant, 'I have done what you want. Go thy way and trouble me no more.' If the complaint is just, I shall strongly urge this course on the Government. It might indeed involve a small loss of revenue, possibly none. But if it did, it would be a mere bagatelle. If the complaint is just, Lancashire, with the equal freedom it asks for, must add vastly to the stock of coarser goods, available for the mass of the population—available *on that account* at a cheaper rate than otherwise. This decided advantage to the poorer classes of consumers would so greatly weigh with the better classes that they would only too cheerfully submit to some taxation, if necessary to make up for the revenue given up in satisfying a *just* complaint.

"This plan will further possess the inestimable merit of not organically dislocating the fiscal system which has been the result of hard fight and of an extorted concession, unattainable too often. Upon the facts stated and accepting the reasoning of Lancashire that the diversion is a necessary result, any other course by the Government must, most unquestionably, press on the poorer classes most disastrously. Give Lancashire the equal freedom it claims below 20s, you earn the good will and the gratitude of the benefited poor. But remove the duty altogether both below and above 20s and put on 18 lakhs as proposed on India, you bring on a terrible hardship upon the needy, and their feelings will certainly not be of good will and gratitude. To give Lancashire the equal freedom she seeks below 20s is, in my judgment, the plain and only defensible course on the hypothesis that the complaint is just. To any other course, on that hypothesis, I feel bound to enter a strong and emphatic protest.

"But *is* the complaint just? Most assuredly not, is my unhesitating reply. In this I am also supported by the Hon'ble Mover himself, for he has declared in no ambiguous terms that he differs from the assertions of Lancashire on this point. I am also supported by the invincible arguments set forth in the memorandum of the Bombay Millowners Association. That memorandum has, I daresay, been read by each of my Hon'ble Colleagues, and therefore I will not extract from it. But this I must accentuate that it has received the unqualified acceptance of the Hon'ble Mover himself. This, by itself, ought to stamp that admirable document with the character of unimpeachability and show our case for the *status quo* to be impregnable. The fact of the

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matter is, that Lancashire has confessedly made only a *claim*—not that it has *made out* a claim. On the question of fact which that claim involves, all the evidence and all the opinions that have been collected and focussed clearly tell quite the other way—tell against it in every particular—and most conclusively. Lancashire goods below 20s have never been a tangible quantity and could never be. This can be demonstrated with perfect ease. It could likewise be demonstrated by examining the conditions under which Lancashire has to work. I go further and assert that it has been indubitably demonstrated already, so that the running man might see. The Hon'ble Mover himself says quite as much in unmistakable terms. He declares it to be his own *belief* that 'Lancashire cannot lay down in India woven goods of the coarser kinds at prices that can at all compete with those of Indian-produced goods.' This is not a mere unconsidered or unsupported belief either. After sufficient deliberation, it is based by him on the convincing document already referred to, the memorandum of the Bombay Millowners Association.

"With such a *belief* and with the indefeasible arguments with which it is widely supported, I for one would expect the responsible Finance Minister, as the accredited adviser of the Supreme Government in India and bound to work with the single and sole object of advocating India's cause,—I say I would expect the Indian Finance Minister to say to his clamorous compatriots of Lancashire—"

The Hon'ble SIR JAMES WESTLAND:—"Please do not put me down as a compatriot of Lancashire. I am not even an Englishman."

The Hon'ble ANANDA CHARLU, RAI BAHADUR, continued—"I say I would expect the Finance Minister to address the Lancashire people somewhat as follows:—'You have made and are making an unnecessary fuss. You have bamboozled yourselves by not being on the spot here to know the exact truth. The bubbles you have raised have burst and betrayed their unsubstantiality as soon as they were pricked. I have a sterner and an honest duty to perform than engage in the frolic of pricking soap-bubbles floating about my head. I will not be ungrateful to my confiding employers. I see no reason to budge an inch from where I am.' Such is the bold and firm stand our Finance Minister and the Government of which he is the ostensible adviser should take; and they should resolutely decline to submit to dictation, either from their Lancashire compatriots or from such as care for Lancashire votes at the poll

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or Lancashire support in the Parliament—come what might. On the contrary, I am deeply grieved to find—I say this far more in sorrow than anger—that our Finance Minister and the Government of which he is the adviser have allowed themselves to be overpowered by the unreasoning outcry of Lancashire and to be tempted and wheedled and drawn out of their safe, uncontroverted and incontrovertible stronghold.

“The Hon’ble Mover has however declared himself to be persuaded that *some* ground of complaint exists because, forsooth, the amount of coarse woven goods imported from England cannot, in his opinion, be said to be *non-existent*, though as he admits that at the most it is *very small*. I maintain, my Lord, that this infinitesimal amount is not an adequate ground to pull to pieces the existing smoothly-working fiscal system. The only treatment it deserves is to be waved off as unworthy of serious consideration and elaborate action. If the Government think that, nevertheless its insignificant importance, it ought to receive attention, then the only legitimate step that can, with justice to India, be taken is, as I suggested already, to do away with the duty on Lancashire goods below 20s—a step whose harmlessness in general and whose profitableness to the poorer classes I have erewhile dwelt upon.

“If then, the complaint of Lancashire, *viz.*, that it is now handicapped as its own goods below 20s are taxed, is put aside, what remains, my Lord, for serious consideration? I say, nothing; for I regard as groundless and hollow the allegation that the existing state of things diverts the course of consumption from the finer to the coarser goods, and that, on that score, indirectly infringes the rule and the pledge against protection.

“To begin with, is this diversion-dread well-founded? Is it true as a matter of fact? Most certainly not. It is a sophistical bugbear—a figment of fancy due to inexperience of the ways and predilections of the people of India—due also, to a forgetfulness of the people’s tenacity to customary clothes—and due also, I will deliberately add, to giving the go-by to the fact that power-loom products are discarded as being too heavily sized with foreign matter.

“My Hon’ble Colleague from the Central Provinces has at some length shown how groundless and hollow the complaint is, and my observations on the point shall therefore be few.

“There has always been a decided and deliberate preference for the coarser goods as compared to the finer on the part of the masses. The shrewd

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common sense of these latter and the matter of fact teaching of their experience have long ago convinced them that the Indian-made coarser cloth was far more durable and stood wear and tear and home-wash far better than the imported finer one, with less of cotton and more of China clay and loading chemicals therein. They strain to the utmost their slender means and go in for Indian-made coarser cloth, as, in the long run, cheaper.

“The whole of this diversion-argument is the outcome, my Lord, of a superstitious apotheosis of competition as an omnipotent power. Its force is over-rated—hyperbolically over-rated. That there are a great many limitations to the operation of competitions is self-evident; and so undisguisable is this the case that even writers on economic science have had to recognise them and reckon with them—albeit that they of all men, should be the foremost to swear by it as an all-conquering and rapidly-conquering force. I dislike talking book or bristling with quotations; but this I say with perfect confidence and on a basis of the requisite knowledge that I am well supported in maintaining that it is a grievous fallacy to enunciate the proposition, *as universally true*, that competition actually *does* operate whenever or wherever or as soon as it has a *tendency* to operate.

“To read protection in indirect results of this kind—assuming such results have actually flowed—is, in my judgment, to introduce into our fiscal arrangements an element of ever-present uncertainty and never-ending wrangle on the part of Lancashire. The direct and natural results are, like damages in law, capable of fairly satisfactory ascertainment. But it would prove a pursuit of the mirage to start a mission to detect and arrest indirect and remote consequences, if such can be called consequences at all. It is claimed for this Bill that its object is to close the present controversy and not to give rise to a new series of controversies. I take the liberty to declare, and I feel that I am justified in declaring, that the proposed method will produce an effect the very reverse of that object. It should be borne in mind that most of India's by-gone industries have long been dead and unceremoniously buried. If some few have yet a tenacity of life, it is because they are as yet beyond the reach of the most scientifically finished power-loom. Fresh industries, after the modern methods, have put forth shoots and are showing signs of growth and development. They have so far flourished, my Lord, as to enable the head of our Government—the Secretary of State for India—to say quite recently—I trust he said it with pride on behalf of India—that in other than the Indian market Lancashire has within the last ten years not been able to compete with

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India; that while during these ten years the value of the cotton exports from Great Britain to countries other than India has *not* increased, the exports from the Indian mills have, during the self-same period, literally doubled and they are increasing still, and that there is this year a large increase in Indian exports.

“Here, my Lord, is India’s layer of golden eggs for her benefit, redounding to the credit of the British rulers under whose ægis it has been incubated, hatched and fledged. It is only just beginning to give proof of its maternity. Every Indian will entreat, as I now entreat, that that giver of riches to India—that witness to the benignity of the British rule—should not be permitted to be embarrassed and penetrated by dart upon dart at every league in the wild chase after the unsubstantial phantom of indirect protection. The chase may prove a thorough and discredited activity, as it must sooner or later. But it would be hard in the meantime to look after that breeder of boons to India from being torn or eaten up.

“I beseech the responsible Ministers who have the power, if they possess the will, to see that our interests are not ruthlessly jeopardised. To them I shall say also that they are drifting—let me say unwittingly—beyond even the pledges given by the Secretary of State for India; for that officer has promised relief only against *injustice* and only against protection so far as the English goods and Indian manufactures enter into *direct* competition. This was no doubt made at what the Hon’ble Mover has called ‘the initial stage’ of the proceedings in connection with the cotton duty deliberations, but I find no departure from it—certainly no avowal of any such departure; for I cannot accept such phrases as ‘in any way protective’ to signify any extension of the pledge, originally given in clear and unequivocal terms.

“When the objection to the line of demarcation at 20s is set at rest, there is really nothing more for serious consideration. But the Hon’ble Mover has referred to a second complaint on the part of Lancashire and he has put it in the following terms:—

‘The second point in which the Manchester case is admitted by us to have some foundation is in the allegation that the tax levied upon yarns which are afterwards woven into cloth is *pro tanto* a lighter tax than is levied upon the completed manufactured article.’

“This has been fully dealt with by the Hon’ble Sir Griffith Evans and I shall omit what I meant to say on it.

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“As regards the proposal to give up 50 lakhs out of the present income, I have to make a remark or two. I have to state, on the hypothesis that this amount of revenue could be spared, that the reduction of the salt-tax had the prior and decidedly better claim. This was pledged to us long ago in no uncertain terms. In adjusting accounts with the taxpayer, this long-standing and unsatisfied demand must first be appropriated to, if there is to be anything like continuity in the policy of dealing with India. Every ground of claim, of justice—and I will add, pity for the suffering poor—tells heavily in favour of this humane course. It is simply inexplicable—unless indeed peremptory dictates were being subserviently carried out—it is simply inexplicable, I say, how this extraordinary method came about, of serving the least starved at first. This is behaving like the unique host in a Tamil story, who received a number of famished mendicants but singled out the least starved for what little food he could spare, on the ground that the others had shown their capacity to starve, which the elected donee was yet to prove.

“But I ask, my Lord, can this revenue be spared? I have my most anxious doubts. The Hon'ble Mover himself used very guarded language, not without some few saving clauses.

“I confess, my Lord, this is by no means reassuring. Exchange, besides laying on us, on very slender pretences, a heavy break-back load of a considerable amount, has played and is playing like a fickle goddess, whom it is impossible to propitiate, without a reserve for making periodical—I had almost said, almost daily—doles of considerable bonuses. Having regard to her unlimited and illimitable aptitude for pranks and caprices, it is of the utmost importance not to quit the hold of the 50 lakhs or give it to those who might be coerced into giving it back rather than to others who are already clamouring at its insignificance and are vowing dire vengeance against what is left us.

“To my Anglo-Indian colleagues—my non-official colleagues in particular—I have a word of earnest prayer. I know that most of their class believe in a Conservative Ministry and that they are demonstrably partial to it. I know also that many Conservative members, who constitute the bulwark of that Ministry, have entered Parliament, pledged to look after the interests of Lancashire in India. I mean no offence when I therefore say, what I cannot help feeling, that my Anglo-Indian colleagues would therefore be, in the last degree, reluctant to impair that bulwark or vex it. But I shall beg of them to bear in mind that, while India is safe-guarded against foreign inroads by

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the strong arm of the British Power, she is defenceless in matters where the English and the Indian interests clash and where (as a Tamil saying puts it) the very fence begins to feed on the crop. In all vital affairs relating to India, England holds the whip-hand, and men, sent out to us to watch those interests here on the spot, are placed directly under that whip-hand. It requires preternatural strength of conviction and fortitude to withstand the flourish of the lash wielded by that whip-hand when the English and the Indian interests stand mutually opposed. In such struggles—the present is a pronounced instance of such a struggle—the Anglo-Indian co-operation and support are of the supremest value. Not long ago a Secretary of State for India said to a Lancashire deputation ‘Drop all questions about public feeling in Lancashire; do not say any thing about members of Parliament being influenced.’ These were seemingly dropped, only to be picked up by others—not avowedly, as that would be a scandal—but to give utmost effect to them, as these Bills evidence. In the spirit in which the quondam Secretary of State for India spoke to the Lancashire deputation, in the same spirit I have to tell my non-official Anglo-Indian colleagues to drop their personal predilections as against their sense of justice, at this sore hour of need.

“They prosper by finding a fitting field in India; and let India too prosper by their presence and their labours in her midst. Let them realise that there is hope for her countless masses, if they cast their lots with them and throw their weight in the scale of justice to them; for a united representation of all India could not but powerfully tell. The Government themselves might then abandon these obnoxious measures. If they do not, even then such a combined protest might yet tell effectively in England. That these Bills are, transparently, the outcome of pressure from high need not trouble them any more than they should trouble us; for, meditating a wrong is one thing and perpetrating it is quite another; and our final arbiter might yet see fit not to perpetrate what he may have meditated. Even would-be murderers, my Lord, have been known to relent, repent and renounce. I first entreat the Government to abandon these unjust and injudicious measures; and I next entreat my Anglo-Indian colleagues—my non-official colleagues in particular—to lend the Government a helping hand so that, with their votes against the Government, the Bills might be dropped. Even if the Government were not prepared to take advantage of the chance thus offered, a solidarity of non-official votes might nevertheless give us a chance in the freer atmosphere of England—a chance which would be seriously imperilled if the Government and

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my non-official Anglo-Indian colleagues become one and send up these odious measures to that final arbiter of Indian destinies as enjoying their hearty or united support—a course which would seemingly imply full local approval and might supply the Secretary of State with an excuse and a justification, which neither justice nor fair play would warrant. I am painfully conscious that I have spoken with considerable warmth; but I could not carry a smile on my lips or play the *rôle* of a soft-tongued courtier when I am face to face with a gross injury which is in store for the masses. More I will not say just at present: but less than this I could not say—with justice to my own convictions and with justice to the multitudinous poor, that are meant to be bled for no benefit of their own and for no fault of their own.

“I have a word to say to two Hon’ble Members who have spoken before me—the Hon’ble Mr. Rees and the Hon’ble Sir Griffith Evans. To Mr. Rees I shall say that he has taken a far too rosy view of the situation; and that, after hearing all he said, I see no reason to recall a single word of what I have spoken. To the Hon’ble Sir Griffith Evans I say that it was as *one of the people* I have spoken and not as the spokesman of any party, against which latter *rôle* he has advised—and rightly advised.”

The Hon’ble Mr. STEVENS said :—“My Lord, on the last occasion when the subject of the cotton-duties was discussed by this Council a decision was arrived at which was practically unanimous. There was, indeed, some difference of opinion on a single point of detail. The majority accepted the view more favourable to Lancashire, and all hoped that enough had been done to secure a satisfactory and peaceful settlement of the whole question. Your Excellency’s Government had power to afford further relief if any branch of the trade should be found by experience to require relief, and accordingly in one clearly defined instance relief has been given.

“I am sure that the members of this Council—and most of all (I venture to think) those who form Your Excellency’s Executive Government—have been gravely disappointed by the discovery that these anticipations have not been realized, that the concessions have been regarded in Lancashire as insufficient, and that the trade and the people in India generally are again disturbed by renewed discussions. The circumstances, no doubt, have to some extent changed in appearance, if not in reality, and I think we must reconcile ourselves to the necessity for reconsidering the position. We cannot shut our eyes to the truth that the cotton industry in Lancashire is in far from a

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prosperous state. Mills have been closed and a multitude of operatives have been thrown out of work; while the industry is of such vast importance to Great Britain that a serious depression becomes a source of great political danger and difficulty. In such a time of stress it is not unnatural that the Lancashire manufacturers should anxiously examine the conditions under which all their competitors are working, nor is it a matter for surprise if they over-estimate the importance of those particular adverse circumstances which appear to them to be most susceptible of control.

"I do not propose to enter into any lengthened discussion of the Manchester arguments, but I share the common opinion in India that they much exaggerate the influence of the existing fiscal arrangements. They ignore altogether the conditions of the labour-supply in England, the strikes, the higher wages, and the shorter hours of work; they ignore the disadvantage of old machinery, and they ignore the competition of foreign countries. In a report which my colleague in the Board of Revenue has recently submitted to Government he has quoted Messrs. Ellison & Co.'s Annual Review of the Cotton Trade for the year ending 30th September, 1895. These gentlemen say that 'the margin of profits has been so poor that none but the best appointed mills have been able to make both ends meet, with the result that at the close of the season there is a good deal of machinery idle.' Mr. Lyall goes on to say on the authority of the *Economist* that the increase in the number of spindles in the world during the years 1892-95 has been—

Great Britain	50,000
Continent	1,800,000
United States	855,000
East Indies	408,000

"'It may safely be asserted,' he says, 'that all the new spindles were of the newest pattern, and capable of turning out the cheapest material, and that each new mill, erected on the newest principles, was a further handicap on British trade.'

"The *Economist* also gives the figures of consumption of cotton. In 1894-95 they were—

	Bales.
Great Britain	4,080,000
Continent	5,096,000
United States	3,219,000
East Indies	1,342,000

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"These figures, like those relating to the increase in spindles, point most distinctly to the conclusion that the competition which is really injuring Lancashire is that of the Continent rather than that of India. Messrs. Ellison & Co. make a further statement which is evidently of great importance, not only in reference to the particular year but as indicating the growing enterprise of foreign nations. They say that 'American and Continental spinners were smarter in taking advantage of the market by laying in large stocks of the raw material at the low prices current during the winter months, whereas English spinners purchased very little cotton in anticipation of actual requirements.' Now the price of cotton has ranged between $2\frac{3}{4}$ pence per lb. to $4\frac{3}{4}d.$, the latter being the closing quotation. Here we have another cause in comparison with which the fiscal arrangements of Your Excellency's Government can have had but an infinitesimally small effect.

"But, although we may believe, as I for one believe, that the results of the competition of India have been greatly over-estimated in Lancashire, it is not to be questioned that in the tracts affected there is a very strong and (I might say) angry feeling, and that the importance of that public sentiment cannot be lost sight of by Her Majesty's Government at home, or by Your Excellency's out here. It has all along been said that we have no wish to protect Indian manufacturers against English, and therefore, if a reasonable scheme of taxation be arrived at more satisfactory than that existing, this Council ought, I think, without hesitation to support Your Excellency in introducing it. It is with this object that the present Bill has been brought before us to-day.

"I fear it must be owned that the measure has not received the support of the public as a whole. For this there are two main reasons: first, the suspicion existing in some quarters that it has been called for by the exigencies of party politics in England rather than by the wants of India; secondly, that the trade will be disturbed to the disadvantage of important industries, and of poor consumers in this country, while the relief of taxation is not to be given in the best way. It is not at this stage necessary to discuss the propriety of any policy which would sacrifice the interests of those for whom we legislate in order to secure profits for those who neither adjust our expenditure nor bear our burdens. Even public opinion in England would never defend such a policy. But it is impossible for us to claim the privileges of a perfectly self-governing and selfish Legislature, for these are inconsistent with the constitution under which we serve, and under which we must continue to serve. It is our duty to consider the obligations and limitations

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which bind not only Your Excellency's Government, but the Government of Her Majesty; and we must not be deterred from passing a measure, if it is reasonable in itself, by any suspicions as to its origin.

"The question then remains whether this measure is in itself reasonable. In so far as it taxes alike all the products of the Lancashire and of the Indian weaving mills, it is consistent with the avowed desire expressed in both countries that there should be no protection for either. It has, however, been urged very strongly that a new element of protection has been introduced, by giving a new advantage to the hand-loom, whose products it is quite impossible to reach by excise-duties. I think that the extent of this advantage has been greatly exaggerated. It is a matter of notoriety, and beyond argument that the competition of English and foreign power-loom has hitherto proved destructive to an important branch of the hand-loom industry; but we are told that still two-thirds of the cloth used are the product of hand-loom. The condition of affairs is, I think, well and justly put in the following extract from the Census Report of 1891 which of course was written from the Indian point of view:—

'The home products, strong and coarse but genuine and durable, still hold the agricultural market amongst the lower classes, and indeed among the raiyats generally, a fact that is obvious to any one who goes about amongst the country people. In the town, the competition is beyond doubt severe, for the finer fabrics of the home-loom must be more expensive than the machine-made product of Europe, now that processes are so much improved and freights so low, and it is the townsman that takes first to a novelty. On the whole, therefore, looking to the very small proportion of the urban population, and of the wearers of fine raiment among the rustics, it does not appear that the field of the ordinary weaver is yet usurped by any competitor. The manufacture of muslin and "woven air," and so on, is the one to suffer.'

"There may be said to be three classes of weavers—those who obtain their whole livelihood by weaving, those who supplement some other occupation such as agriculture by weaving, and those who weave for domestic use. I think that the competition of the power-loom will never affect the last two classes until the time of these people can be more profitably spent in other ways, and this period is far distant. There are other considerations which limit the competition of price; there is the habit of wearing country cloth, and there are the superior honesty and durability of the hand-woven goods. The country weavers do not turn out as cotton goods products half of which is size. It is not the case that the whole of India, including all castes and classes of

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the population, is an arena for contests between the power-loom and the hand-loom.

“Again, I would point out that the caste system limits the possibilities of production in the hand-loom, while, if I am not mistaken, it has less effect in the case of power-loom. The millowners of Bombay, in their letter of the 29th of January, have, in this connection, committed a very serious error, which I feel bound to correct. They say: ‘According to the census returns there are no less than seven millions of people working as weavers in India.’ I have referred to the Census Report, and have found that the number of cotton weavers, including millowners and managers, was 4,877,357 in British territory, and in Native States 1,433,389, or in all a total of about 6,300,000. In the explanation of the manner in which these figures had been arrived at, it is stated that ‘it was held desirable on this occasion to recognize no distinction in tabulation between the working and the non-working members of the community, and to widen the enquiry, so as to indicate the relative supporting power of the various occupations, by returning against each the whole population living by it, whether as workers or dependents.’ In overlooking this explanation the Bombay millowners have overestimated the number of their competitors—probably something like fourfold.

“The mills in Upper India have again pointed to the closing of power-loom and to the depression of their trade. They attribute this to the competition of the hand-loom, but surely it is more likely that the injurious rivalry is that of mills which turn out the same, or approximately the same, class of goods, namely, such goods as are imported into India.

“It seems clear then that, even if a trifling protection will certainly be given to some of the products of hand-loom, the extent of it has been much overestimated by those who fear it. It has been repeatedly argued that this measure will injure the poor for the benefit of the rich. So far as the poor are supplied by hand-loom (and we are told that two-thirds of the goods woven are the products of such looms), it is clear that this will not be the effect. And in those parts of India with which I am acquainted, the hand-loom weavers are themselves among the poor, and among the first to suffer in times of scarcity.

“The gravest objection to the Bill appears to me to be the selection of this particular method of reducing taxation. There is no one who will maintain that there are not numerous and important directions in which money might

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be spent with great advantage to the country. But if we have become so rich that such expenditure can be met with a smaller revenue than that which is now collected, there are other directions in which many think that taxation can be remitted with greater relief than this. I would especially urge once more the case of the income-tax, which, even in the higher classes, is assessed with difficulty and no little annoyance; in the lower classes my own personal experience, which appears to have been less favourable than that of the Hon'ble Mr. Rees, forbids me to believe that it can be evenly and equitably levied.

"I will not weary Your Excellency by further comments in detail. The conclusions at which I have arrived are that the Bill is not likely to be accepted without objections, even after the exaggerations and misconceptions of some of its critics have been removed. On the other hand, it seems to satisfy the importers, and to be accepted, so far as is known, by Lancashire. It is the outcome of the mature deliberations of Your Excellency's Government—a Government which (if a subordinate officer may venture to say so) has given the most conspicuous proofs of its anxiety to defend Indian interests. Therefore, even though I see difficulties, I believe that it is my duty to support the Bill.

"I have endeavoured to shew that the effect of this measure on the competition of hand-loom and power-loom has been much magnified; and I cannot abandon the hope that, when this is understood, it may not be deemed to be destructive of that finality and peace which we all desire to see."

The Hon'ble BABU MOHINY MOHUN ROY said:—"The two Bills under consideration propose to make the following important changes in the levy of cotton-duties: (1) to abandon all duty upon yarns, whether imported or manufactured in India; (2) to repeal the exemption which now exists of cotton goods of 20 counts and under, manufactured in India; (3) to reduce the duty all round from 5 to $3\frac{1}{2}$ per cent.

"On the first item of change, I have not much to say. Any change in the incidence of duty is certain to affect, whether slightly or largely, the interests of some industry. The point for consideration is whether this change is likely to affect the interests of cotton mills, Native or English, to such an extent as to render it objectionable. I do not think so. The hand-loom industry of India is now in a very depressed condition, and is gradually being pressed out of life between the cotton mills, Native and foreign. It is an industry which the world and we, of all people in the world, ought not will-

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ingly to let die. Our cotton fabrics, the produce of hand-loom, have been famous from very ancient times, and may be said to have made our country famous when it was otherwise little known in the Roman world. A very large proportion of our industrial population, the weaver caste among Hindus and Jolahas among the Mohamedans, find employment in hand-loom and earn a precarious livelihood, as Sir James Westland has truly observed, 'not by wages fixed on economical principles, but rather by picking up at odd hours the scanty crumbs which the mill industry still leaves them.' He estimates the loss of revenue from relinquishment of 5 per cent. duty upon yarns at 20 lakhs. I do not grudge this sacrifice, because it is likely to stimulate and benefit the hand-loom industry of India, and because it is not favourable either to Manchester or to Bombay so far as their mutual competition is concerned.

"With reference to the second item of change, I find it more difficult to formulate my views. The Finance Minister has stated that 'it is not possible to longer maintain the system by which an exemption is granted to goods of 20 counts and under when they are of Indian manufacture, but, refused when they are imported by sea.' This, we are bound to take it, is the case. And it follows that goods of 20 counts and under, whether manufactured in India or imported by sea, ought to be placed upon the same footing. But this may be done in two ways, *viz.*, in the way proposed by levying excise upon Indian woven goods of 20 counts and under, or by exempting similar goods imported by sea. The Bombay millowners strongly advocate the adoption of the latter remedy, and show that the adoption of the former remedy would cripple and imperil the infant industry and cause an enormous increase of excise—something like 11 lakhs. It seems we are not now covetous of grabbing the 11 lakhs of excise. We are now in a generous mood and rather for throwing away our revenue. The Bombay millowners show that, whereas the taxation on imported goods will be reduced by 51½ lakhs or 37 per cent., the excise on Indian goods will be increased by 11 lakhs or 300 per cent., a difference in treatment which seems somewhat startling. Sir James Westland tries to justify this difference in treatment upon the ground that it is not possible in the case of woven goods to work out a line of discrimination by counts with that exactitude which is requisite as a basis of taxation. He says, 'we believe that careful tests by experts can establish, as regards any woven yarns, that they are within one or two counts of any given standard, but this unfortunately leaves a certain margin for dispute, and as we have not merely to protect the revenue from frauds directed towards obtaining exemption where

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exemption is not due, but have also to protect the honest trader from the trader who does not draw so finely the lines of conscientious dealing, we are unwilling to undertake, if we can avoid it, a system the operations of which will certainly be jealously watched and which may have to be abandoned from sheer difficulty in working.' We have hitherto exempted Indian goods of 20 counts and under, and have not found much difficulty in doing so. The only thing that remains to be tried is to discriminate and exempt imported goods of 20 counts and under. Assuming that we shall find considerable difficulty in doing so, it does not follow that we ought to abandon this scheme without a trial. As we are now in a generous mood, we need not be very strict about imported goods which are within one or two counts of 20. We may give up claims to disputed revenue near the line or appoint an umpire to settle these little differences. Then, after all, there will not be much work to do in the discrimination of imported goods of 20 counts and under, as Manchester imports very little of such goods. Sir James Westland admits this in substance, but says that, Manchester may justly object to being prevented from trying the experiment of sending out coarse cotton goods by our insisting upon interposing in the way of it a duty to which we do not subject the goods of Indian manufacture.' To this complaint the grant of an exemption in respect of such coarse goods would be a simple, complete, and satisfactory answer. But no, our mode of doing things is different. We tell the mill-owners of Manchester 'We cannot, by taking off the duty, place you in a better position for making an experiment in coarse goods. But we will do what will, perhaps, please you better. We will heavily weight with duty your competitors in Bombay and make their position a great deal worse.' This is granting what is proverbially known among Hindus as the boon of Sita. When the great monkey hero of the Ramayana burnt down the city of Lunka, he happened to burn his own face, which became blackened. He then went to mother Sita and complained that he could not, with his blackened face, appear again among his fellow monkeys. She said, 'Be of good cheer, my son. I have, by my word, blackened the faces of your fellow monkey worse than yours, among which yours will not show to disadvantage.' This, according to Pouranik legend, is the origin of the black-faced monkeys so numerous in India. Now, it seems we are about to effectually burn the faces of the Indian millowners as a solatium offered in anticipation to Manchester men who may, hereafter, burn their fingers by making an experiment in coarse cotton goods.

"In regard to the second item of change, therefore, my views are quite in accordance with those of the Finance Minister that goods of 20 counts and

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under, whether manufactured in India or imported by sea, should be assimilated in regard to payment of duty. But I differ from him in that I hold and maintain that we should cause this assimilation by exempting such cotton goods imported by sea and not by imposing excise upon Indian goods of similar quality.

“The third item of change I look upon with considerable dismay. The import-duty on cotton goods happens to have a past history which augers no good of its future. The duty was fixed at 10 per cent. *ad valorem* by Act VII of 1859. It continued at that rate till 1875 when, by Act XVI of 1875, it was reduced to $7\frac{1}{2}$ per cent. Then in 1882 it was abolished altogether by Act XI of that year. Of these two Acts, the one of 1875, which was passed during Lord Lytton's Viceroyalty, was ‘the beginning of the end,’ and the other Act, XI of 1882, passed during the administration of Lord Ripon, was ‘the end’ itself of the import customs-revenue. The repeal was made amidst a flourish of trumpets. Our finances were represented to be in a very prosperous condition and fully able to bear the sacrifice of about a million and-a-half of revenue. There was a great deal of tall talk about the import-duty pressing upon poor people and invocation of the principles of free trade. Disillusion came soon enough. The income-tax had to be re-imposed, the salt-tax considerably increased, and a petroleum-duty imposed; and yet the Government did not find it possible to make two ends meet. Deficit continued to be the normal condition of the finances of India until we re-imposed last year an import-duty of 5 per cent. upon cotton goods. Then, owing to a rise in exchange, we have before us the prospect of a small surplus at the end of the year. Dost thou do wisely to throw away this surplus? is a question which the tax-paying millions of India have a right to ask our Finance Minister. Nay more, they have a right to insist that no portion of our revenue shall be thrown away without necessity. The Finance Minister has no guarantee that the exchange will not go down during the next five years. He has not made out or stated any case of necessity for throwing away 30 per cent. of our import-revenue. Surrender of duty upon yarns, amounting to 20 lakhs, seems to be a sufficient sop for the time to Manchester. She will never accept as a payment in full anything that we may offer her now. She will take it merely as an instalment. Then it clearly behoves us to pay in instalments small and spread over a large number of years.”

The Hon'ble SIR JAMES WESTLAND said :—“I confess that I am hardly able to accept for the Government of India the position which the Hon'ble

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Member who represents Madras has described for us. He evidently thinks that we have deliberately entered upon a course of crime, that we are thoroughly conscience-stricken but are now desiring to repent at the last moment when we find that the crime will amount to what, I think, he called murder.

“The fact is that the questions which have been discussed in this Council, and the questions upon which the settlement of the cotton-duties hinges, have been for a long time under our anxious consideration. The matter has been discussed by us from all points of view, and I do not think any new fact has come out since the Bill was introduced which was not already before us, with one exception only. That exception is in the extraordinary line adopted at the public meeting in Bombay, and, following the Bombay meeting, in the numerous protests received from various parts of the Bombay Presidency. I confess I was not prepared for the allegation that the result of our measure will be to relieve the rich from taxation and to impose new taxation upon the poor; and I think I shall be able to show the Council before we have done that that is an utter travesty of the real state of things. I ought to mention to the Council that this morning we received four additional protests from the Bombay Presidency which arrived too late to be circulated; but it is probably right that the Council should know that these documents have arrived, because, of course, if this matter had been a little longer under consideration, it would have been the duty of the Government to lay these papers before the Council. I admit that the large number of these protests which we have received do great credit to the organization of the opposition in Bombay, but I would have been able to attach a greater value to their contents if the protesting associations had been able to see the question stated from both sides and had not so absolutely followed the extraordinary and, as I may call it, the false line of argument set forth at the Bombay public meeting. I hope that, when these Associations have before them the considerations which I shall bring forward before the Council to-day, they will see that there are two sides at least to the question of rich *versus* poor, and that the Government on that particular point has a great deal to say for itself; and I hope to commend the view of the Government rather than the view of the Bombay public meeting to the sense of this Legislative Council.

“A great deal has been made out of arguments based on the comparison of the total amounts of taxation as they stand at present, and as they will stand if the Bill passes into law. It is said that we are adding so much to the Indian portion of the duties, and reducing so much from the Manchester portion.

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"The use of percentages in a comparison of this kind is a very specious but a singularly fallacious argument; and I may be permitted to take an example from an operation which arises very frequently in the ordinary course of our business. We have a class of pensions which we call political pensions, because they arise out of the political relations of the Government of India, and we have frequently on the death of a pensioner to divide the pension among heirs. I will assume that we divide a pension of Rs. 40, so as to give one heir, A, Rs. 10, and another, B, Rs. 30, but it is afterwards brought to our notice that their claims are really equal, and we therefore alter the division to Rs. 20 and Rs. 20. What would we think of B putting in this argument?—

'You admit that you have no right to diminish the aggregate, and that you have no right to give to A more than you take away from me. But the fact is that though you have diminished my share by only 33 per cent. you have gone and increased A's by 100 per cent., which is obviously grossly unfair.'

"Is not the argument put forward in the present matter exactly of this nature? It is alleged that, though we have reduced the taxation on Manchester goods by 37 per cent., we have increased that on Indian goods by 300 per cent. The two figures are percentages of utterly different totals, and are therefore not capable of comparison; and the only answer we can give is that the real question is whether the result attained is or is not equality of incidence, and that, if the result is equality of incidence, it is beside the question to discuss comparisons arising out of the process by which that equality has been attained.

"And so also with reference to the corrections which the Bombay Mill-owners Association have made in the figures I presented in Council in introducing the Bills. I noted at the time that we were without proper statistics of this production, and my figures were really based, rightly or wrongly, on information which I obtained in Bombay eighteen months ago. The mill-owners have much improved their information since then, and, when they estimate that they will have to pay 18 lakhs instead of my estimate of 12, I can only say that I accept their figures for present purposes, but that they in no way affect the principle of the Bill. Let me take another illustration, for illustrations often explain matters better than arguments. I will suppose that I am introducing an income-tax of one per cent. I estimate it will produce 10 lakhs of rupees, and included in that estimate is a sum of Rs. 10,000 being the proceeds of the one per cent. tax on millowners' income

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which I reckon at 10 lakhs. The millowners come to me and say, 'Your estimates are too small,—our joint incomes come to 20 lakhs, and the tax you will get is not Rs. 10,000, but Rs. 20,000.' It seems to me that all I can say is, 'Gentlemen, I accept your correction on a matter which I admit you are better informed than I am : and I will correct my figures accordingly.' But supposing they were to go on to say, 'You reckoned upon getting only Rs. 10,000 from us, and therefore we claim that the tax upon our incomes should be one-half per cent. only, so as to produce that sum, and not one per cent.' I do not see how I could possibly admit the contention. I would have to point out that the question of the precise total of the result did not affect the principle of the tax, and that it was necessary to lay the tax upon them at the same rate as upon others, whether the result was a levy of Rs. 10,000 or Rs. 20,000.

"And so in the present case, the principle of the taxation is a levy of a $3\frac{1}{2}$ per cent. tax on woven goods; and for decision of the question of whether it falls equally or not it is quite irrelevant to compare merely the total amounts.

"But the whole of these comparisons and arguments are based on a radically unsound foundation. We discuss the question on false lines when we deal with it as a question how much Manchester mills will pay and how much Indian mills. The real payer in each case is eventually some person quite different from both. In fact it is quite unnecessary for revenue purposes to call in the Indian millowner at all. If we were to deal with Indian goods as we deal with Manchester ones, we would arrange that they should be on their manufacture delivered into store-houses under our control, just as goods arriving in ships are delivered into our customs-houses; and we should arrange that in one case, as in the other, the purchaser or the importer should receive them out of our control on producing his documents, and paying the duty. The Indian millowner would disappear from the whole system, and his purchaser would be, in the one case, as in the other, the real person charged with the tax. I am sure that such a system would be intolerable to millowners, and that they prefer being made the collectors of the tax to having their business so greatly interfered with as it would be under the supposed system : but I introduce the illustration as showing how impossible it is to admit, as really bearing upon the case, arguments that are founded upon a comparison of the total amounts levied respectively upon Manchester and upon Indian mill-goods. It is a question of equality of position and not a question of the total amounts involved in the alterations necessary for the attainment of that equality.

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“ The basis of the policy adopted by the Government in this matter is the fact of which they believe they have received sufficient evidence that in the competition between the different makes of cotton goods, whether imported or Indian-made, a difference of $3\frac{1}{2}$ per cent. on the burden of taxation is enough to divert the course of consumption from one class to another. It is of course not so much in the difference of price in the goods as sold in the bazars that these diversions of trade take place; it is the importers and the middlemen whose operations are chiefly affected and who keenly take advantage of any difference which taxation imports into their transactions. This influence is felt even in the minuter differences which arise among imported goods out of the differences of incidence in a tax which is not levied strictly *ad valorem*. The three Chambers of Calcutta, Bombay and Madras have all objected (Bombay less than the other two) to any system of valuation on imported goods which is not strictly an *ad valorem* one; and I had an interview with some of the importing merchants in Calcutta, in which they convinced me that a difference in incidence of tax as between two different makes, which amounted to one per cent. upon the value, was sufficient to place one of these makes at a disadvantage in the market, and to bring about an immediate tendency to alter the makes and the various marks in the direction of securing lightness of taxation. This was certainly the case in 1879, when, as has been often pointed out, the Lancashire trade changed its character to meet our fiscal system. I expressed the opinion last year, and it is no doubt true that a much more violent change is now required to obtain exemption from duty than was then necessary, but to obtain diminution of duty the changes required are not so great. I have accepted it as a fact that those petty variations I have referred to will be the necessary consequence of our varying in any respect from a system of *ad valorem* duties in respect of import goods, and I have persuaded the Select Committee on this ground to meet the views of the importers by adhering to *ad valorem* taxation.

“ Now, if in these petty variations this diversion of the lines of trade takes place, how much greater will be the effect of a difference of $3\frac{1}{2}$ per cent. between goods that are below and above a line of a particular count in yarn. As I stated when introducing the Bills, the Government of India, in the form of excise-duty which it introduced in December, 1894, altogether under-estimated this effect, and it has been obliged to retrace its steps because it has found that the exemption of low count goods has actually had the effect of promoting consumption of Indian goods at the cost of imported goods.

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"I desire in this connection to refer to two documents, both of which are dated before the introduction of the Bills, but which were only brought under my cognisance after their introduction. It will show that the Government are not altogether without evidence, or rather it will show that the evidence before the Government previous to the introduction of the Bills has in this matter been confirmed by further evidence received afterwards. I have a letter written by one of the import merchants in Calcutta, and placed in my hands with other papers by the Hon'ble Mr. Playfair, who has been the medium of communication throughout between me and the commercial classes interested in this question. This merchant writes :—

'As regards, however, practically the whole of what is technically called "grey goods," of which the bulk of the Lancashire imports consist, they are used by the same class of consumers as take the production of the Indian mills, and if they can, owing to their passing free of duty, obtain the latter on more favourable terms than the former, then unquestionably the tendency will be towards a decrease in the demand for those least favourably situated. As an object lesson is better than any amount of writing, will you allow me to lay before you two patterns of cloth in the accompanying parcel. That marked A represents a quality for which my firm has for many years had a very large sale, and B is a cutting from a cloth bearing the stamp of the Hindustan Spinning and Weaving Company, Limited, Bombay, upon which duty is not payable. Since the re-imposition of the duties we have had a steadily decreasing demand for our cloths of such quality, and moreover the prices we have been obliged to take have left a loss on the cost of manufacture. Both these cloths are used for the purpose of covering the nakedness of the labourers in the field, and there cannot be a doubt that if a 5 per cent. duty is put upon the one, while the other is left untouched, protection is given to the latter.'

"I beg Mr. Playfair's pardon. I find now that I obtained this letter from the Board of Revenue, and that it is not one of the papers which he gave me.

"The other document, which I only received last night, comes from Manchester. It says, after referring to the argument which the Manchester merchants put forward in which they asserted that the relief of goods under 20s were sure to re-act in the form of restricting the demand for goods over 20s,—

'On Tuesday I had a very remarkable confirmation of my opinion in the shape of two pieces manufactured by one of the Petit group of mills at Bombay from 20s yarns, which have totally supplanted an English-made cloth, the yarns being 28s in the twist (the "reed" threads) and 32s in the weft (the "pick" threads).

'These Indian-made cloths were sent to a certain firm' (I omit names) 'of Manchester by their Karachi house, and along with a piece of the cloth they have supplanted.

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'The remarkable feature of this case is the wide difference in the yarns and "reed" and "pick" of the substituted and supplanted cloths. That 20s should be substituted for 22s or 24s and 12 or 13 threads per quarter inch for 14 or 15 we were quite prepared for, but that substitution should at once have gone so far we did not expect.

'It only proves, what we have always asserted, that every cloth competes with every other cloth, and that the buyer takes that one which, at a price, best suits his requirements.'

"These are two pieces of further evidence received since the Bill was introduced and confirm the view the Government of India have taken in this matter, and on which it has based its policy, that there is no permanent solution of the difficulty in any system which will leave a dividing line at any point and tax the cloth which is above that line and exempt from the tax the cloth which is below it.

"Moreover, the Government of India could not fail to be struck by the circumstance that, though this view was put forward in the letter in which it asked for the opinions of the Chambers of Commerce as one of the points requiring consideration, the fact was not called in question in any of the replies it received. Even the reply of the Millowners' Association of Bombay, able and exhaustive as it was in other respects, did not take up this point, and after I called their attention expressly to the matter, their contention in the document which they have addressed to the Council, under dated 29th January, is not that this alleged effect or tendency does not exist, but that if it does exist it is not a 'direct' competition within the meaning of the declaration which Her Majesty's Government made through me in 1894. It occurs, they urge, in the region of consumption in which the competition is indirect, and therefore ought to be left out of account. Even one of the gentlemen who has been loudest in his denunciation of the Government of India and all its works makes the strange admission that he has actually observed the very transference of trade to which allusion has been made. Presiding at a meeting of the millowners of Calcutta on Monday last, he said (I have verified the quotation from two newspapers):—

'By the exemption of all yarns from taxation, the new Bill will encourage the importation of finer yarns to the detriment of the cotton mill industry in this country, as only the coarser counts of yarn can be spun from Indian cotton.'

"In other words, he declares that Manchester is kept out of a market that would be open to it if there were no taxation at all; and he holds that, if the Government does not continue to tax yarns above 20 and exempt those below, he will lose the protection which the present system gives him.

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"Moreover, it cannot escape observation that in Bombay, where the opposition to the present measures has at least been most public, not a single voice has been raised in contradiction of the claim which Manchester put forward, and the admission of which, as I explained in introducing the Bills, rendered it necessary for us to extend the line of taxation below twenties,—the claim, I mean, 'that the exemption of the coarser goods creates a difference in price between the coarser and the finer, which tends to divert the course of consumption from the finer to the coarser.' The resolutions which we received from the public meeting in Bombay and which have been printed and circulated as papers to the Bill abandoned this branch of the contention altogether, and took up entirely different lines, with which I shall afterwards deal.

"I must hold therefore that the fact that we have to this extent placed Manchester competition at a disadvantage must be taken as proved; and it becomes necessary for us to seek a remedy for this state of things. I am quite aware of the evil things that are said of us for taking into consideration any claims of Manchester. My own position in this matter is to my own mind perfectly clear. It is useless to talk as if India were an independent Government, in the same sense, as, say, the Government of the United States of America. The Government of such a country can afford to neglect all interests but those of its own subjects; and in fact it is bound to do so, and to regard the interests of other countries only so far as they re-act upon its own. It need not care what injury (if any) its fiscal or commercial legislation causes to other countries; such injury is not its concern, except (as I say) in so far as it may re-act upon itself. But that is not our position: India is one of the members of a big Empire, the portions of which are bound together by innumerable ties, and it is out of the question that we should intentionally administer its affairs so as to cause injury to a great British industry. If injustice were proposed to an Indian one, it would be the duty of us, as representing Indian interests, to fight against that injustice to the utmost; but even then, the final verdict would not rest with us. But the pretension that it is in any way either our duty, or even consistent with our duty, to shut our eyes to interests that lie outside the geographical limits of India, and to refuse to consider them, is one which is utterly unsustainable, and which, notwithstanding the sorrowful solicitations of the Hon'ble Member for Madras, I do not for a moment accept as defining my line of conduct. I know it gives grand opportunities for public orators, and for people like the writer of one of the letters that have been circulated with the Bill (Paper No. 7) to issue to us

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high-falutin exhortations to act up to our responsibilities and frustrate machinations invented in the interest of English party politicians. My views as to my responsibilities differ from theirs—a difference which not unfrequently exists between those who have to exercise responsibilities and those who have not. But I would ask them, looking at the matter merely from the point of view of self-interest, whether they consider it better that the legislation on the subject should be undertaken here, by persons who have at least a full knowledge of the Indian side of the case, or that, by our refusal to give even a just consideration to the Manchester side of the case, the matter should be entirely taken out of our hands, and made the subject of orders or of legislation by a higher authority than the Government of India. I have myself little doubt that that would be the result of our deliberately electing to continue a system which as a matter of fact places Manchester at an admitted disadvantage, and which so far as I see everybody stoutly denies that he desires to have that effect.

“I am well aware that the Chambers of Commerce in this country have recommended a manner of dealing with this matter which has not been accepted by the Government; though their recommendation has not been quite so unanimous as some of the papers make out. I can only say they are more strictly bound than the Government of India is to give exclusive attention to Indian interests. The Government of India is, as I have explained, bound to give a wider consideration to the subject, and that is the reason why it has found itself unable in this matter to follow their advice. The argument that because we asked their advice we are bound to follow it, is a two-edged weapon which it is somewhat dangerous to use—I am referring to this as one of the public arguments which have been directed against our action—I say the argument is a two-edged one, for it would obviously equally apply to the consultations which have been publicly held through the Secretary of State with those who represent the Manchester side of the case.

“I come now to deal with the argument put forward first of all by the public meeting in Bombay, and afterwards reiterated by various members of this Council, that the effect of our legislation is to relieve from taxation the richer classes of India and put upon the poorer classes a burden which they are not at present liable to bear.

“It is clear that a statement of this sort is entirely without foundation unless we accept the theory that the cotton goods imported from Manchester are wholly consumed by a certain class called the richer class, and the goods

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manufactured in India are wholly consumed by another class called the poorer class. It is only upon a supposition of this kind that the diminution of taxation upon the former class of goods and the imposition of taxation upon the latter class can be called a transfer of taxation from the richer to the poorer class.

“A mere glance at the figures of the trade is enough to show that any theory of the kind is absolutely without foundation. We know that imported cotton goods come to a value of 30 crores of rupees, and it is out of the question to assume that the consumers of such a vast import are a class that can in any way be called a limited class. The mere statement of the figures is enough to show that they include at least a very considerable share of what may be called the vast mass of the population. I never heard the fact denied that Manchester goods were in general use, until it suited some persons to get up the cry of rich *versus* poor, and no one who sees how these goods are scattered over the length and breadth of the country can admit that their use or consumption is confined to a limited class.

“In the same way, take the mill-goods. A similar unfounded assumption has been made with regard to them. It is no doubt true that whatever cloths the poor classes use are coarse cloths of low count, but it is an utterly different thing to assert that the whole production of coarse count cloths is used by those poorer classes, and by them alone. The mills produce and sell in India, according to the figures last given me, over five crores in value of cloth, mostly of low counts; and again I say these figures are enough to show that their consumption is not confined to the poor classes, if we use that term as applying to those persons who, in any scheme, even of petty taxation, might claim, on account of their poverty, an exemption from the common burden.

“We have in India that very large middle class, which is often referred to as the vast mass of the population, and which contains at least three-quarters of it. This class contains the ordinary agriculturist of all grades, the village tradesman, the villagers in fact of all classes. In the urban population it includes the labourer, the petty tradesman, and those whose livelihood come under the generic specification of service. This large class is not wealthy in any sense in which that word can be used. Their standard of living may be a low standard according to Western notions; but they live in what is moderate comfort according to their own notions, passing frugal lives, fairly free from any anxiety about the future. But neither are they in any

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proper sense in a state of poverty. I entirely decline to accept Mr. Bhuskate's estimate that all who are not the direct recipients of the advantages of Western education are to be included under the designation of the 'poorest classes.'

"That I am well within the mark in putting down this large proportion of the population as outside the line of poverty I take to be proved from the following considerations arising out of the test which this country unfortunately sometimes applies in the shape of famine. The Famine Commissioners, who carefully went into the subject, estimated that during the worst famines the average number likely to require relief for the space of a year was 7 or 8 per cent. of the whole population affected, and the maximum number likely to be in receipt of relief in worst months was 15 per cent. I asked Mr. Ibbeston, our Secretary in the Revenue and Agricultural Department, how far subsequent experience had confirmed this estimate; his reply is that all experience teaches that the estimate of the Famine Commissioners is a full one; in short, that 85 per cent. of the population are well enough off to pass, without any relief from the State, through the worst of famines. Of course I know that these views differ from those urged by the people who like to descant upon the poverty of the Indian, chiefly because they think that the circumstance contains something of reproach to the administration. But then I am unfortunately dealing with facts and not with declamatory rhetoric; and therefore I deal with this huge middle class as what it really is, fairly well-off according to its own lights, its own traditions and its own standards.

"It is this large class which furnishes the bulk of the consumers both of Manchester and of Indian goods. If this were not so, that is, if we were to exclude from either class of goods the consumption of three-fourths of the population of India, it is impossible that either branch of trade could show anything approaching to its present figures. There is no doubt a fringe of wealthier people above the class I refer to who probably confine their consumption to the finer classes of goods that come from Manchester, and there is a fringe of poor people below, who have to be content with the coarsest and cheapest goods they can get; but the consumption of this last class is necessarily something very small and is probably the village-woven cloth which pays no tax at all. By far the bulk of the consumption in both cases is in the large middle class I have referred to. How they distribute the Manchester consumption and the Indian consumption is, I am afraid, what no one can

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precisely tell. There is no doubt that a very large number of individuals use both kinds. A villager does not use the same clothes when he goes to the hât for his weekly bazar or when he goes to the chief town for a holiday (as I have seen them do in crowds) as when he goes out to do his ploughing in the fields; and like ourselves he clothes his wife in garments of quite different kind from those he uses himself. There are abundance of reasons, and there are abundance of occasions for the possession by the same man of different varieties of raiment.

"I must hold therefore that there is absolutely no evidence on which to base the theory of the division of India and the Indian population into two great classes—the richer who use Manchester goods, and the poorer who use Indian goods. It is a pure imagination, and it is entirely opposed to the facts that we do know. By far the bulk of the consumption of both kinds of goods lies in the same classes of the population; and what the Government has done in readjusting the taxation so far as the consumers are concerned, is not that it has relieved one class at the expense of another, but that in having to deal in the main (that is, in all but a small part of the effect of its proposals) with a taxation contributed in a general way by a class that contains about three-fourths of the population of India, it has accompanied the extension of taxation to *all* the articles of their clothing instead of a part only, with a diminution in the rate of the tax so that the burden might be lighter on the whole. I think it is evident that this was a wise and proper thing to do, if we could afford to give up the revenue.

"Of course it is very natural that, when any question of giving up revenue arises, we should be assailed with claims of various kinds; that we should be told that other taxes have a preferable claim to remission over that of the cotton-duties. The reason why we selected the cotton-duties was simply this, that we know that the duties extend over a vast mass of the population and the way in which the remission of duties could best benefit the population as a whole was when applied in the form of a reduction of the cotton-duties. This was the more pressed upon us for the reason that one of the results of the proposals which we are at present laying before the Legislature would otherwise be to increase the amount of taxation which we expect this large population to pay to us. As for the argument that we ought to take the opportunity of remitting the income-tax, I would be very glad to see it done if we were rich enough to do it; but at the same time it is very obvious that the remission of income-tax and the maintenance of the cotton-duties

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would be, more than anything else, a remission of taxation on the rich and a continuance of taxation on the poor.

"I know no foundation for the theory that the classes who have to bear the tax are in any way unable to do so. It has always been urged that one great reason in support of duties on cotton goods was that we thereby obtained, even from the subjects of Native States, some small contribution in consideration of the benefits which these persons, though outside the sphere of our direct taxation, reaped from the protection enjoyed under British rule. It seems to me singularly inconsistent to say that, while it is legitimate and even desirable to obtain a revenue from these classes so far as they are dwellers in Native States, it is not proper to obtain similar revenue from the same classes in our own territories who enjoy a much more direct share in the benefits of the system to which they are asked to contribute.

"Indeed, I have heard it argued, and it has been argued to-day, that they are in some respects precisely the classes who ought to contribute to present necessities; inasmuch as the same fall in the rupee which has rendered it necessary for us to enlarge our revenue has been to them a source of advantage. To them it means higher prices for their agricultural produce and more active trade in carrying it away to the markets.

"Those who argue about oppressiveness of taxation and the inability of these classes to meet the demand, altogether forget, it seems to me, the figures with which they are dealing. The whole tax which we intend to obtain by cotton-duties is put down at 105 lakhs of rupees: the number of people who pay it—for nearly every soul in India wears cotton cloths—is something like 287 millions; and the result of these two figures is to show that the average contribution of each person to the tax is about seven pies, a little over half an anna. It is a tax which by the nature of its application is to some extent graduated according to the means of the payer, and we may safely say that the vast mass of the population to which I have referred will not be called on to pay on the average more than half an anna, and that the poorest classes—those who cannot afford to indulge in even such minor luxuries as a good *dhuti*—will not have to pay, even if they used taxed cloth, more than a quarter as much, or say one pie and-a-half. To talk of this as oppressive taxation is a misuse of words. The amount has been saved to these same persons over and over again in the cheapness which the improve-

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ment of communications has brought about in the supply of these same cotton goods. It may be a pity that in the nature of things we cannot maintain the fabric of civilized society without making the members of it contribute in some minute degree towards the cost. But, that necessity being accepted, the obligation upon us is limited to seeing that the demand we make is as small as is consistent with our necessities, and that we have striven to do, by reducing the total amount of it by some fifty lakhs. This reduced demand, I think I have shown, is as fairly assessed by the cotton-duties we propose as it is possible in India to assess any tax; and I must leave to the indignation orators of Bombay the task of reconciling their denunciation of a tax which, as I have shown, has in any case to be paid by the general mass of the population of India, with their denunciation of the Government for reducing it within as narrow limits of amount as possible. We don't impose taxes merely for amusement; we do it because we are obliged to do it by our financial necessities; and I confess that I think people must find it rather difficult to attack our proposals on the merits, when their attack practically come to this, that if our existing financial necessities do not warrant our maintaining a high rate of duty, why, then, we ought to find some other financial necessities which do. I repeat again what I said before, we have been obliged to alter the manner of incidence of a tax which is now paid and will in future—whether it be levied upon the principles we have adopted, or upon those which have been recommended to us by some of the bodies we have consulted in India—be paid by the general mass of the population, and we are doing what is wise and proper in not only preventing that change from involving an additional total demand, but in reducing that demand within the narrowest limits our financial exigencies warrant.

“The truth is that a great deal of the opposition which has been made in this respect arises from a notion that crops up over and over again in the arguments, that if we maintain the tax upon goods imported from Manchester, we in some way or other obtain the revenue, not from the pockets of our own subjects, but from the producers in Lancashire. Take away this false view, and realise the fact that the tax, whether levied on Manchester goods or on Indian ones, has to be paid by the consumer in this country, and the whole question at once becomes plain. It becomes absurd then to talk of a relief of $1\frac{1}{2}$ per cent. of taxation on Manchester goods, as a relief given to anybody but the consumers of the 30 crores of goods that come from there; and as these thirty crores of goods account for nearly three-quarters of the woven goods consumed in the country (including hand-woven), the consumers

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who have obtained this partial relief must be something approaching to three-quarters of the population of the country.

“ We are told by those who oppose our policy in this matter that we are altogether wrong in imagining that the financial position of India is such that we can afford to reduce our revenue by 50 lakhs. It is certainly a very unusual thing, when a Government proposes to remit 50 lakhs of taxation and say they are able to do so, for people who say they represent the taxpayers to insist that the Government is wrong, and that taxation should not be remitted. The contention of course really arises from that notion to which I have referred, that it is the producers in Manchester and not the consumers in India who are the real payers of the tax, and that the benefit will be to the former and not to the latter.

“ We are quite accustomed in this country to being told that we know nothing about our business; and that the commonest sense of our self-constituted critics would be sufficient to prevent us falling into patent blunders; but still I would think that, upon such a question as the real nature of our financial position, people would think they were treading upon dangerous ground in asserting that they are better informed than the Government itself. I hope, however, to convince the Council that in this matter at least the Government knows its business better than its critics.

“ The head and forefront of our offending is that we have proposed to give up revenue on the face of the ‘ notorious fact that the famine insurance fund is suspended ’; so says a resolution of the ‘ citizens of Bombay. ’ There is a document which is annually published by the Comptroller General and which will, as usual, be published in the first half of the present month. It contains the accounts of the year 1894-95, which we are obliged by Statute to lay before the two Houses of Parliament before the middle of May. The Comptroller General has sent me an early copy of that document, and on referring to these accounts I see that the famine insurance grant is in its old place, and in short the Government has, as a matter of fact, restored the famine insurance before it proposed to reduce its revenue. In short, the notorious fact which was stated as the forefront of our offending turns out not to be a fact at all.

“ I seem in some quarters to have been understood as depreciating the alleged competition of handloom industry on the ground of the small extent of that industry; but that was not at all my meaning. I am quite content, so

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far as the extent to which handloom weaving is carried on, to accept the estimates put in my hands by the mill-owners of Bombay, who allege that it is very considerable as compared with Indian mill industry, though no great fraction of the consumption of India as a whole. The exact figures which they give me would account for the consumption of woven goods in India as follows:—Indian mill-woven, 5 crores; Indian hand-woven (including that woven from imported and other yarns), about $2\frac{1}{2}$ times as much, say, 12 crores; Lancashire mill-woven, 24 crores; total 41 crores.

“What I pointed out was that the conditions under which the handloom industry was carried on were such as to remove it from commercial competition with the other woven goods. I call it commercial competition when two sets of goods enter the channels of consumption alongside of each other, and contest the entrance against each other. That is the way in which Manchester mills and Indian mills compete; the prices at which the two can be sold are determined by the cost of production, by rate of wages and various other elements; the two classes of goods are laid down alongside of each other, and in the wholesale market the consumer or rather the man who purchases for sale to the consumer is attracted to the one or to the other according to their relative cheapness. An advantage of cheapness gained by one kind over the other enables the cheaper kind immediately, to that extent, to oust some of the dearer. Heavier taxation on the one than on the other, therefore, immediately affects the amount of each that will pass into consumption.

“But the village industry is on an entirely different footing; it has no such standard as cost of production; it is for the most part the product of the byetime of the person who weaves it, and even where there are villages of regular weavers it is not an organized industry entering the market in bulk. The weaver brings his wares in small quantities to small markets, and he gets for them what he can get. Whatever he can get above the cost price of the raw material is gain, for his time he reckons as of no value; if he cannot get 4 annas he will take $3\frac{3}{4}$, and if he cannot get that he will take $3\frac{1}{2}$. He has no cost of production which establishes for him a minimum value such that if the price he realizes goes below it he must discontinue his manufacture altogether. The amount he weaves will not be determined by the prices he receives; it will not increase if he remains untaxed, and it will not diminish even if we were to place a heavy tax upon him. His trade is on a retail basis, and all the effect of taxation or non-taxation is wiped out before the trade reaches that level. The additional price that the mill-owner may have to put on his goods

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may enable the village weaver to realize slightly more than he would otherwise do, for there is no other standard by which the price of his wares can be regulated than that they must be just such as to give him a footing alongside the Manchester or Indian goods; but, as his chief reason for weaving is that his fathers and grandfathers were weavers before him, the advantage of price will not bring more of his goods into the market and will not diminish the area of consumption available to the power-loom.

"The Cawnpore millowners writing of the handloom industry in the North-Western Provinces say—

'Hand-loom weaving is mostly carried out in village homes free from all Factory Act restrictions; and since any amount, however small, that can be earned by a family in its own home is better than no wage at all, the difference in the price of the two cloths is a little less than the cost of weaving the mill-cloth.'

"Meaning, as I understand it, that the price of the hand-woven cloth is adjusted so as to be a little less than that of the mill-woven.

"I have seen an account to precisely the same effect given by a merchant of Calcutta, who, though he is interested in both Lancashire mills and in Indian mills and in the Indian import trade, holds that the handloom industry cannot, for the reasons stated, be regarded as a commercial competitor. As a matter of economic cost of production, the advantage of the power-loom must be many times $3\frac{1}{2}$ per cent.; and if it were not for this fact just stated, that the weaver plying a hereditary calling will go on weaving and taking what he can get, he would have been ousted long ago, as he has practically been in England.

"The Cawnpore Chamber of Commerce have urged the fact that two mills in the North-Western Provinces have within the last three or four years had to give up their weaving business as proof of the competition of handloom industry; but the real facts I interpret differently. Bombay mill goods and Manchester mill goods sell freely at all the commercial centres in the North-West, and it is their inability to compete with these that has prevented the establishment, on any considerable scale, of power-loom weaving in these provinces. In short, the products of mill-weaving find ample sale in the marts, but Cawnpore is at a disadvantage both with Bombay and with Manchester in producing them. There is no want of a market for mill-woven goods; only Bombay and Manchester have ousted Cawnpore from it.

"I do not therefore believe that the limited advantage which handloom weavers obtain in getting these yarns untaxed from the mills will have any

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real effect in restricting the mill production of woven goods. The hand-loom industry can be taxed, as I explained in introducing these Bills, only by taxing the yarns, which means levying the tax through the millowners. In fact, I put it to the deputation which came over from Bombay, that if they preferred we might consider extending the tax to yarns, and then it would be enough to take 3 per cent. all round instead of $3\frac{1}{2}$. Of course, in the case of a proposal of this kind, sprung in the course of conversation upon a deputation who had no authority to discuss it, I do not take the replies of the gentlemen concerned as expressing matured opinions; but I thought, for myself, that it was easy to see that the millowners of Bombay were not likely to consider the competition of hand-loom weavers of sufficient importance to warrant their undertaking the burden of the collection of the duty with which it would be necessary to weight it. It would have involved, as I make out the figures, adding $17\frac{1}{2}$ lakhs of rupees to the amount of excise levied upon Indian mill manufactures; and the discussions that have taken place since the Bills were introduced clearly shew, as I take it, that the Government were wise in abstaining from adding this amount to the excise levied upon Indian industry, although it necessarily involved a similar abstention from taxation on imported yarns. The policy of exempting yarns has been both a lightening of the burden to India, and a considerable diminution of the liabilities we have to impose upon Indian millowners; for taking the mill industry as a whole, they produce twice as much yarn as cloth. If we reckon only by the amounts consumed in India, and therefore coming within the purview of taxation, the amount of yarn produced exceeds that of cloth. We may gather, from the criticisms that have been passed upon us during the past week, the denunciations that would have been levelled at us if we had added taxation on all yarns produced in India to the taxation included in the present measure.

“I have been referring to the deputations which came from Bombay and Cawnpore to confer with me on the subject of these Bills; and before I leave the subject of these deputations I may say at once that they have been of the greatest assistance to myself and the Select Committee in collecting facts, and in adapting some of the detailed provisions of the Bill, though they have not moved the Government from the principle upon which it has deemed itself obliged to base its legislation. I desire, however, to remove a wrong impression that seems to have got abroad that they were at once stopped from any discussion of that principle. Indeed, when Mr. Marshall sent his telegram to Bombay saying that I had informed him that certain matters were ‘not open to discussion,’ he could not have meant that discussion was prohibited,

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for, as a matter of fact, the discussion of matters relating to the principle occupied no inconsiderable portion of the two hours and forty minutes our conversation lasted; and the deputation had afterwards a further opportunity of stating their views on the matter before the Select Committee. What I did was to point out my own inability as a member of the Government to deal with the principle of the Bill as a question that was still open, or to go beyond explaining as far as I could the grounds upon which it was based, and receiving and communicating to my colleagues any objections or proposals they might have to make. I pointed out, as I think it was my business to do, that the establishment at count 20 or any other count of a dividing line between taxation and non-taxation would certainly not meet the occasion out of which the Bill arose, and that we might as well leave the matter altogether untouched as introduce a system of that kind, which left the whole question in dispute still open. In saying this I was, it seems to me, stating only what was a matter of fact, and was in that sense not 'open to discussion.' I also advised them that the real place of formal discussion on the principle of the Bill was now the Legislative Council, and asked them to draw up their case in writing for circulation to the members of that Council, and this, as the Council is aware, they did. I do not think the members themselves consider that they were prevented from stating their case, though they may be disappointed that the Government has not seen its way to departing from its decision as to the inadmissibility, for any practical purpose of settlement, of a line of division at any particular count.

"These are the observations which I have to offer both on the question of the principle on which we have based our Bill, and in reply to the criticisms which have been directed against us. I thought it necessary to answer questions which come from outside the Council, because it is impossible to pass them over, or leave them out of consideration after the papers have been circulated to the Council. It is with reference to that necessity and to our wish to give full consideration to the matters laid before us by the various bodies that I have referred to these matters in directing my remarks to the Council. I have, I think, shown that the Government have given very careful consideration to this measure, first of all carefully weighing the principle on which they have based it, and afterwards striving sufficiently to meet the claims of Manchester, while doing ample justice to the claims also of the Indian mills."

HIS HONOUR THE LIEUTENANT-GOVERNOR said:—"It is an extremely difficult position to have to follow in debate such a speech as we have listened

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to, especially in the case of one who like myself entered this room with considerable doubts as to the equity and wisdom of this measure. It would have been well, I think, had the forms of the Council permitted it, if Sir James Westland had given us this speech at the commencement of the debate when he presented the Report of the Select Committee. I should then have had the assistance of the criticisms of the commercial members and others who are more familiar with this subject than I am myself. I must confess that, listening with all my ears, I have not been able to follow clearly and completely the very rapidly read paper with which the Financial Member has favoured us. I do, however, see that he has been able to meet some of the objections that were brought forward to this measure. I think he has, to a large extent, met the objections arising from the allegation that there is a transfer of taxation from the well-to-do classes to the poorer classes. No doubt what he has said will be submitted to criticism hereafter, and the case in favour of the Bill may not in the end prove to be so strong as he has made it appear; but as well as I can judge I think he has to a large extent met that particular objection. He has not, however, dealt with what to my mind is one of the principal objections to the measure, that is, the protection and favouritism shown to one special item of our import tariff, while there are undoubtedly many other items in that tariff which have equal claims to consideration. As a free trader myself I shall rejoice to see the day when we revert to free trade altogether, but so long as our finances require us to realise duties of this kind I can see no particular reason why cotton should be more favoured than (say) woollen or other goods in the tariff. There is an inequity which comes out very clearly in the proposal to reduce the duties on cotton goods to $1\frac{1}{2}$ per cent. less than the ordinary tariff rate. I am not, moreover, altogether convinced that either he, or the other Members who have to a certain extent taken his view, have fully realised the effect of the retention in the Bill of the exemption of hand-woven goods. That is a point which presses very much upon my mind and regarding which I shall have to say something by and bye, but as to the general form of the thing and treatment of the Bill I must say now that I certainly understood, when this measure was introduced a fortnight ago, that the only principle to which the Government was pledged was the principle of removing from our fiscal system not only all protection but all appearance of protection, and I thought it was quite open to the Select Committee to consider fairly and frankly the objections that were raised to the particular scheme of the Government and to put forward any better scheme which would have secured the main object in view.

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“Judging from their report, however, the Select Committee appear to have felt themselves precluded from considering any scheme save that which lay within the four corners of the Bill; but I cannot see myself why it should not have been open to the Select Committee to have taken some such line as this. ‘Lancashire says, that there shall be no protection. We agree, and we will tax everything alike, imported yarn, imported cloths, country-made yarn and country-made cloths’—mill-woven of course I mean, for no one has ever dreamt of taxing the domestic spindle; and then they might have gone on to say ‘We shall not of course require the Indian mill-weaver to pay his duty twice over, but he shall be entitled to set off against the duty on his cloth what has been actually paid on the yarns.’ I would have met the difficulty with regard to the Indian dyes, to which the Hon’ble Member referred in introducing the Bill, by saying ‘Very good, here we are prepared to make a sacrifice and we will admit dyed goods at grey or white values.’ It appears to me that it was possible to devise some scheme which would entirely have done away with protection, or the very appearance of it, without raising or retaining all the inherent difficulties which appear to me still to cling to this measure. I entirely concur with Sir Griffith Evans in all he has said about its being our duty to sympathise with and support the Government in its efforts to hold the scales evenly between Manchester and Indian interests, and I think the Government has honestly tried to do its duty; but I do regret that the Select Committee, with all the opportunities that they had of consulting gentlemen interested in the trade, were not allowed to consider whether some better scheme than that contained in the Bills might not have been devised.

“Now, as regards this question of the hand-loom trade, opinions, as the Council see, differ very considerably. I confess that I agree with those who hold that the protection will have a very serious effect upon both the Indian and import interests. It robs the measure, in my opinion, of all hope of finality. It is, I fear, the little ‘pitted speck’ in the ‘garnered fruit’ of our cotton-duties which rotting inward bids fair to ‘moulder all.’ I differ from those who speak of the indigenous weaving industry of India as a moribund industry. I would rather describe it as in a state of suspended animation. Nor do I think the description given us just now by the Hon’ble Sir James Westland of the condition of the weaver generally is altogether correct. The weaver does not stand so much alone as some suppose. There is no doubt that he is a very depressed member of the community at present, but he has behind him the Marwari, the native piece-goods dealer, and I have myself seen scores, nay hundreds, of villages in which the weaving classes are kept

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from utter extinction simply by the action of the local Marwari, who finds it to his interest to keep them under his hand. He gives them advances, little as an ordinary rule, just enough to keep them alive, but he is prepared to increase these advances whenever it suits his book; and I happen to know that there is a very real intention on the part of some big dealers here in Calcutta to act in this way and take advantage of that protection which is given to hand-loom by the present Bill. I cannot help thinking that both the mills of India and of Lancashire will feel that competition very severely, and if that is the case then I agree with Sir Griffith Evans that it is extremely unlikely that there will be any finality attaching to this measure. I have had very little time to go into the matter, but I have had the statistics of a typical weaving district in the neighbourhood of Calcutta examined. I find it is a mistake to suppose that the hand-weavers use only the coarser counts. My information is that they use very largely the very finest counts, and that they use these counts in a very large proportion, up to in fact one-third of their total yarns, and the cloth turned out by them is better liked by large classes of consumers than any imported or well-sized goods, and, so long as the prices can be kept down to the level of mill-woven goods or near it, the outturn of the hand-loom weaver will be in demand. Taking the statistics of the district to which I have referred—of course I only put them forward by way of illustration—I cannot build a whole theory upon a few figures which I take out at random—I find that the exemption of coarse cottons in 1878-79 had no effect whatever upon the trade of the district. The amount of twist and yarn imported from Calcutta and the value of hand-made goods exported from the district remained practically stationary. But when the cotton-duties were altogether taken off in 1882 the quantity of yarn taken fell from 60,000 maunds in 1881-82 to 21,000 maunds in 1890-91, and the value of hand-made goods exported fell from $7\frac{1}{2}$ lakhs to $1\frac{3}{4}$ lakhs, while the value of imports of European piece-goods rose year by year with the improvement of communications from 9 to 31 lakhs of rupees last year. In its best year the district exported, before the repeal of the duties took effect, nearly 12 lakhs of rupees worth of hand-made goods and took exactly that same amount of imported European goods; but in 1890-91 the hand-made industry had, as I say, fallen to $1\frac{3}{4}$ lakhs. Now, these figures seem to me to shew just this, that the hand-loom cannot compete with the mills on equal terms, but that they can compete when the mill goods are saddled with an excise. It may be said that the local Administration ought to view with satisfaction anything that can be done to stimulate an industry so depressed as the hand-loom industry. The salvation of the proletariat of India no doubt lies in the development of

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mechanical industries; but we must look to the conditions of our own day; it is to the power-loom, the steam-engine and electricity that we must look for their salvation; and therefore I do not hail the revival of this hand-loom industry with any great fervour. We are told that the Finance Minister has the prospect of a surplus and that this must go to relieve the distress of Lancashire or to stifle its complaints. My Lord, no relief that we can give will meet the case of Lancashire, involved as it is in the throes of a struggle such as Mr. Stevens has described. It is futile to spend our surpluses in such a way. These Bills will not relieve Lancashire, and any flaw in them will, as has been urged, give an opening for fresh agitation and further disturbance of trade. Then, again, I must say, in spite of all the Hon'ble Sir James Westland has said that I do not myself feel satisfied that we ought to remit taxation at the present moment. The financial situation is in his hands, and in the womb of the future; we know nothing about it; but on general grounds I can see any number of objects to which surpluses, if available, might, in my opinion, be more usefully applied. One great matter that occurs to me is the reform of our currency. Surely it would be wise to accumulate surpluses with a view to securing that gold reserve which is the only thing that will save us from the bugbear of a constantly fluctuating exchange; and, even if there be nothing in that, I can point to Burma across the Bay, your fine new territory, which requires development in every way, with its calls for irrigation, railways, roads and works of every description. You have the port of Calcutta hampered with crushing dues which interfere most seriously with the development of trade. You might endeavour to strengthen generally the trade of India to meet that competition which is looming upon it from the islands of the East. Not only that, but, as was suggested by Sir Griffith Evans, you have, I fear, grinning at you from behind the door of the North-Western Provinces at present the actual spectre of famine. I should have been glad, therefore, as I have said, to have seen some scheme devised which, whilst avoiding any appearance of protection, would have applied our system of taxation to all counts and all goods, and I should have preferred much not to diminish revenue, or favour unduly one special branch of trade."

His Excellency THE PRESIDENT said :—"The same cause which has compelled me most unwilling to absent myself from earlier meetings of this Council prevents me from attempting any lengthy or reasoned arguments in favour of the Bills now before it. It is, however, the less necessary for me to do so, because I entirely agree in and adopt the defence of the policy of the Government which has been made by my Hon'ble Colleague in charge of the

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[*The President.*]

Finance Department in a manner which, while it was in no way deficient in vigour and mastery of detail, has been commended here, and will no doubt be recognised elsewhere, as showing a full measure of temper and moderation. I desire, however, more especially to express my entire concurrence in what he has said of the nature of our responsibilities as administering the affairs of this portion of the great Empire of the Queen-Empress. It is, of course, absurd to represent the Government of India and Her Majesty's Government as advocates of two hostile interests. Hon'ble Members may recollect a spirited passage in an eloquent speech of Sir Henry Fowler, in which he declared that every Member of the House of Commons was a Member for India. Is there to be no reciprocity in this matter? I am glad to say that I am not called upon to argue that question after the speech of the Hon'ble Sir Griffith Evans to-day. So far as we are concerned, who hold our commission from the Queen-Empress, we are bound, as the Hon'ble Finance Member has pointed out, to weigh carefully all the circumstances of the case where, as here, other interests as well as purely Indian interests are involved.

"Now, I should like to look for a moment at the history of this case. The Hon'ble Finance Member reminded you in his introductory speech that it extended over three years. None of us, I think, will wish to renew the discussions or even the memory of the discussions of 1894, and all I would say is that I cannot take the description of those discussions by the Hon'ble Sir Griffith Evans as completely exhaustive, because he omitted one result of that controversy which perhaps did not attract so much attention at the time, but which I always thought was of great importance; and that was the admission by Her Majesty's Government that the claim for the imposition of these cotton-duties must be measured by the financial necessities of India. Accordingly when, at the end of 1894, we presented an overwhelming case, so far as our necessities were concerned, the imposition of these duties was agreed to subject to the condition that they were not to be protective. I am not going to enter into any argument now as to the propriety or reasonableness of that condition. It is sufficient for my purpose to say that it was accepted by the Government of India, and that this Council endorsed our acceptance. The main debate in 1895 was concerned with the method by which we should carry out that condition. We, the Government of India, certainly thought then, and Council probably thought still more emphatically, that we had amply met our obligation; but in matters of this importance we are bound to be fair-minded, and it has been impossible for us to refuse to acknowledge that the arrangement which we thought sufficient last year has been inadequate to fulfil our obli-

[*The President.*]

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gation. It then became our duty to re-consider our arrangements. I regret that it was not in our power to act upon the suggestion which those interested in cotton goods in Bombay and Calcutta made to us; and I join with my Hon'ble Colleague in recognising the ability, liberality, and fairness of mind which are apparent in the papers in which they embodied their views. There were no doubt advantages to be gained from that proposal, and it was most carefully discussed and considered by us; but we came distinctly to the opinion—and nothing that has emerged since has weakened my conviction—that this particular remedy would fail in what the Hon'ble Mr. Playfair has most truly insisted upon as the all-important condition, namely, some reasonable chance of finality. It is impossible of course to give the Hon'ble Member the pledge he asks. If, as I have said, the imposition of these duties must be ruled by India's financial necessities, he would be a bold man who would undertake to prophesy the duration of those necessities; but we do put forward the present legislation in the hope and belief that it meets the obligation which we undertook when the duties were imposed, that obligation being that the mills in England and the mills in India should compete on equal terms. I have said the mills in England and the mills in India, because it has been attempted to put forward the hand-loom weaver, and I have been somewhat surprised to find this matter insisted upon so strongly in this Council. We have had some suggestions from His Honour the Lieutenant-Governor, based on the statistics of a limited area, which of course I cannot deal with on the spur of the moment; and we have had an ingenious and, if I may say so, an amusing attempt by the Hon'ble Sir Griffith Evans to reconcile his opinion of 1894 with the necessities of his argument to-day.

“The Hon'ble Finance Member and the Hon'ble Mr. Rees have, I think, shown how entirely different is the position of the hand-loom weaver as a competitor from that of one set of millowners competing with another. I cannot but think that the reasonable men in Lancashire (and I venture to say that there are reasonable men there) will be the first to acknowledge this fact. I say so with the more confidence, because I come from a district in Scotland which was the home of hand-loom weaving in the memory of men still living; but all that I can recollect is row upon row of houses, through the dusty windows of which one could see the looms still there, but silent and deserted as an asset of no value, to perish with the roof that covered them. It may be said that these weavers at home had no duty to assist them: no, but they also were not scattered over the vast Empire of India, but were able and knew how to bring their influence to bear on Parliamentary elections, and they had

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[*The President; Sir James Westland.*]

the Scottish 'dourness' (if I may use a Scotch word) that is not easily beaten; yet beaten they were absolutely out of the field, and I have a firm conviction that, if it ever comes to real competition between mills and hand-loom in India, I shall be able to agree with the Sir Griffith Evans of 1894 that it is not $3\frac{1}{2}$ or 5 per cent. that will save the latter.

"The Government must proceed with the legislation they have put before you, and must ask you to pass these Bills. We believe they will effect their purpose and restore to the great trade both in Lancashire and in India the feeling of security which at this moment it solely needs. I venture to hope that, if this most desirable end is attained, the somewhat excited feelings of to-day in certain circles will pass away, and it will at least be acknowledged, as the Hon'ble Sir Griffith Evans has most handsomely said, that the Government of India has had no other object in view but to deal with a most difficult question in the manner which in their judgment is most likely to be effectual."

The motion was put and agreed to.

The Hon'ble SIR JAMES WESTLAND moved that the Bill, as amended, be passed.

The motion was put and agreed to.

INDIAN TARIFF ACT, 1894, AMENDMENT BILL.

The Hon'ble SIR JAMES WESTLAND presented the Report, of the Select Committee on the Bill to amend the Indian Tariff Act, 1894. He said:—"The chief amendment that has been made I have already explained to the Council in connection with the Select Committee's Report upon the other Bill, namely, that of introducing a valuation *ad valorem* instead of a specific duty. Another alteration was the incorporation in the Bill of a notification of an alteration of tariff value (relating to rose-water) which was issued after the date of the introduction of the Bill by the Executive Government within its legal powers."

The Hon'ble SIR JAMES WESTLAND moved the President to suspend the Rules of Business to admit of the Report of the Select Committee being taken into consideration.

His Excellency THE PRESIDENT declared the Rules suspended.

The Hon'ble SIR JAMES WESTLAND moved that the Report of the Select Committee be taken into consideration.

[*Sir James Westland.*] [3RD FEBRUARY, 1896.]

The motion was put and agreed to.

The Hon'ble SIR JAMES WESTLAND moved that in article 62, after the word "descriptions" should be added the words "of hides or skins." He explained that this was to correct the Bill in the manner in which it was really passed by the Select Committee. The words were intended to express more clearly and in a manner free from doubt what the real intention of the article was, but they had apparently been overlooked in the reprinting.

The motion was put and agreed to.

The Hon'ble SIR JAMES WESTLAND moved that the Bill, as amended, be passed.

The motion was put and agreed to.

The Council adjourned to Thursday, the 6th February, 1896.

S. HARVEY JAMES,
Secretary to the Government of India,
Legislative Department.

CALCUTTA;
The 5th February, 1896. }

NOTE.—The Meeting fixed for Thursday, the 30th January, 1896, was subsequently postponed to Monday, the 3rd February, 1896.