

*Friday,
4th March, 1910*

ABSTRACT OF THE PROCEEDINGS
OF THE
Council of the Governor General of India,
LAW AND REGULATIONS

Vol. XLVIII

April 1909 - March 1910

ABSTRACT OF PROCEEDING
OF
THE COUNCIL OF THE GOVERNOR GENERAL OF INDIA

ASSEMBLED FOR THE PURPOSE OF MAKING

LAWS AND REGULATIONS,

April 1909 - March 1910

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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 to 1909 (24 & 25 Vict., c. 67, 55 & 56 Vict., c. 14, and 9 Edw. VII, c. 4).

The Council met at Government House on Friday, the 4th March 1910.

PRESENT:

His Excellency THE EARL OF MINTO, P.C., G.C.M.G., G.M.S.I., Viceroy and Governor General of India, *presiding*,

and 59 Members, of whom 53 were Additional Members.

OATH OF OFFICE.

The following Additional Member, before taking his seat, made the prescribed oath of his allegiance to the Crown:—

The Hon'ble Mr. B. Robertson.

ELECTRICITY BILL.

The Hon'ble MR. MILLER said:—"It will save time hereafter if, in presenting the Report of the Select Committee, I refer briefly to a few of the more important changes that have been made in the Bill as previously published. We have endeavoured to make the Bill as clear as is possible in the case of an exceedingly technical measure. Its consideration has thrown on the Members of the Committee a great deal of labour, and I should like to take this opportunity of acknowledging the assistance they have willingly given. The Committee, as well as the Government, are much indebted to the Electrical Adviser, Mr. Meares, for very valuable help at all stages of their deliberations; and the experience of the Hon'ble Mr. Kesteven, both in dealing with questions arising under the existing Act and as a member of the preliminary Committee of amendment, has enabled him to give most important advice and criticism.

"The first of the more important changes to which I will refer is in clause 7 where the Committee have altered the terms on which an undertaking is liable to purchase by a local authority on the expiration of a specified period. Under the existing Act the terms are ordinarily the same as in the case of a license

which has been revoked ; and it has been urged that these terms do not give sufficient encouragement to the development of enterprise. It has even been represented, both now and in 1903, that the purchase clause should be done away with altogether. It is true that under section 10 of the former Act, full power is given to vary the terms of purchase, and this power has, in some cases, been exercised, though it appears from the criticisms we have received that the effect of section 10 has not always been correctly understood. It has been assumed that this section gave power to Government to vary the terms of purchase after a license had been granted without any reference to the wishes of the licensee. This, however, was not its intention. It was inserted so as to allow of the substitution of different terms in any case in which those specified in section 7 were not sufficiently liberal or were otherwise unsuitable. The existing Act thus allows of the grant of more liberal terms by special arrangement, but it has seemed to us advisable to insert somewhat more liberal provisions than were ordinarily allowed under the old Act, in a definite and unmistakable form. We have, therefore, in section 7, extended the maximum period, after which an option to purchase first arises, from 42 to 50 years, and the subsequent recurring period from 10 to 20 years ; and we have, at the same time, provided for an arrangement by which an addition may be made to the purchase-money of a certain percentage on account of compulsory acquisition. There are, no doubt, cases for which some different, and more suitable, arrangement might be devised, and there may be undertakings of a class in which it is unnecessary to reserve any power of purchase to the local authority, such as large undertakings for supply in bulk. Such cases are fully provided for under the amended clause 10, the terms of which have been made as wide as is possible. But we think that the power of sanctioning such departures from the ordinary course contemplated by this Bill should be reserved, as in the existing Act, to the Governor General, and not left, as it was in the Bill as introduced, to the Local Government.

“ In clause 23 the Committee has made a change to which I refer only for the sake of explaining that no alteration in substance is intended. The section prevents licensees from showing any undue preference to their customers ; but it was thought necessary in the existing Act to add that rebates might be allowed, and certain methods were indicated by which rebates were to be calculated. In the Bill it was proposed to make this provision more comprehensive by allowing any such rebates as the Local Government might permit—a provision which has been adversely criticised. The Committee have struck out the reference to rebates altogether, as they think it unnecessary. The important matter is that a licensee shall not show any undue preference,

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[*Mr. Miller ; Mr. Harvey.*]

and the grant of rebates does not appear in itself to be contrary to the principle of the clause, or to require any specific authorization.

“ Part III of the Bill has been considerably altered, and clause 28 as it now stands—clause 29 of the Bill as introduced—has been transferred to it from Part II. Part II now deals with licenses, and Part III with the supply and use of electricity by non-licensees. The Council will understand that there are many cases in which it would be entirely unnecessary to insist on all the formalities of a license. There are many cases in which no license is required, but where the transmitter of energy requires some of the powers of a licensee. The owner of one country house, for example, who had put in an electric installation, might be prepared to supply a neighbouring house or houses, or a factory might wish to supply the offices and dwellings of its employés. There is no prohibition against this by itself in the Act. It may be, however, that in the process of supply a road or a street has to be crossed, and there is no authority at present for the grant of power to make such crossings. In practice, I understand that permission to make them is given: that is to say, the authorities intimate that they have no objection, and the person transmitting the electricity proceeds to make his arrangements, but the legal position is not secure. To meet such cases we have, first of all, provided by clause 28 that the Local Government may give permission to persons without licenses to supply electricity in certain cases. In doing this we have been careful to safeguard the interests of the local authority and of existing licensees, and have placed on the Local Government the responsibility of determining that the case is one in which it is unnecessary to insist on the formalities of a license.

“ Then, by clause 29, we have provided for the grant of the powers that may be necessary, both in these cases and in cases that might occur of the class contemplated by section 31 of the existing Act, under which notice has to be given to the Commissioner of Police, or District Magistrate, of intention to transmit electricity in a street.

“ The only other change to which I will refer on this occasion is the repealing clause No. 58. We have made it quite clear that the new measure does not affect the terms of any license granted under the existing Act. ”

INDIAN MUSEUM BILL.

The Hon'ble MR. HARVEY presented the Report of the Select Committee on the Bill to consolidate and amend the law relating to the Indian Museum.

[*Sir Harvey Adamson ; Sir Guy Fleetwood Wilson ;* [4TH MARCH 1910.]
the President ; Mr. Subba Rao.]

CENTRAL PROVINCES COURTS (AMENDMENT) BILL,

The Hon'ble SIR HARVEY ADAMSON presented the Report of the Select Committee on the Bill to amend the Central Provinces Courts Act, 1904.

INDIAN STAMP (AMENDMENT) BILL.

The Hon'ble SIR GUY FLEETWOOD WILSON presented the Report of the Select Committee on the Bill further to amend the Indian Stamp Act, 1899, and moved His Excellency 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 GUY FLEETWOOD WILSON moved that the Report of the Select Committee be taken into consideration.

The Hon'ble MR. N. SUBBA RAO said :—" My Lord, I may venture to say that the various aspects of the Bill have not received sufficient attention. In fact, the public have not had sufficient time to submit their representations. Even the Report of the Select Committee is just now placed on the table. The Committee has made numerous alterations in the Bill. I must say that we are much handicapped in dealing with the Report to-day. I plead, therefore, that the consideration of the Bill may be deferred, if possible, for a few days,

" As the Bill stands, my Lord, it presses unequally on those carrying on same trade in its different branches. Under section 3 of the Bill as introduced, those who are engaged in the sale of Government securities and in exchange contracts would ordinarily have to pay not less than 20 per cent. of what they earn by way of brokerage; whereas those who negotiate in shares would be liable to pay only from half to one per cent. of what they get. The incidence in the two classes of cases was abnormally disproportionate. When we take the duty on the counterpart into consideration, those dealing in Government securities and bills of exchange would have had to pay much more than 20 per cent.—so much as 40 per cent.—on transactions below Rs. 8,000 and between 20 to 40 per cent. on transactions up to Rs. 88,000.

" Under the Bill as amended by the Select Committee, bills of exchange are placed on a separate footing chargeable with a fixed duty of two annas, whereas Government securities and shares are charged with an *ad valorem* duty at one anna for every Rs. 10,000 or part thereof. But the inequality still remains

[4TH MARCH 1910.]

[Mr. Subba Rao.]

though not in such a glaring manner. Thus on a bill of exchange for Rs. 10,000, the brokerage earned is Rs. 6-4 at one anna per hundred and the duty is 2 annas, *i.e.*, 2 per cent. of what is earned. In the case of Government paper of the value of Rs. 10,000, the brokerage is the same, but the duty is one anna, *i.e.*, one per cent., half of what is levied on a bill of exchange for the same amount. Now, with regard to shares which are classed with Government securities, the brokerage varies :—

On shares of the face value of Rs. 10 at Rs. 0 4 0 per share.

Do. of Rs. 100 at Rs. 1 0 0 „

Do. of Rs. 500 at Rs. 2 8 0 „

Now, if 100 shares of Rs. 10 each, *i.e.*, of Rs. 1,000, are sold, the brokerage is

Rs. 25, the stamp one anna, and the percentage $\frac{1}{400}$

if 100 shares of Rs. 100 each, *i.e.*, Rs. 10,000, the brokerage is Rs. 100, the stamp one anna and the percentage $\frac{1}{1,000}$;

if 100 shares of Rs. 500 each, *i.e.*, Rs. 50,000, the brokerage is Rs. 250, stamp 5 annas, and the percentage $\frac{1}{800}$.

“ Thus it will be observed that those who deal in shares are placed in a more advantageous position than those dealing in Government paper and bills of exchange. This is irrespective of any duty on the bought note.

“ I find that in some of the representations made to this Council from Bombay and Calcutta it is assumed that duty has to be paid on both bought and sold contracts. It appears to me that the intention of the Bill is to impose only one duty on a single transaction, and not two duties, and any doubt on the subject ought to be cleared up. If the bought contract were held to be a counterpart or duplicate of the sold contract under article 25, the maximum duty on the counterpart or duplicate would be one rupee. This is in addition to the maximum of Rs. 10 on the original contract, presumably the sold contract.

“ Side by side with these contracts, there are others of a similar kind with respect to jute, gunnies, petroleum, coal, produce, etc., in which brokers earn a commission ordinarily of one per cent., though in some cases their commission goes up to $2\frac{1}{2}$ per cent. Yet in all these transactions there was no stamp-duty provided for in the original Bill. To show how immense is the business carried on, I may mention that jute worth about 15 crores of rupees is sold

[*Mr. Subba Rao ; Mr. Armstrong.*] [4TH MARCH 1910.]

every year, in which a commission is earned of about 15 lakhs of rupees at 1 per cent. The value of gunnies produced by mills is about 18 crores, and at $\frac{3}{4}$ per cent. the brokerage is about 13 lakhs and a half. Similarly, in petroleum, produce, coal, the transactions are carried on in crores of rupees and the brokerage earned is by lakhs. In all these cases the commission received is generally one per cent., whereas in the case of Government securities and bills of exchange covered by the original Bill, the brokerage is only one anna per hundred, *i.e.*, one-sixteenth of the former. I am glad that an attempt has been made by the Select Committee to include these in the revised Bill. I have ventured to draw the attention of the Hon'ble Finance Member to some aspects of the Bill, and request that the consideration of the Bill be deferred for a few days, to adjust the inequalities of taxation therein. I take this opportunity of thanking the Hon'ble Member in charge of the Bill for the readiness with which he gave attention to the suggestions I placed before him."

The Hon'ble MR. ARMSTRONG said :—" My Lord, I am very glad to hear of the concession which the Finance Minister has decided to make. It will be very welcome, and so far as I can see at a hurried glance will go far to meet the objections that have been made. I am very sorry however that nothing has been done as regards the stamp-duty on bills of exchange. I would like to ask the Finance Minister if he is aware that the new scale is far in excess of the stamp-duty which is now levied in Great Britain. I hold in my hand a paper which was given to me by one of the leading Banks in Bombay in which values are stated from Rs. 75 up to Rs. 25,000, and in some cases the new duty is just three times as much as the stamp-duty now leviable in Great Britain, in many other cases it is very nearly half, and in all cases it is very far in excess. For instance, on a bill of exchange for Rs. 2,600 the stamp-duty in Great Britain would be Rs. 1-8 ; in India it is now to be Rs. 4-8 : on Rs. 3,000 in England it is Rs. 1-8 ; in India it is to be Rs. 4-8 : on Rs. 4,500 and Rs. 5,000 in England it is Rs. 2-4 ; in India it is to be Rs. 4-8 : again on Rs. 15,000 it is Rs. 7-8 at home and Rs. 13-8 in India : and on Rs. 25,000 it is Rs. 12-12 in England and Rs. 22-8 in this country.

" Well, my Lord, in my protest on behalf of European commercial firms and banking houses, by whom these duties are mainly paid, I am also supported by the Madras Chamber of Commerce, who consider the new scale an exorbitant one. I hope some concession may be made and that a revision of the schedule may be considered advisable to bring it more into line with the duties now levied in Great Britain."

[4TH MARCH 1910.] [Mr. Graham ; Mr. Meston.]

The Hon'ble MR. GRAHAM said :—"My Lord, when this Bill was first introduced, there was a very strong opposition on the part of the Calcutta commercial community as well as that of the rest of India against two of its provisions. I am very thankful to the Hon'ble Finance Member for the concessions which have been made, which, as far as I can see, go far to remove these objections. But on principle I think the commercial community must object to the very enhanced stamp-duties on bills and share transfers, and though perhaps to a certain extent these additional stamp-duties are necessary, yet I think they have been made out of proportion. I would, therefore, without going so far as to oppose the Bill, ask that if possible these may be reconsidered, whenever the next opportunity may occur."

The Hon'ble MR. MESTON said :—"As a member of the Select Committee which dealt with this Bill, I have the permission of the Member in charge of the Bill to offer a somewhat more detailed account than was possible in the Committee's Report of the changes that have been introduced into it since it was first placed before the Council, and incidentally I may perhaps be able to meet some of the objections which we have just listened to. The details of the amendments in the Bill are somewhat dull to the ordinary listener, and I will deal very briefly with them, but an appreciable amount of revenue is undoubtedly involved, and there are certain interests whose very life is concerned and to whom accordingly we owe special consideration.

"As was explained when the Bill was first brought before Council, the intention of Government is to obtain a certain amount of extra revenue from, on the one hand, bills of exchange and promissory notes, and on the other hand, the ordinary transactions of the stock exchange, *i.e.*, the issue and transfer of marketable securities. As regards bills of exchange and promissory notes, the additional taxation had not until this morning met with any opposition whatever, so far as we were aware. I have to frankly admit that, as the Hon'ble Mr. Armstrong has said, the duties on bills of exchange are somewhat higher than they are in England. This, however, is in keeping with the whole tenor of the stamp law in this country. The stamp-duties were certainly higher in India than in England, and all that we have done was to try and bring the rates into harmony with the general scale. The Committee, however, have slightly modified the rates which were originally proposed in the Bill so as to leave the smaller classes of transactions, *viz.*, transactions of the value of Rs. 600 and under, at the old rates. This is a special concession to petty *hundis* and other small transactions of that sort which cannot afford to pay very much more than they do at present.

“Coming to marketable securities the Committee have made no change in the duty proposed upon the transfer of shares or debentures, that is, upon the ordinary stock exchange transactions in ordinary securities, Government paper being excepted. The Committee have also accepted the proposals of the Bill in regard to the enhanced duty upon share warrants; but when they came to the duty upon the issue of debentures, they decided—and their decision rested on the most reasonable ground—to draw a distinction between debentures payable to bearer and debentures which are transferable by endorsement or by separate deed. Debentures payable to bearer, that is transferable by delivery, are put, as the Bill proposed, on exactly the same footing as loans issued by local authorities. They will both pay in future the same duty, which may be roughly described as one per cent. on the face value of the security. This payment will, in the one case by law, in the other case by mercantile practice, exempt the security from the payment of any transfer duty when it changes hands. But debentures which are not bearer bonds and which accordingly require separate deeds of transfer and the payment of separate stamp-duty on each occasion that they are bought or sold, have a claim for more considerate treatment. The Committee have accordingly decided to leave them at the same rates of duty as they pay at present, that is to say, roughly $\frac{1}{2}$ per cent. on their face value. The present law in England is that debentures transferable by delivery pay one per cent., and that is the rate to which we now wish to raise our taxation in India. Marketable securities which are not transferable by delivery pay in England, as they will now do here, a favoured rate.

“I turn now to the particular transaction which I referred to at some length in introducing the Bill—the transfer of securities between parties who have no intention of becoming permanent holders and who treat the securities as articles of currency or as material of credit or as matter for pure speculation. It is the practice, in the Calcutta market at least, for very heavy transactions of this character to pass without any formal transfer deed at all. What is known as a blank transfer is drawn up. It is signed and generally stamped by the first *bona fide* seller; but after that it may be the vehicle for dozens of transfers without paying any further duty. When, after changing hands over and over again, the security covered by the blank transfer finally finds a resting place in the hands of the permanent investor, the transfer deed is completed; but for all the intermediate transactions the Government revenues have received nothing. It has always been recognised that the arrangement is unfair to the general public, and the question of insisting upon regular transfer deeds has frequently been discussed. On the

[4TH MARCH 1910.]

[*Mr. Meston.*]

present occasion, however, there was no intention of attempting any such radical reform. All that Government desired was to secure some revenue from operations which may reasonably be asked to pay a contribution to the Exchequer. It was decided accordingly to be satisfied with a moderate impost upon the contract notes which change hands when a transfer of this description is carried through. The new rates which it was proposed originally to apply to contract notes were made the subject of general representations from the Chambers of Commerce and the chief commercial centres throughout India. We were told that the new duty would fall very heavily on the actual business of the market, would hamper the free circulation of securities, and would incidentally affect certain sections of the market interests much more heavily than others. The Committee gave those representations their most careful consideration and have advised the Council to reduce the rate originally proposed and to make a distinction, which the present law does not draw, between transactions in shares and similar securities on the one hand and bills of exchange on the other. What the Committee advise is that on agreements for the sale of Government securities or on shares the duty should be taken at one anna for every 10,000 rupees of value, but that for bills of exchange the duty should be fixed at double the existing rates, that is, at a fixed amount of two annas irrespective of the amount of the bill. It is understood that the latter transactions are based upon a very narrow margin of profit or brokerage, that under the custom of the market it would be impossible for the broker to transfer the duty to his clients, and that the high graduated scale of taxation would probably have the effect of killing out an useful and honourable business.

“ One further amendment has been introduced by the Select Committee, as a corollary to the increased duty upon contract notes. Some doubt has been expressed by those who are most competent to judge as to whether certain transactions would be regarded in the eyes of the law as agreements under article 5 of the stamp schedule or as memoranda under article 43 of the same. In order to prevent misapprehension as well as the possibility of an evasion of duty the Committee propose to tax memoranda under article 43 in exactly the same manner as those under article 5. The effect of this will be that brokers' notes relating to stock or marketable security will pay one anna for every 10,000 rupees of value. Article 43, however, covers brokers' notes for the purchase or sale of goods, and it is proposed to exempt them from the graduated scale and to make them subject, as in the case of bills of exchange transactions, to a fixed duty of two annas without reference to the value of the goods.

[*Mr. Meston ; Sir Guy Fleetwood Wilson ; the President ; Babu Bhupendra Nath Basu.*] [4TH MARCH 1910.]

“One more point. Questions have been asked as to whether the new rates of duty are already in force. This I need hardly say is not the case. They do not come into force until this Bill is passed by the Council and receives Your Excellency's assent.

“My friend the Hon'ble Mr. Subba Rao has had the courtesy to give us private notice of certain amendments which he proposes to move. I trust that the explanations which I have now given and the alterations which have now been made in the Bill will probably meet most of his objections. I believe the Council will readily accept the view that the Bill has been materially improved since they last saw it and that the careful attention which the Select Committee have bestowed upon it will make it readily acceptable to the general public.”

The motion was put and agreed to.

The Hon'ble SIR GUY FLEETWOOD WILSON moved that the Bill, as amended, be passed.

The motion was put and agreed to.

COURT-FEES (AMENDMENT) BILL.

The Hon'ble SIR GUY FLEETWOOD WILSON presented the Report of the Select Committee on the Bill further to amend the Court-fees Act, 1870, and moved His Excellency 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 motion was put and agreed to.

The Hon'ble BABU BHUPENDRA NATH BASU moved that at the end of clause 2, sub-clause (i), of the Bill, the following be inserted, namely:—

“Provided further that when the amount or value of the property exceeds Rs. 10,000 or Rs. 50,000, duty shall be calculated at the rates mentioned above only on the amount or value in excess of Rs. 10,000 or Rs. 50,000, as the case may be.”

[4TH MARCH 1910.] [*Babu Bhupendra Nath Basu ; Mr. Meston ;
Sir Guy Fleetwood Wilson.*]

He said :—“ My Lord, under the Bill, as presented to this Council, the duty is at the old rate of 2 per cent. up to Rs. 10,000, and then at the rate of $2\frac{1}{2}$ per cent. from Rs. 10,000 to Rs. 50,000, and at the rate of 3 per cent. on all sums from Rs. 50,000 upwards. What my amendment proposes is this, and I take a concrete case to illustrate what I mean. Take an estate valued at Rs. 11,000. In this case, under the Bill as proposed, the duty will be at the rate of $2\frac{1}{2}$ per cent. upon the whole Rs. 11,000. What I say is, following the precedent of the income-tax, that it should be 2 per cent. up to Rs. 10,000 and from above Rs. 10,000 it ought to be $2\frac{1}{2}$ per cent., otherwise there will be a great difference in the incidence of taxation between estates valued at Rs. 11,000 and over. Similarly in the case of estates valued at Rs. 50,000 and over, my amendment, Sir, proposes that up to Rs. 50,000 the assessment should be at the rate of $2\frac{1}{2}$ per cent., and above Rs. 50,000 it should be at the rate of 3 per cent., so that the relief sought to be given may be felt by all estates which are in excess of the sums of Rs. 10,000 and Rs. 50,000 respectively.”

The Hon'ble MR. MESTON :—“ My Lord, I cannot advise the Government to accept the Hon'ble Member's amendment. The analogy which he indicates with the income-tax hardly seems appropriate. The income-tax deals with annual revenue ; we are now dealing with capital which passes hands on the decease of the late holder. Furthermore, the analogy, if an analogy is to be sought, lies with the probate-duties which were in force in England prior to Sir William Harcourt's death and estate duties were imposed ; and the practice in England was to take the $2\frac{1}{2}$ per cent. and 3 per cent. on the total value of the estates. I see no reason why the Government of India should be content with anything less, and I should be very much surprised if the Government of India agreed to give up the revenues which the Hon'ble Member wishes us to sacrifice.”

The Hon'ble SIR GUY FLEETWOOD WILSON :—“ I am afraid it is not possible for me to accept that amendment.”

The motion was put and negatived. •

The Hon'ble BABU BHUPENDRA NATH BASU moved that after clause 2 of the Bill the following be added, namely :—

“ 3. Nothing in this Act shall apply to any probate, letters of administration or certificate in respect of which the fee payable under the law for the time being in force has been paid prior to the commencement of this Act, but which have not been issued.”

[*Babu Bhupendra Nath Basu ; Mr. Dadabhoy ; Sir Guy Fleetwood Wilson.*] [4TH MARCH 1901.]

He said :— “ This amendment relates to a separate state of circumstances altogether. Under the practice in our Courts, and under the Court-fees Act, the duty on probate or letters of administration has got to be paid at the time that the application is made. When the application is made under the provisions of the Court-fees Act, an affidavit of value has got to be annexed to the application and the probate-duty has to be paid into Court and a certificate has to be filed granted by the executive officer of the Court that probate-duty has been paid. After these preliminaries have been observed and the application has been made, there is often times a great deal of delay, either owing to contest, or the natural delays that are inherent in our Law Courts in the issue of probate or the grant of letters of administration ; and I am quite sure that at the present moment there are many estates in Bengal at least in respect of which the probate-duty has been paid, but where probate has not yet been issued. It would be hard in respect of these estates, that they should be called upon to pay the enhanced probate-duty. I believe, my Lord, that was not the intention of the Legislature, and to make the point clear I beg to move that this provision may be inserted so that estates in respect to which the duty has been paid may not be subject to the enhanced duty.”

The Hon'ble MR. DADABHOY said :—“ I beg to support this amendment. I think the suggestion made by my Hon'ble friend is a most equitable one. All those estates in respect of which proceedings have already been initiated should not certainly be brought under the operation of the new Act. It might upset family arrangements ; it might upset family duties ; it might affect payment of debts ; and it might also disturb many other interests. It is only equitable that an Act of this kind should only affect interests that are to come into operation hereafter. I have very great pleasure, therefore, in supporting this amendment, and I trust Government will see their way to accept the suggestion which appeals to every one as a most equitable one.”

The Hon'ble SIR GUY FLEETWOOD WILSON said :—“ My Lord, I find myself at last in a more agreeable position in being able to meet my Hon'ble friend and to accept on behalf of the Government the amendment of the Hon'ble Babu Bhupendra Nath Basu.”

The motion was put and agreed to.

[4TH MARCH 1910.]

[Raja of Dighapatia.]

The Hon'ble RAJA PRAMADA NATH RAY OF DIGHAPATIA moved that in clause 2, sub-clause (z), of the Bill as amended, the words "but does not exceed fifty thousand rupees" and the entries—

“When such amount or value exceeds fifty thousand rupees.	Three per centum on such amount or value.”
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be omitted.

He said:—“My Lord, as a representative of the landowning interest in the Council, I feel it my bounden duty to point out to your Lordship that the proposed increase in the court-fees for purposes of probate and succession will prove a great hardship upon all classes of people who have to dispose of their properties by wills, particularly the landowning classes.

“An additional duty of one per centum in many cases will prevent people from making wills or testaments of any kind, and the absence or paucity of such documents, I venture to submit to your Lordship, will lead to litigations and divisions of estates into petty shares. This again will ultimately weaken the landholding interest in this country which, in my humble opinion, will be deplorable both from the standpoint of the landholders themselves and also of the Government to which their loyalty and attachment have been assets of some value. And when people find that it does not suit their interests to make out wills, the number of wills will fall off, and consequently lesser number of probates will be taken, with the result that the ultimate object of this measure will be frustrated to a certain extent.

“My Lord, speaking for myself, I would certainly like to see the richer classes taxed in preference to the poorer, but at the same time, my Lord, I submit that it must not be made too hard even for the rich to dispose of their properties, and prevent their children from being ruined by litigation. According to the Bill under discussion, a man, inheriting an estate which yields an income of say 5 lakhs, will have to pay 3 lakhs as probate-duty, *i.e.*, nearly three-fourths of his whole year's income. This amount has to be paid almost immediately after the death of the person whom he succeeds and whose *sradh* and other rites will also involve very heavy expenditure according to the Hindu custom. In many cases, my Lord, inheritors of estates will have to go to the money-lender and secure the amount for the probate-duty at a heavy rate of interest. As the duty stands at present, it has been found heavy enough, and to make it heavier still would, I submit, be very much prejudicial to the interests of all who have to dispose of their properties by wills, no matter

[*Raja of Dighapatia ; Maharajadhiraja Bahadur of [4TH MARCH 1910.]
Burdwan ; Sir Guy Fleetwood Wilson ; Babu Bhupendra Nath Basu.*]

whether they are zamindars or not. At the same time, I am fully alive to the fact that the Government is in need of funds, and this has to be met somehow. I therefore would not oppose the Bill wholesale, but beg leave to appeal to your Lordship to limit the proposed additional duty to $2\frac{1}{2}$ per centum in all cases. That would meet with the ends of justice as well as the requirements of the Hon'ble the Finance Member."

The Hon'ble MAHARAJADHIRAJA BAHADUR OF BURDWAN said :—" My Lord, representing the zamindars of Bengal in this Council, I would be failing in my duty if I were not to support the amendment that has been proposed by the Hon'ble Raja Pramada Nath Ray of Dighapatia. I fully sympathize with the Finance Member in the difficulties that he is in, but I doubt if the Finance Member is aware that permanently settled estates, while they enjoy certain privileges, have also got certain distinct disadvantages ; also that families governed by the Hindu law of Dayabhaga would greatly suffer by this enhanced duty on probate. I, therefore, think that if it could be possible for the Finance Member to accept $2\frac{1}{2}$ per cent. as probate duty all round it would give great satisfaction to a great number of zamindars."

The Hon'ble SIR GUY FLEETWOOD WILSON said :—" My Lord, I confess to feeling considerable sympathy, from the personal standpoint, with the views which have been advanced with great moderation and great clearness by the Hon'ble the Raja of Dighapatia and the Maharaja of Burdwan, but I am sorry to say that I must approach all these amendments, or most of these amendments, which involve a surrender of revenue, not from the standpoint of my own personal feelings but from the more hard-hearted attitude of a Finance Member, and I find myself unable to surrender the revenue which this change would involve. I am afraid that I can only meet the request with a negative answer."

The Hon'ble BABU BHUPENDRA NATH BASU said :—" My Lord, there is one point in connection with this amendment which I think it my duty to bring to the notice of the Council. As is well known to the Law Member, and I hope also to the Finance Member, in India, except Bengal, the vast majority of the Hindu population is governed by the *Mitakshara*, where the property belongs to the family and not to the individual, and upon the death of any individual member of the family the property remains amongst the surviving members of the family, and there is no need to take out probate or letters of administration or succession certificate. I believe Hon'ble Members are aware that the difference between probate and letters of administration and the succession certificate is this, that the legislature has provided in the case of

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persons upon whom it is not incumbent to take out probate or letters of administration, that they may only in respect of debts which have got to be gathered, take out a certificate of succession in respect of those debts and pay duty upon those debts alone, leaving aside the bulk of the estate. For instance, if an estate is valued at four lakhs and three lakhs represent the real property belonging to the estate, and if one lakh represents monies to be collected, then duty has to be paid on that one lakh alone, and for that purpose the Succession Certificate Act provides the procedure. In the *Mitakshara*-governed population of India they have not even to take out a succession certificate. There the Courts have held that the property belonging to the family, the surviving members get the benefits of debts to be collected without taking out a succession certificate. So, in the result, the effect of this legislation will be that the Bengalis, Hindus and the Musalmans of India will only have to pay this duty. *Mitakshara* families all escape, the great trading communities of India in other provinces, the rich and prosperous bania communities, they will all escape, and in Bengal itself if a landed proprietor dies without making a will, or without leaving debts to be collected—and my experience is that amongst Bengal zamindars, they oftentimes die with debts to be paid rather than with debts to be collected, they will not have to pay. It is only in cases where Bengal zamindars have to make settlements for the benefit of their families, that the estate will have to pay any duty at all. If they do not leave behind any settlements, and in most cases they do not, no duty is leviable. The heir succeeds in Bengal to the father and gets his name enrolled in the register of the Collector without producing a probate or letters of administration, but upon merely satisfying the Collector that he is the heir. That being so, I apprehend that the duties leviable from this source will be very small compared to the inconvenience and compared to the unfairness of the incidence of taxation. I am far from denying that probably no better method of taxation could be devised than of levying a reasonable amount of duty upon the estate when it passes to successors of the man to whom it belonged. That is a proposition in economics which has been universally accepted, but if the effect of this legislation was that it would be general, that it could not be evaded and that the rich and prosperous communities of India were to pay it, I should be the first person to support it; but what I find is this, that oftentimes the debt-ridden zamindars of Bengal will have to pay it and the middle class men who already pay income-tax and other taxes, they will have to pay in Bengal, and only a very small number in other provinces where it would apply in the case of self-acquired property by a separate member of the joint Hindu family. The Finance Member has not given any data to show what is the revenue that he expects on this head, and in the absence of any data I think it would be hard

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to expect that we should vote blindly for a measure which would be productive of great hardship, and may be productive of very little good indeed."

The Hon'ble MR. MAZHARUL HAQUE : " My Lord, I had no intention whatever of taking part in this debate but for a reference to the Musalmans of India in the speech of my Hon'ble friend Babu Bhupendra Nath Basu.

" My Lord, when this Bill was first introduced in this Council by the Hon'ble the Finance Member, I myself had certain doubts about it, and I was inclined to believe at that time that perhaps these death duties would affect the Muhammadans of India much more than they would the Hindu community. However, since then, I have had time to think over the matter, and I have also had the advantage of consulting some of my Muhammadan friends, and I have changed my mind. I do not think that these duties will affect us in the same way as they would affect my Hindu brethren of Bengal ; so my Hon'ble friend the Finance Minister may have an easy kind, so far as the Muhammadans of India are concerned. They are not going to oppose these death duties.

" My Lord, what I find now is that when the aristocracy of wealth has been touched in its pocket, it is up in arms. Of course no body wants to be taxed, my Lord, but I think it is only right and proper that the shoulders which are able to bear the burden should be taxed. My Lord, I congratulate the Hon'ble the Finance Minister for having brought before your Lordship's Council such a popular budget. I say it is a popular budget, and, my Lord, I shall support this Bill."

The Hon'ble MR. SYED SHAMSUL HUDA said :—" I have a few observations to make and I think I must say that I support with great pleasure the amendment of my friend the Hon'ble Raja of Dighapatia.

" My Lord, the Muhammadan community whom I have the honour to represent will not suffer in this matter to the same extent as my Hindu friends, because in the first place, so far as probate is concerned, the power of a Muhammadan to make a testamentary disposition is extremely limited and hedged round by conditions which makes testamentary dispositions almost impossible. And I support the amendment because, as a matter of fact, practically this enhanced duty would fall on one class, and therefore on principle I am opposed to it. As regards probates, it is well known that a Muhammadan will need not be admitted to probate at all.

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"Then, my Lord, as regards letters of administration, people in this country are not bound to take out letters of administration, but I think it is very desirable that there should be encouragement rather than difficulties placed in the way of letters of administration being taken out. It may be said that, equitable or inequitable, the tax exists, but it seems to me that although it exists it need not be heavy. Not knowing to what extent the Hon'ble the Finance Member expects to benefit by this increased taxation, and having regard to the fact that the tax will fall heavily on one community and more in one province than in the other provinces, I feel bound to support the amendment that has been just moved."

The Hon'ble SIR GUY FLEETWOOD WILSON :—" My Lord, I merely wish to say that it appears to me that the speeches of the two Hon'ble Members are possibly valuable as dealing with first principles in law, but we are not proposing to amend the whole death duties and succession duties and I am afraid I cannot withdraw from the position I took up. I cannot accept the amendment."

The Council divided :—

Ayes—14.

The Hon'ble Pandit Madan Mohan Malaviya.
 The Hon'ble Maharajadhiraja of Burdwan.
 The Hon'ble Babu Bhupendra Nath Basu.
 The Hon'ble M. R. Ry. Nyapathy Subba Rao.
 The Hon'ble Raja Vairicherla Vairabhadra of Kurupam.
 The Hon'ble Mr. G. K. Gokhale.
 The Hon'ble Mr. M. B. Dadabhoy.
 The Hon'ble Mr. G. M. Chitnavis.
 The Hon'ble Maulvi Abdul Karim Ghuznavi.
 The Hon'ble Raja Pramada Nath Ray of Dighapatia.

Noes—44.

His Honour the Lieutenant-Governor.
 His Excellency the Commander-in-Chief.
 The Hon'ble Mr. J. O. Miller.
 The Hon'ble Sir Guy Fleetwood Wilson.
 The Hon'ble Mr. S. P. Sinha.
 The Hon'ble Sir Harvey Adamson.
 The Hon'ble Major-General R. I. Scallon.
 The Hon'ble Mr. R. W. Carlyle.
 The Hon'ble Mr. L. M. Jacob.
 The Hon'ble Mr. B. Robertson.
 The Hon'ble Mr. J. S. Meston.
 The Hon'ble Mr. J. B. Brunyate.
 The Hon'ble Sir H. A. Stuart.
 The Hon'ble Mr. S. H. Butler.

[*Sir Guy Fleetwood Wilson.*] [4TH MARCH 1910.]*Ayes—14.*

The Hon'ble Maulvi Syed Shamsul Huda.
 The Hon'ble Mr. Mahomed Ali Jinnah.
 The Hon'ble Mir Allah Bakhsh Khan.
 The Hon'ble Sir Vithaldas D. Thackersey.

Noes—44.

The Hon'ble Malik Umar Hyat Khan.
 The Hon'ble Zulfikar Ali Khan.
 The Hon'ble Mr. M. W. Fenton.
 The Hon'ble Mr. F. A. Slacke.
 The Hon'ble Mr. M. Mazharul Haque.
 The Hon'ble Mr. J. M. Holms.
 The Hon'ble Mr. C. H. Kesteven.
 The Hon'ble Mr. C. G. Todhunter.
 The Hon'ble Surgeon-General C. P. Lukis.
 The Hon'ble Mr. H. W. Orange.
 The Hon'ble Mr. J. M. Macpherson.
 The Hon'ble Mr. J. Andrew.
 The Hon'ble Nawab Saiyid Muhammad Sahib Bahadur.
 The Hon'ble Mr. H. O. Quin.
 The Hon'ble Mr. F. Rawson.
 The Hon'ble Kanwar Sit Ranbir Singh.
 The Hon'ble Mr. W. C. Madge.
 The Hon'ble Mr. C. W. N. Graham.
 The Hon'ble Mr. C. H. Armstrong.
 The Hon'ble Sir Sassoon David.
 The Hon'ble Mr. F. A. Th. Phillips.
 The Hon'ble Mr. F. C. Gates.
 The Hon'ble Maung Bah Too.
 The Hon'ble Mr. P. C. Lyon.
 The Hon'ble Mr. C. Stewart-Wilson.
 The Hon'ble Mr. F. E. Dempster.
 The Hon'ble Lieutenant-General Sir Douglas Haig.
 The Hon'ble Sir T. R. Wynne.
 The Hon'ble Mr. G. H. B. Kenrick.
 The Hon'ble Colonel F. B. Longe.

So the motion was negatived.

The Hon'ble SIR GUY FLEETWOOD WILSON moved that the Bill, as amended, be passed.

The motion was put and agreed to.

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INDIAN TARIFF (AMENDMENT) BILL.

The Hon'ble SIR GUY FLEETWOOD WILSON presented the Report of the Select Committee on the Bill further to amend the Indian Tariff Act, 1894, and moved His Excellency 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 GUY FLEETWOOD WILSON moved that the Report be taken into consideration.

The Hon'ble MR. GOKHALE said :—“ My Lord, before the Council proceeds to a consideration of the several amendments of which notice has been given, I would like to make a few observations on the general financial situation which in the opinion of the Hon'ble the Finance Minister has necessitated the imposition of fresh taxation. Hitherto fresh taxation has been associated in our minds with war or famine or a sudden increase in military charges or a falling exchange. This is the first time, so far as I am aware, when it is proposed to levy additional taxation in a normal year, free from any specially disturbing factors. The Finance Minister has told us that opium and East Bengal are responsible for the new burdens sought to be imposed upon the country. He expects the opium revenue for next year to fall short of the amount realised during the current year by £872,000 or about a crore and thirty lakhs, and he is called upon in addition to find an extra quarter of a million or thirty-eight lakhs to relieve the embarrassment of the Government of East Bengal and Assam. In the Finance Minister's opinion therefore the principal share of the responsibility for the present difficulty falls on opium. Now, my Lord, I think it is necessary to protest against this view. Even assuming that the estimate of opium revenue for next year is not an under estimate, we still find that the net receipts budgetted for under opium are $3\frac{1}{2}$ millions sterling which was precisely the amount of the net opium revenue realised in 1907-08, when there was no deficit and when the policy of gradually extinguishing the opium revenue in ten years was laid down. In announcing that policy, His Honour Sir Edward Baker, who was then Finance Minister, expressed himself as follows :—

‘ Twenty years ago or even less the prospect of losing a revenue of five and a half crores a year would have been a cause of very grave anxiety. Even now, if the whole or a great part of the revenue should be struck off at a blow, the dislocation of our

finances would be serious and might necessitate recourse to increase of taxation. But if, as we have a clear right to expect, the transition is effected with a due regard to our convenience and spread over a suitable term of years, the consequences may be faced if not with equanimity at least without apprehension."

" And again :—

' The point which I wish to emphasise at present is that there is no need for dependency and that if all goes well there is nothing worse to fear than the absorption for a few years of the means of affording further relief to the taxpayer and of incurring useful expenditure for the development of the country.'

" Sir Edward Baker was thus prepared three years ago to face the loss of a tenth part of the opium revenue of 1907-08 every year without having recourse to extra taxation if the circumstances of the country continued normal. And the Government should have been prepared today to part with three-tenths of three and a half millions, that is, about a million sterling. Instead however of the net opium revenue being only $2\frac{1}{2}$ millions sterling, the Hon'ble Member has actually budgetted for $3\frac{1}{2}$ millions for next year, and yet he throws on opium the main responsibility for his additional taxation ! No, my Lord, if fresh taxation has really become necessary, which I for one venture to doubt, we must look for an explanation deeper. It is true that Eastern Bengal is now to have 38 lakhs a year more from the Imperial Government, which means that the Partition of Bengal is now going to affect the whole country materially as it has already done politically. But as our normal growth of revenue is about a crore and twenty lakhs, as once estimated by Sir Edward Baker, it is clear that the increased allotment to Eastern Bengal and Assam need not by itself have led to extra taxation. To understand what has really brought about a deterioration in the financial position of the country, we must go back to the year 1907-08 and compare the figures of revenue and expenditure for that year with those in the budget proposals for next year. Taking both receipts and charges net, as given in statement E— and that is the best thing to do for purposes of a real comparison—I find that the total net receipts under major revenue heads for next year are estimated at 3 millions sterling more than for 1907-08—the opium receipts being the same for both years, namely, $3\frac{1}{2}$ millions, but land revenue being two millions more for next year and there being a total increase of another million under other heads. I also find that as against this increase of 3 millions there is a deterioration under railways of over a million, an increase of no less than 1.91 millions under net charges of civil departments, nearly half a million under military services, and over half a million under interest, telegraph, mint and other heads. To my mind therefore it is clear that the main responsibility for our present difficulties rests on the shoulders of the civil departments and

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the Railway Board. My Lord, I cannot help saying that an increase of nearly 2 millions sterling in the net charges of the civil departments in three years is a phenomenal increase and needs explanation. I will not say that I am much surprised, for during the last few years there was hardly ever a day when we did not hear of higher scales of pay being sanctioned for the superior officers of some civil department or other. The operations of the Railway Board too, which called forth a sharp remonstrance from His Honour the Lieutenant-Governor of Bengal last year, have had the inevitable effect of throwing on the resources of the Government a steadily increasing burden of working expenses. In addition to these two causes I am of opinion that the prevalence of high prices in the country is bound to affect the Exchequer adversely in two ways. First the Government, as the largest purchaser in the country, has to pay more for its purchases, and secondly the pressure of high prices on the resources of the people tends to diminish the revenue contributed by them to the Government under several heads. I think, my Lord, that all these questions need a careful investigation. I had hoped from the observations made by the Finance Minister in his Financial Statement last year that he would not turn to fresh taxation until at least a policy of severe retrenchment had been carried out in all departments. It appears however from the present Financial Statement that the Hon'ble Member has almost given up the unequal struggle. The forces that make for economy in this country are extremely weak while those that make for continuous increases in expenditure in different departments are enormously strong, and one of the greatest needs of the country is to devise measures which will effectively safeguard the interests of economy.

“ My Lord, the proposed enhancements of duty under the Tariff Bill are expected to bring in an extra million sterling or a crore and-a-half of rupees, half of which will be contributed by tobacco and liquors and the other half by silver and petroleum. Now I strongly hold that there is really no need for this extra taxation. In the first place, if the circumstances of the country continue normal, the estimates for the next year framed by the Hon'ble Member will be found to be too cautious. Under salt, for instance, I am confident that the increase will be considerably more than what has been budgetted for. Again those who are well acquainted with the conditions of the opium trade are clearly of opinion—my Hon'ble friend Sir Sassoon David is a recognised authority in regard to that trade and he strongly holds the view that in view of the special circumstances of the Chinese market the rate of Rs. 1,750 per chest of opium which has been taken for next year is much too low and that Rs. 2,000

a chest will be a safe estimate. Lastly, I wish to draw the attention of the Council to the fact that a sum of over three-fourths of a million sterling has been provided in the budget for the redemption of railway debt out of revenue. My Lord, I consider that this is an amazing thing to do, absolutely unjust to the tax-payers, when the Finance Minister comes forward with proposals for extra taxation on the ground that the money that will otherwise be raised will be insufficient for current purposes. Railway debt is productive debt. Even now, in spite of the fact that the Railway Board has pushed up working expenses in all directions, the railways are more than paying the interest on their capital, and there is absolutely no need—I think it is wholly unjustifiable—to devote a part of revenue to the reduction of productive debt. The three-fourths of a million, which represents the capital portion of railway annuities, should clearly come out of loan funds raised for the purpose and not out of current revenue which is needed for so many pressing current purposes. Even assuming that the Budget estimates are not framed too cautiously and that the whole of the money proposed to be raised by the contemplated enhancements of duty under the Tariff Bill is really required, the transfer of the amount provided for the redemption of railway capital from revenue to capital will enable the Government to dispense with the enhanced duties on silver and petroleum. My Lord, I have no objection to the proposed enhancement of tobacco and liquor duties if there must be extra taxation. In my opinion, however, spirits used in medicinal preparations should be exempted from duty. But I object most strongly to the proposed enhancements on silver and petroleum. The duty on petroleum will necessarily hit the poorest classes in the country. Burma oil may get some advantage under it, but I am afraid the price of even that oil will be raised, if not to the full extent of the new duty, at any rate by a large proportion of it. And as regards silver I hope even the Finance Minister now sees that a great mistake has been committed in proposing the enhancement. It is bound to add seriously to the great difficulties through which the mill industry is at this time passing. My Lord, the country had a right to expect that the Government would not show such disregard of the interests of its greatest industry after agriculture. The action of the Government while injuring Indian exporters of yarn will benefit Chinese producers and thereby bring sensibly nearer the day when India will lose her yarn market in China altogether. It has been claimed for the proposal of Government that it will appreciate the silver trinkets of the mass of poor people throughout the country. The poor people will probably have no opportunity of testing that till a famine comes when they might have to part with their trinkets. Meanwhile, in ordinary times they will find themselves adversely affected by the duty every day, as they will have now to pay a higher

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price for all fresh investments of their small savings in silver. My Lord, I strongly urge even at this last moment that the proposed enhancements of duty on petroleum and silver should be given up. If the Government insists on having the half million which they are expected to bring in, there are other ways far less objectionable of raising the amount. For instance, an enhanced import-duty on sugar will be greatly preferable to the enhanced duty on petroleum, and a small export-duty on jute, of which we have a monopoly in the world, with a countervailing excise in India, if necessary, will bring in more revenue than the proposed duty on silver and will have much to recommend it. My Lord, I advocate an export-duty on jute on two grounds. In the first place, it is partly for meeting the increased cost of administration in Eastern Bengal that the new taxation is proposed. It is therefore only fair that Bengal, who already pays less than other provinces owing to her permanent settlement, should find the money by a tax on one of her great staples. Secondly, it is not just that while the cotton industry of Bombay is already taxed, a further burden should again be laid on it, and the jute industry of Bengal should go altogether free. An export-duty on raw hides and skins which are being exported in enormous quantities may also bring in a considerable revenue, and the same may be said of seeds. Or if the Government prefer it, they may raise (and later lower) according to their needs the whole of the customs-duties taken together treating them in India as they treat the income-tax in England. I think, my Lord, that that would be preferable to selecting a few commodities like silver and petroleum for heavy enhancement."

The Hon'ble MR. MESTON said :—" My Lord, the speech of the Hon'ble Mr. Gokhale opens up a line of argument which was somewhat unexpected. It has not been usual in this Council to question the accuracy of the Government of India's financial estimates; and although that form of criticism is wholly within the competency of the Council, it is only natural that those who had some part in the preparation of the estimates should take the earliest opportunity of defending them. I have listened to Mr. Gokhale's description of our general financial position with respect, but entirely without conviction; and I would bespeak the patience of the Council while I deal with the suggestion that these Bills which we are being asked to consider today are a superfluous exercise of our legislative powers. "

" The gravamen of my Hon'ble friend's criticism is that we do not really want the extra taxation which this Bill provides; in fact, if I understand him rightly, we do not need any extra taxation at all. If we had showed more dash in estimating our revenues, if we used less of our revenue in relieving debt, if

we treated our expenditure with a larger pruning knife, we could probably scrape through the coming year without additional taxes in any form. There is a familiar sound about this ; and there is a familiar sound in much of the kindred criticism which we have heard outside upon the Budget proposals since they were published a week ago. We are told that last year's Budget was over-sanguine and that this year's Budget was over-cautious ; opium pulled us through last year ; and something or other is sure to pull us through this year. This sort of criticism is so frequent and so easy, and generally so irresponsible and generally so wise after the event, that I am afraid we have got into the habit of discounting a good deal of it. But there are several of our critics whose advice we all agree in putting on a very different footing ; and among those I need hardly say is our Hon'ble friend Mr. Gokhale. I therefore gladly accept the Hon'ble gentleman's challenge, and I shall endeavour to show the Council that the extra taxation which the Government proposes is fully justified by the needs of the year and by the ordinary canons of financial prudence.

“ During the coming year, the Hon'ble Finance Member has shown that our estimate of Imperial expenditure, according to the most careful calculations in our power, will be 50½ millions sterling. To meet this we estimate that our ordinary revenues would yield us only 49½ millions. We should thus have to fill up a deficit of close on a million ; but we must also in common prudence provide a working balance for the year. The Government of a great country cannot surely be expected to start upon a new year, with all its possibilities for surprise and emergencies, without the margin of safety which is afforded by a revenue surplus. In past years we have attempted to work to a surplus of one crore or thereabouts, and it is a grievous blow to the traditions of the Finance Department to have to budget for such a small and precarious surplus as we are taking for next year. The Council must take it as evidence of the Finance Member's aversion to increase the taxation by one superfluous rupee. They must not take it in any other sense. We thus have, my Lord, to provide roughly 170 lakhs of extra taxation in order to prevent a deficit and to give us a reasonable working balance.

“ It is hinted however that a deficit need not have befallen us if we had cut our scale of expenditure shorter. The Hon'ble gentleman has not pursued this suggestion into any detail, and I shall follow his example. We have in the Budget obviously to deal with the administration of the country as a going concern, and to find funds for it as it stands. Whether the administration is extravagant or otherwise, this is not the time for us to consider.

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The question is one which is never for a single day out of the thoughts of the Government. It is one which requires time and patience and breadth of outlook. But it is decidedly not a question which we can take up as an incident to the financial provisions of the year. I cannot imagine an edict for the retrenchment of expenditure to the extent of 170 lakhs without a dislocation of business, a waste of power and a sacrifice of efficiency which, I am sure, this Council would be the first to resent. We must therefore lay aside for some more convenient opportunity the discussion of any proposals for reducing the cost of Government.

“But, says the Hon’ble gentleman, we have under-estimated our revenue in several directions, notably in the case of opium. I have the highest respect for the Hon’ble gentleman’s financial acumen and for his many other gifts. But when he ascends the mountain of prophecy, he passes into regions in which I am not altogether disposed to follow him. I will come back to opium again; it requires special treatment. In regard to the other heads of revenue, I do not admit that the Hon’ble Member is right in advising us to raise our figures. We believe it quite possible that our railway returns will be higher than we have taken; but the demands for improvements and renewals are heavy and insistent, and we have taken a net figure which we believe is unlikely to be materially exceeded. In regard to salt, the large increase in consumption, which was stimulated by the recent reduction in duty, appears to be slackening off. In regard to excise, the rapid strides with which the revenue rose are getting shorter. What are the other heads of revenue under which the Hon’ble Member thinks that our estimates are unduly nervous? I confess that after two months’ close study of the figures, I cannot call them to mind. It is not however, as I quite understand, with minor or unimportant corrections that the Hon’ble gentleman is concerned. He paints his pictures in broader colours than that. He describes us as losing an opportunity for increasing our opium estimates by no smaller a sum than 90 lakhs. I rather marvel at his moderation. Why should he not take another Rs. 250 a chest for our opium sales, raise our revenue by 180 lakhs, and thus cover the whole deficit which we attempt to rectify? Why should he not take Rs. 3,000 a chest, and let us get rid of the salt-duty?”

“My Lord, the figure that we took for opium was not the result of a timorous or haphazard calculation. We have had many extraordinary fluctuations in the long history of our opium revenue; but never has the position been more difficult or the future more uncertain than it is today. Just look at the factors with which we have to reckon. We have the daring speculation of

a large and cosmopolitan market. We have the obscure, I may almost say the mysterious, movements of the great central Government of China. We have the varying and not always disinterested policy of its provincial magnates. Last of all we have the strange vagaries of human appetite and vice. It is quite easy to say that the Chinese will pay us 2,000 rupees a chest or even a higher figure for our dwindling supply of opium. But looking at all the factors which I have mentioned, is it reasonable to ask us to adopt a figure which is far in excess of anything that we have received for half a century until the last three months? It is quite probable that the market will continue high; but it is very far from certain: and is it right that we should stake the equilibrium of our budget and to that extent the credit of India on a single throw of the dice? I submit to the Council that our duty was to take a figure of studious moderation, and that is what we have done.

“ But there is another aspect to the matter. These high prices are only being paid in the belief that India will in time cease its supplies to the China market altogether. If that belief turns out to be justified, it is easy to see how sharp will be the fall from the revenue which we now receive from opium to that which will accrue to us when the China market is closed. It is surely not imprudent on the part of Government to discount that fall, just as any business firm would discount a disappearing trade, and to re-adjust our basis of revenue accordingly. If the receipts from opium in the near future should rise far beyond our expectations as the result of an artificial market, let us treat the excess as a windfall. That is virtually what we have done this year. It is what I hope the Government would be prepared to consider should similar conditions recur. I have no desire and no authority to commit the Government in this matter in any way; but if the market should happen to yield the extra 90 lakhs which the Hon'ble Mr. Gokhale hopes for, I trust that the money will not be spent in recurring expenditure which will only increase our difficulties hereafter, but will be in some way reserved for special purposes which we have been unable to provide for in the budget now before the Council.

“ Another criticism which has been directed at our estimate is one with which I need only deal very briefly. We are told that, in view of the general prosperity and the high credit of the country, we put away far too much of our revenue for capital expenditure. The Council is aware of what we do in that way. We give up our surplus, and we give part of our famine grant in accordance with an arrangement which has met with the approval of this Council for many years. We also pay off part of the purchase-money of certain State railways by terminable annuities which are wholly charged to the current revenues

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[*Mr. Meston.*]

of each year. It has been explained more than once why this arrangement exists. It represents in reality the operations of a sinking-fund—of a genuine and compulsory sinking-fund which an impecunious chancellor of the exchequer can never raid or suspend. As such, it is an element of strength in our position, a buttress to our national credit, which I am sure my Hon'ble friend would not wish us to remove or weaken. My Hon'ble friend shakes his head. All I can do then is to leave the subject as a standing difference between him and the Government of India. As a Parthian shot, perhaps I may remind him that these annuities are established by Acts of the British Parliament, and that it is entirely outside our power to alter them. When Mr. Gokhale is member for India in that august assembly, perhaps he will induce them to do tardy justice to his contention.

“I have not attempted to enter at any length into our financial position. After the exposition given by the Hon'ble Financial Member last Friday, very little remains to be said; and I should not have intervened in this stage of the debate had it not been that the whole justification for our taxation proposals was impugned. It was not without prolonged and anxious thought that these proposals were developed, and the Government are satisfied not only that the taxes are needed but that they will cause less hardship to the general body of tax-payers than any other combination of new taxes which has been suggested in its place. Whether the growth of our revenue will make us independent of these taxes, time will show, and I would ask for no hasty judgments. India lately has been in the same condition as you will often see on the Hooghly. The tide has just gone out. The small crafts on the river are swinging erratically and bumping at their moorings. At one moment a swirl of water seems to indicate that the tide is coming in; at the next moment there is a back-rush which shows that the ebb is not yet over. That is the state of India. It has been in a period of slack water. The tide of prosperity ebbed and left us in 1908: we are looking for return flow which may come any day, may even have begun now. Meanwhile with those who are responsible for India's finances, caution is the only safe rule of navigation. We may have been over-cautious. If we have, and the surplus is larger than we estimate, there is much to do with it. The large schemes of social reform, of educational advance, of industrial development, which are now on the anvil will demand money, and it is Government that will have to find that money. How could your new taxation be better employed if and when it ceases to be necessary for the needs of the immediate present? The Budget is a careful one, and I believe it is a good one. It has certainly

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not lowered the credit of India in the great markets of the world; for our securities are firm, and the first sale of Council Bills since the Budget was published resulted in the disposal of 1 crore, of which no less than 92 lakhs were Telegraphic Transfers at a high premium. A straw shows how the wind blows and this movement at this particular time of the year is some indication of the confidence felt by the London market in the control of our Indian finances."

The motion was put and agreed to.

The Hon'ble SIR SASSOON DAVID moved that sub-clause (ii) of clause 3 of the Bill, as amended by the Select Committee, and item No. 6 in Schedule III appended to the said Bill, be omitted. He said:—"My Lord, my objections to the enhanced duty on silver fall under two heads. In the first place, I very strongly object to the policy of levying duties on silver as if it were a question merely of revenue. The Government are no doubt aware that a heavy duty on silver has been strongly advocated in certain quarters as a part of a currency scheme. I do not express an opinion as to the efficacy or otherwise of the scheme at present. All that I wish to point out is that the proposal to levy a special duty on silver conveys to many minds the idea that Government are probably embarking on a new departure in currency matters. Whether this be so or not, the effect of such an impression cannot but be far-reaching, and I respectfully submit that if Government are inclined towards a policy of this kind the public are entitled to have a declaration of it in explicit terms instead of leaving it to be inferred from the proposal before us.

"In the second place, I object to the proposed enhancement of duty as inflicting a serious injury on India's trade with silver-using countries, notably our yarn trade with China. And I wish to state here that I associate myself entirely with the protest that has been addressed to Your Lordship's Government by the Bombay Mill-owners Association. My Lord, it is well known that the cotton mill industry is passing through a difficult crisis. At any time a proposal to force down the value of silver would be detrimental to the trade with China; at present, it is positively ruinous. The proposed duty has already had the effect of forcing down silver and lowering the rate of exchange with China. The selling price of the Indian yarn in China shall have to be raised with the result that eventually the China market will be almost entirely closed to us. My Lord, I beg Government and I beg the Council to bestow their serious attention on this aspect of the proposal. My Lord, there is a good deal

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[*Sir Sassoon David.*]

of sympathy expressed for the industrial development of the country. I most earnestly appeal to Your Lordship's Government not to handicap still further a growing industry which has conferred immense benefits on the country by levying the proposed enhanced duty.

• “ My Lord, the currency policy of Government has placed India in an extremely disadvantageous position in respect of our trade with the silver-using countries. But, at least, it could be said for it that, though injurious to the interests of one particular trade, it benefited many others? Can this be said of the proposed enhanced duty on silver? The cotton mills are injured, but neither any other industry nor the trade of India can derive the smallest advantage from it. If additional revenue has to be raised,—a point on which I venture to differ from the Hon'ble Finance Member,—there are several ways of doing it, without inflicting hardship on the most important of modern industries in India alone.

“ Have we got to raise this revenue expected from the enhanced silver duty? My Lord, for my own part I say most emphatically, No. I say from my experience of many years in the opium business that, in the present circumstances of the market in China, having regard to the intention of the Government for the eventual abolition of the export of this drug to China within a few years, the estimated price at Rs. 1,750 per chest for next year is too low and that Government is certain to get at least Rs. 2,000 per chest. At the latter rate, the deficit in the Budget will be considerably reduced. In proof of my statement I invite the Finance Member to put up the whole or half lot for the year to auction today and I am sure it will be taken up at a price of not less than Rs. 2,000. My Lord, the deficit which the proposed duties are intended to meet is founded on an under-estimate. I say with the utmost confidence that the opium revenue next year will be such as to provide for the larger part of the requirements of the Budget. If further provision is necessary, the enhanced duties on spirits and tobacco will be more than enough to assure a surplus. Under these circumstances, and for the reasons given above, I appeal to Your Excellency's Government and this Council to drop the proposal to levy the greatly increased duty on silver. Before concluding I wish to point out that the exemption of silver imported by Government from the general tariff duty results in loss to the general revenue, the whole of the profits of coinage being credited to the Gold Reserve. I venture to suggest that the duty on Government silver should be credited to the customs revenue in the same way as private imports.”

The Hon'ble MR. ARMSTRONG said:—"My Lord, I agree with a great deal of what has been said by Sir Sassoon David. He has explained at some length the position from the Bombay yarn manufacturing point of view, and I quite agree with him that Bombay has a grievance, in that by their action for revenue only Government have upset the silver market and silver exchanges and have made the trade of silver-using countries more difficult. Not only have they done this for Bombay but they have also upset the British trade with China and all countries using silver as a basis, and it is I think a great mistake, when action is taken for revenue only, that the trade should be upset in so many directions. The Hon'ble Financial Member has told us that this increased duty is only for revenue, and I accept his assurance with pleasure because there is a limit to all such taxation, and on silver this limit must surely now have been reached. If so—and if the assurance is worth anything—then the future at any rate is fairly safe. At the same time is not 16 per cent a very heavy duty on a precious metal and a medium of exchange? And after all where is the necessity for this additional taxation and for the very heavy increase now proposed on many other articles some of which will fall with very undue severity on the European population in India. What is our position at the present time? By limiting our exports to China for reasons into which I need not enter, we are steadily losing our revenue from opium, and as by acts of generosity in the past we have reduced our revenue from salt, by at any rate one-half, we are now feeling—and I am not at all surprised at it—the pinch of these two very important items.

"What the future of opium is to be no one can tell, but if we are to suffer a further serious loss in the future, is it not best to recognise it at once and go back to the salt-tax? I know this will not be accepted, but I say if we know we are going to lose this very large amount, is it not better to fall back on the salt-tax? I am quite aware of the answer that might be given to this contention, but will not the same arguments apply more or less to petroleum on which an additional tax is levied? I quite agree with the Hon'ble Mr. Gokhale that consumers of Burma oil are not likely to reap any particular benefit from this small measure of protection. I feel very certain that the additional profit that will be earned by the Burma Oil Company will go into the pockets of the shareholders. I am told on reliable authority that the large reduction of salt-duty has scarcely reached the consumer and that it never will reach him. If this is so, a small advance at the present time will perhaps not be felt. Even for a fractional advance the labour class of this country are far better off than they were ten or fifteen years ago. Their wages have risen very considerably all over the country and are likely to

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[*Mr. Armstrong.*]

keep up and food is coming down in price, and a small addition to salt will bring in a substantial sum and will not be felt. Would this not be better than taxing the savings of the people and giving a fictitious value to their purchases of silver. Hereafter would it not be better than many of the increases now proposed, which in many cases fall with undue severity on one class of people in India? The Europeans in India are quite willing to bear a fair share of taxation and help the Government. I remember very well about twenty years ago when Government were in difficulties over their financial statement owing to a rapid and continuous fall in exchange, the Europeans in India saw the necessity and they agreed as a temporary measure on an income-tax. I think it was very generous on their part, at the same time I may remind Council that this tax has ever since remained and become a permanent source of revenue. A scale of taxation might be suitable in England, but is not necessarily suitable in India, because the conditions of this country are so different.

“ Now from the point of view of our currency, the additional tax, I think, is also objectionable if the price of silver is depressed. The Finance Minister in future will be able to accumulate more quickly the limited sum of twenty-four million sterling which is now apparently considered a sufficient guarantee. We are told that this is all we need and aim for at present, but I doubt very much if twice this sum will be considered too much by very many people: in fact it rather seems to me that our gambling in rain has been so successful that we are now going to gamble in silver.

“ The position seems to be this. We are widening the difference between the gold value of the rupee and its actual value. We are taxing the savings of the people 16 per cent. and damaging the trade of the silver-using countries. Apparently we do not intend to accumulate a larger gold standard reserve than we had in use very long ago. The Financial Minister has told us that this additional duty is for revenue only, and it cannot therefore have been intended to check imports of silver. If however it is hoped that it may do this, I do not think it will. If there is a splendid harvest this year, I imagine that silver like all other imports will come freely into the country. Again I must say that I look upon the increased duty on silver as an unwise step and the duties imposed on other articles are so excessive as to drive consumers to cheaper and inferior articles and in many instances to kill trade altogether. A more moderate basis all round would be better.

“ Then, my Lord, I come particularly to the amendment which has been moved by Sir Sassoon David as regards sub-clause (ii) of clause 3 of the Bill, that

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it be omitted, and I must say that I hope this will be received sympathetically. The very stiff advance in the duty on silver came as a very great surprise. It was never expected that for revenue only Government would further enhance the duty on precious metal and a medium of exchange. And on many other articles besides silver the new duty will press heavily. I feel that in many cases a great injustice will be done if this policy is adhered to, especially the duty on the goods in bond. The trade that has been done is a legitimate business arranged for in good faith, and although I am well aware that in many cases the additional duty will be obtained from the consumer, a great change in this connection must disorganise business in many lines by driving consumers on to cheaper and inferior articles ; thereby leaving importers with excessive quantities of high class goods on hand. There are cases also where trade may be killed altogether, and this would be a great loss. Let us take, for instance, cheap imported cigarettes or cigarettes made in this country from imported tobacco. These should be treated leniently. This will presumably be the last lot on which duty will be paid. Country tobacco, imported spirits and other things are in somewhat similar position. And as the Finance Minister does not want a windfall for this year's revenue, they may perhaps be leniently treated. I feel sure that Government do not wish to do injustice to any one by insisting upon their pound of flesh in a year which shows a surplus. The coming year can take very good care of itself : trade is improving in so many directions. If the new rates had been moderate, nothing would probably have been said ; but they are so heavy as to be regarded in some quarters with very great apprehension and their full force without a moment's warning must of itself constitute a hardship on many items."

The Hon'ble SIR VITHALDAS D. THACKERSEY said :—" Your Lordship will permit me to explain to the Council how the duty on silver stands altogether on a different footing from other duties. It is much more than a duty levied upon a commodity. In the first place, silver is not only a commodity but it is the basis of currency in the Far East. Anything that affects the value of silver, therefore, affects the exchange between India and China. The duty thus affects the commercial relations between the two countries, and is, therefore, a more important matter than a tax on tobacco or alcohol. I cannot think that this aspect of the duty was sufficiently considered by Government when they resolved on this proposal. Why, my Lord, it is tantamount to giving a bounty to the manufacturers of China at the expense of the Indian manufacturers. I really think that if the object of Government were to give such assistance to the Chinese manufacturers they could not have hit

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upon a better plan. This question of the trade relations of the two countries, my Lord, is a complex one, and those only who are intimately connected with the trade can fully understand it in all its bearings. I will, therefore, with Your Lordship's permission endeavour to explain briefly to the Council how the proposed duty is likely to affect our yarn trade with China. The new duty amounts to nearly 17 per cent. as against the 5 per cent. *ad valorem* levied under the old Act. It is evident, my Lord, that such a heavy duty must reduce the quantity of silver consumed in India. It is unnecessary for me to insist upon this point, because Government themselves admit that only 6 crores worth of silver will be imported next year against 11 crores in the current year. This enormous decrease in the Indian consumption must lower the price of silver in London. Now, my Lord, we all know that the currency of China is founded on a silver basis. The Indian exporters to China receive the price of their goods in silver which has to be converted afterwards into gold standard rupees. We export between 5 to 6 lakhs of bales of yarn every year to China, and the value of this yarn is about 10 crores of rupees. The duty now imposed will greatly reduce the number of rupees which the Indian spinner will get for his yarn owing to the depreciation of silver. The Chinese manufacturers on the other hand will benefit to that extent as their manufacturing charges will not be appreciably affected. And in this unequal competition our export trade to that country will be adversely affected.

"My Lord, this would have been a great calamity at any time. At present, when owing to the high price of cotton which is 50 per cent. higher than normal and the loss of general confidence in the industry owing to the big failures of last year, the Bombay cotton mills are passing through a very gloomy period, and when prospects are very dull, the effect of this additional duty is bound to be absolutely ruinous. It may prove to be the last straw on the camel's back.

"The Indian industry has to contend with unequal competition. Take, for instance, Japanese cotton mills. They are nursed by their Government as a mother nurses a favourite child. Japan has given a protected home market to her cotton mills, thus enabling them to dump down their surplus products in China markets at less than cost price without any loss to their shareholders. Japanese manufacturers are also helped by loans of cheap money in times of depression and also by a special ridiculously low rate of freight for cotton from India to Japan through subsidised steamship companies. So far as China is concerned our currency policy of 1893 has proved a blessing to her and the proposed silver duty will still further strengthen her position against the Indian exporter.

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I hope, my Lord, I have made myself sufficiently clear that the effect of the four-annas duty will be highly injurious to an important Indian industry, and I earnestly hope that Government will see their way to drop the proposal as a means of raising revenue."

The Hon'ble RAO BAHADUR R. N. MUDHOLKAR said :—"The Council has before it expressions of opinion from the representative of the Bombay Chamber of Commerce, from the representative of Indian commerce selected by Government, and from a gentleman who is largely interested in the Bombay mill industry, and who at one time occupied the position of President of the Mill Owners' Association. My Lord, I wish to lay before Council the experience of one who on a smaller scale is interested in a mufassal mill and who even now here is pursued by cares about that mill. I also wish to place before the Council how an agricultural Province like Berar, interested largely in cotton, will be affected by this present legislation. My Lord, it is because I fear that my Province and all the other districts which grow cotton will be seriously affected, it is because I believe that the mill-industry which we consider to be our mainstay in the industrial struggle we have to carry on will be seriously affected, and it is because I believe that our export trade which we are carrying on with silver-using countries would be seriously injured, that I wish to associate myself with what has been said by the Hon'ble Sir Sassoon David and the Hon'ble Sir Vithaldas Thackersey with regard to this proposal of an enhanced duty on silver.

"My Lord, Berar is a Province in which nearly 45 per cent. of the land is actually under cotton cultivation under a system of rotation. We grow there between $\frac{1}{4}$ th and $\frac{1}{3}$ rd of the cotton produced in the country. A considerable portion of the cotton grown there is purchased by Japanese merchants on the spot. The balance is sent to Bombay or Calcutta and a large part of it is exported to Japan or China. Only a small portion of what is grown in Berar is consumed by local mills or by the mills in the country: most of it goes out to Europe or Japan or China. Well, what is true of Berar is also true of Khandesh, of Gujerat, of the Southern Mahratta countries of the Bombay Presidency, of Hoshangabad, of Wardha, Nagpur and other districts of the Central Provinces—in fact of all tracts which grow cotton. Now, my Lord, the effect of this enhanced duty will be this, that our trade with silver-using countries will be seriously handicapped. On the silver we receive from them in exchange for our goods there would be an enhancement of 300 per cent. in the duty which has to be paid on silver. For what we export to those countries we are paid in silver and we shall have to give

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more of our goods for receiving the same quantity of silver than we do now. It is not a small interest which is affected. The total export trade in cotton-amounted to about 21 crores of rupees during the last ten months, and out of that over 9½ crores went to China and Japan.

* "We have all heard so much of the phenomenally high prices of this year obtained for cotton. The raiyat might well say that the short spell of good prices he had is now to be followed by the imposition of a permanent burden on his industry.

"Then there are our struggling mills which are sorely hit by the curious combination of extraordinary high prices of the raw material with exceedingly low prices for the manufactured article. A glutted market, an absence of demand all over the world, tightness of money, all credit shaken by some recent failures, have all contributed to render the lot of those engaged in this industry very unenviable. My Lord, there are several here who can say so from personal experience. The cotton-spinning and weaving industry is the one manufacturing industry which holds promises of industrial and commercial greatness to this country. With the tremendous advance made by the Western countries in applied science, with the knowledge and the skill which the directors and organizers of industries and the operatives concerned therein possess, with the practically unlimited supply of capital they have at their command, the task of the Indian manufacturer is an uphill one. My Lord, the importance of the industry well justifies the demand for special facilities. But leaving aside facilities, we might well ask the Government not to do anything which would have the effect of increasing its difficulties. The excise-duty already subjects us to a great disadvantage. The factory laws impede our free growth not a little. Let not our burdens be increased and our progress retarded. I would ask your Lordship and the Government here and in England to see how serious would be the loss which this industry will suffer. It is with difficulty that it is building up an export-trade in cotton piece-goods. During the last 10 months the value of this trade came to Rs. 1,67,18,836. The goods were all exported to Asiatic and African countries, which being silver-using countries would pay us in silver. Then there is the trade in cotton yarn and twist. This amounted to 8 crores during the last 10 months. Of this China took goods worth 7 crores and 4 lakhs. That country is our chief customer in this matter. Our other considerable customers are Asiatic Turkey, Persia, Aden and the territories thereabout, the Straits Settlements and Egypt. These are all silver-using countries and we have to receive payment in silver.

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"Then take the trade in jute gunny bags, the total value of which came to $7\frac{1}{3}$ crores of rupees during the last 10 months. Fully one-third of this was exported to silver-using countries in Asia and Africa.

"Taking the figures for 1908 the total export trade with China comes to about 15 crores of rupees, with the Straits Settlements nearly seven crores, with Egypt little less than 2 crores, Ceylon over six crores and a quarter, Japan a little less than 9 crores, and over four crores and a half with other Asiatic and African countries. It will be all this trade which will be affected and in regard to which the people of India would be placed in a position of disadvantage. My Lord, the Government is the custodian of the interests of the country in all external relations. Should the Government adopt a measure not calculated to promote these interests?

"It is said that the duty on silver will serve to raise the value of the silver 'hoards' in the country, of the silver ornaments possessed by the masses and the silver articles of use possessed by the middle and well-to-do classes. As to the hidden hoards supposed to be buried under ground, or stored in secret recesses, their existence on any large scale has yet to be demonstrated. But apart from this it would only be when these silver ornaments and silver articles are brought out for sale that any benefit would accrue to the possessors. For the time being it is the same to them whether the price of silver in the market is at 66-10 or 75. The increase in the potential value does them little practical good. But to the cultivator, the trader, the mill-owner and those interested in the export trade, the appreciation of silver means a serious loss.

"There is another consideration which ought to weigh with Government. By imposing a tax on silver the Government is taxing the precious metal out of which the current coin in the country is made. Are we sure that the appreciation in the value of silver will not affect the profit made by coinage? Are we sure that the objects aimed at by the currency policy of the Government will not be partially defeated?

"My Lord, it is not quite satisfactorily established that the deficit will be as great as it is feared it would be. The present price of opium does not certainly spell a deficit. There is a margin of Rs. 600 kept between the present price of the stuff and that on which the calculations in the Financial Statement are based. We cannot, it is true, ignore the fact that the prices realised this year are unprecedented. In the quinquennium ending with March 1908, the highest average price realised was Rs. 1,587 and the lowest Rs. 1,350. But there is nothing to show that the circumstances which have brought about the present

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price of Rs. 2,397 have ceased to exist and that there will be a drop of 600 next year.

“But even if the price drops down to 1,750 and there is a big deficit which has to be faced, it cannot certainly be beyond the resources of the Hon'ble Finance Member's financial statesmanship to provide a substitute for the silver duty which is less objectionable and less harmful.

“It is much to be desired that your Lordship's Government were unhampered in the matter of this opium trade and had a free hand. But this is not the occasion to raise the question of the propriety of the restrictions which have been put over the Indian Government. Irrespective of this article there are other sources from which the additional money that is wanted by the Government can be raised without doing any harm to the interests of this country and of its Government. My Lord, since there is an amendment in my name in which I suggest a substitute for silver, and as it is by no means impossible that the Hon'ble Member in charge of the Bill may reconsider the matter when he sees how strong the feeling is against this tax, it would not be out of place to consider whether a substitute for it cannot be found. My Lord, I congratulate the Government, and the Hon'ble the Finance Member in particular, on the unconventional and bold manner in which they have raised the duties on certain articles of luxury consumed mostly by well-to-do persons. Might not the same unconventionality and boldness be applied in another direction also? There is probably no tax to which Indians and Europeans, having any sort of permanent interest in this country, have less objection than the customs-duties on imported cotton goods. Those duties have been advocated on the ground of revenue. I do hope that the Hon'ble the Financial Member will see his way to propose that in place of raising the duties on silver the duty on imported cloth should be raised.

“But apart from any increase in the duty on imported cloth, there is another duty which I suggest should be imposed in the place of the proposed one on silver. There is sugar for example. This article, which is merely used by the middle and well-to-do classes, can well be taxed higher without causing dislocation of trade or of the agricultural industry, or any other interest in this country. The imports of sugar into India have been steadily increasing. From 6 crores and 3 lakhs in 1903-04 they went up year after year till last year their value amounted to ten crores and ninety lakhs of rupees. In the current year the value of the quantity imported during the 10 months ending with 31st January was nine crores eighty-six lakhs. The sugar which comes from outside sells in mufassal stations at the rate of Rs. 9 per maund of 40 seers; sugar

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vouched as made in India by modern processes sold some time ago at Rs. 12 a maund ; while Benares sugar—that is, sugar made by the indigenous process—sells at the rate of Rs. 16. If the duty on imported sugar is raised from Rs. 5 to Rs. 7-8 per cent., it would mean an increase of Rs. 1-13 per maund. After paying this additional duty, imported sugar will still be cheaper than India-made sugar. There is thus absolutely no reason why this increase in the tax on sugar should not be substituted for the proposed addition to the tax on silver. There is no Indian interest which will be affected injuriously. The most jealous lover of free trade ought to feel no compunction. I am not one of those who are terrified by the word 'protection'. But as we want revenue, the tax should be fixed on a scale which will not prohibit the entry of the imported article.

“ My Lord, I do hope that the Government will see their way to withdraw the proposal about raising the tax on silver. It will inflict injury on the agriculturists, it will dislocate our cotton-industry, it will hamper our export trade. More than one tax can be found which will serve the purposes of Government as well. May we hope that Government will reconsider their proposal ? ”

The Hon'ble MR. DADABHOJ said :—“ My Lord, the imposition of enhanced duty on silver is a subject of such momentous and far-reaching consequences that I cannot help saying a few words today. I cordially second this amendment. I had myself thought of moving an amendment to this effect. I believe it represents faithfully the views of the community, and were it only for this fact I, as a representative of the people, should have supported it. But there are weighty considerations besides to compel my support. Silver is a metal which, however discredited, still largely influences the commercial operations of the world, and unless mines come to be closed for sheer loss, a remote contingency by-the-bye, the output is not likely to be seriously reduced in the near future. We cannot with impunity disturb the value of the metal, the least of all can the Government of India do that. India has intimate commercial connection with silver-using countries, and whatever view may be taken of its currency policy the success of that policy largely depends upon the rehabilitation of the rupee which is facilitated by an appreciation in the value of silver. The present currency policy of this Government came to be adopted in consequence of the phenomenal depreciation in the value of the metal. Every effort has been made in the past to check this depreciation, and with the passage of the Sherman Acts, the urgency for the adoption of a bold policy became apparent. The Indian mints came to be closed to the free coinage of silver, with the object of producing an artificial contraction in the volume of the currency, thereby giving tone to the rupee. That policy has so far succeeded in the attainment

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of its object. But we have not yet passed through the experimental stage, and he will be a bold prophet who will claim for the rupee a permanent appreciation in value through the currency measures of Government. The Gold Standard Reserve proves the necessity of caution and preparation against future fall in Sterling Exchange. There are periods when the Council Bills do not pass through the market as easily as could be desired, and the Secretary of State has to withdraw bills from it in order to give tone to it. But, my Lord, what strain will it cause upon the resources of Government if there is a heavy fall in the value of silver? The greater the disparity in values between gold and silver the greater is the risk of an unwholesome disturbance in the Sterling Exchange, and the acuter is the difficulty of this Government. Interest and prudence should make the Government careful not to take any step which has the effect of depreciating the value of silver. For the success of its currency policy the price of silver should be maintained at as high a figure as possible. Admitted this, it necessarily follows that any measure calculated to cause a slump in silver will jeopardise its currency policy, and will be productive of fearful consequences. That the measure proposed of placing a heavy import duty on silver will force down its price, no one, I trust, will deny. The announcement has already caused considerable depression in the market. The only hope now depends upon the unabated activity of the private demand. Upon this point, however, we are left to conjecture. The view that the demand will remain unaffected by the duty is, in my humble opinion, too optimistic. If the price in India is temporarily increased on account of the heavy duty, the only reasonable supposition is that the demand will shrink. If the demand is weak, the price of silver in the world's market must fall until it reaches a point when it will be possible for importers to maintain in India the present level of prices even after payment of the duty. But that is a contingency which cannot be viewed with equanimity by Government. The harmful effects of a further fall in silver can be neutralised by Government by creating a further contraction in the volume of the currency, and thus producing a greater scarcity of the rupee, by maintaining the Gold Standard Reserve at a higher figure, and, further, by more frequent withdrawal of Council Bills from the market. Each of these measures, which may have to be adopted simultaneously, will have serious consequences of its own.

“I know, my Lord, there is a respectable body of opinion in favour of a heavy duty on silver as a subsidiary currency measure, but, through the natural operation of economic laws, such a duty would cause a fall in the price of silver. I do not understand how a further depreciation in the value of silver can

help Sterling Exchange. There are prophets who predict that the proposed duty will gradually lead to the introduction of a gold currency into the country. The Hon'ble Finance Minister's exposition of the financial difficulties of Government and the circumstances under which and the purposes for which the duty on silver is sought to be increased, should disillusionise them. A Finance Minister troubled with increasing shortage of revenue cannot be expected to undertake such a costly change in the currency of the country. I believe the Hon'ble Sir Guy Fleetwood Wilson has no such ambitious idea, and his proposal to get more money from silver imports is clearly inspired by financial necessities only. And I point out its probable effects upon the Sterling Exchange only to prove its unsuitability as a fiscal measure. It remains to be seen how long the present firmness in Exchange continues. If it does not continue, it will not be for this duty on silver.

" My Lord, the existing currency policy of the Government is attacked by a large number of critics on the ground that it imposes an indirect tax upon the people of nearly 40 per cent. I will not attempt to fix with precision the extent of the increased burden, but it must be admitted that the scarcer the rupee the greater is the liability of the citizen having to make fixed payments. Anything therefore which may force Government to produce a greater contraction in the volume of the currency must be viewed with alarm by the people. The other two measures which the exigencies of the situation may force upon Government must be more or less matters of serious concern to Government and the people alike.

" Then there is the question of general prices of commodities which, according to expert opinion, are not completely free from the influence of the currency policy of the Government. The present high level which has necessitated an official inquiry into the causes is, in the opinion of people who ought to know, partially due to that policy and the consequential depreciation of silver. A further fall in the value of silver may be responsible for a further rise in prices. That will be a position full of difficulty and distress.

" The influence of the duty again on the infant cotton industry of the country, which is admittedly passing through a period of great depression, will be incalculably deleterious. The Indian manufacturers do large business in yarn and piece-goods with China. The Indian export trade with China was in a prosperous condition when the mints were open to the free coinage of silver. China is a silver-using country, and the Chinese coin can, after the closure of the mints, only bring to the Indian seller its intrinsic or metallic value. With a

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prostrated silver market his profits became attenuated. The closure necessarily affected him seriously. If now there is a further depreciation in the value of silver, the Indian trade with China must suffer. It is a question if Indian yarn and manufactures will be exported to that country as freely as at present. Unless there is a corresponding rise in the China prices, the decrease in the value of silver will measure the loss in profits of the Indian manufacturer. Experience shews prices do not respond so readily to the circumstances. The result will therefore be a further serious reduction in the profits of the mill-owner. This is an alarming prospect, especially in the present depressed condition of the industry. The Indian mill-owner in his distress had fully expected to receive some sort of encouragement from Government. The duty on silver is a sad surprise to him. It will affect him most. I do not undertake to predict how many mill-owners would be able to withstand this fresh taxation.

“ A further depreciation in silver, the natural economic result of the proposed duty, will also prove detrimental to public interests by encouraging false coinage. Any great disparity in values between silver and the rupee offers temptations to the dishonest utterer of counterfeit coins too strong to resist. The number of spurious coins in circulation is already large, and many poor people are sufferers. The difficulties of the masses from this source will become far acuter with the imposition of the duty. The people may well ask Government to take special precautionary measures for ensuring the circulation of true coins, and the expulsion of counterfeit coins. Any fiscal measure which encourages, albeit indirectly, the circulation of false coins must *ipso facto* be injurious to the interests of the honest citizen.

“ Viewed in any light, this duty on silver will result in much suffering and difficulty. Government should in the best interests of the country abandon it. The enormous imports of silver of recent years which have attracted the notice of the Finance Member should be welcome to Government. They have steadied the market somehow, and have to some extent contributed to the success of the currency measures. As I have already said, it will be sad if the silver imports are pared down. But the Hon'ble Finance Minister seems to think that the volume of the imports will remain unaffected by the duty. The weak feeling in the market produced by his announcement of Friday last should shake his optimism. Silver is quoted $23\frac{1}{2}d.$ per ounce in London, less than the lowest figure since 1898, and still the market continues quiet.

“ I do not admit that silver is a luxury and is the fittest subject of taxation. My Lord, there is a much more promising subject—the cotton imports. The

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duty upon cotton goods was in 1894 fixed at 5 per cent., and if it was reduced to $3\frac{1}{2}$ per cent. in 1896, it was because the state of the finances allowed of the rebate. Now that there are financial difficulties again, the duty can surely be raised to its former figure without giving legitimate occasion for controversy about free trade and protection. This increase will be welcomed by the country, and will yield a revenue of about 60 lakhs of rupees. I cannot understand why such a tax, popular and productive alike, should be abandoned in favour of an impost which is open to serious objection for various reasons.

“ To give retrospective effect to the duty will be a serious injury to importers, and against precedent. Imports on their way to India should in equity be exempted, even if Government does not see its way to accept the amendment.”

The Hon'ble MR. GOKHALE said :—“ My Lord, I wish to say just a word in support of this amendment. My Hon'ble friend, Sir Sassoon David, who has moved this amendment, has been invited by Government to serve on this Council as an expert in commercial matters, but I see that the Hon'ble Mr. Meston is already inclined to regard him as an adviser of the market place. My Lord, I do not oppose this taxation simply because it is additional taxation. As a matter of fact I should be prepared to support additional taxation for objects connected with the moral and material welfare of the people, but this is taxation merely for administrative purposes. However, I am not going to pursue that further because Mr. Meston has told us that the Finance Department knows better. In regard to that I will only say this, that I am content to wait. This is my ninth year in this Council—and sometimes I have waited for a whole year for my justification—and if things go well probably the actual figures next year will decide matters between the Hon'ble Member and myself. As regards the amendment I only want to say one word about the injury which this proposal is bound to do to the mill industry in this country. I want to mention one or two points which have not been mentioned by previous speakers. My Lord, we are already gradually losing our yarn trade with China. The position is this : Today we export about half a million bales ; China produces about half a million bales of her own and Japan sends nearly half the quantity of what we send there. Ten years ago Japan did not send a single bale. Another circumstance that I would like to mention is this that since 1899 when exchange was screwed up to 1s. 4d. not a single spinning mill has been put up in Bombay. Not only this, but in 1901-02 about 20 to 25 spinning mills went into liquidation and several other spinning mills turned themselves into weaving mills ; while even during the last cycle of extraordinary prosperity not a single spinning mill was added. That is the position, and just now, when the industry is in a state of great distress, the

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Government are adding to its difficulties by imposing this burden. I do not think the Government would do this in England. I do not wish to say anything more."

The Hon'ble Mr. BRUNYATE said :—" My Lord, the Government cannot of course deprecate the criticism to which the Bill has been subjected on behalf of the very important mill-owning interests which are concentrated in Bombay. The Council is constituted with the express object of securing that such interests shall be adequately represented and their claims properly pressed. But when the matter which the Council has to deal with is a proposal for new taxation, undoubtedly by far its most important aspect is the way in which it affects the mass of the population from whom the contribution is to be taken. Now, as a preface to what I shall have to say on this general aspect of the tax, I should like to state in the first place, speaking with the full authority of the Hon'ble Finance Member, that the only object of the Government in proposing this tax is to raise revenue. They have not undertaken this legislation with the idea of enhancing the value of the silver ornaments and hoards of the population ; it is not any part of their intention to assist the sale of Council bills by discouraging the imports of silver ; they are not acting under any felt necessity of taking further steps to discourage counterfeiting. In short, there is absolutely no connection whatever between this tax and their currency policy. It would not be sound finance to introduce a tax simply with the object of tampering with values, or artificially appreciating a commodity in general use, or to base a fiscal policy on the theory that a tax is a beneficent enriching agency when under the best of circumstances it must involve a privation. A tax on silver means that a person who would like to possess silver will be able to get less than he wants, and that is, in its way, a privation, whether he uses the silver for his dinner table, or to decorate his wife, or makes a hole in the ground and leaves it there.

" Admitting all this, I would ask the Council to consider whether our need for a large sum of money which must be raised from many humble contributors could be met at the cost of less privation to them than this tax will involve. I do not think so. It would have been easy to find a necessary of life from which the revenue could have been obtained readily enough ; but it would be difficult indeed to find an article in general use to which the term luxury can be so appropriately applied, and very difficult as it seems to me to find a tax which as regards any individual is less obligatory, though when we look at the mass of individuals we know that they will not in fact unanimously avoid it, and that it will produce a substantial revenue. The man who invests his savings, using the term investment in the ordinary sense, will not pay the tax at all. The man

who hoards in coined rupees will also escape it altogether. The man who insists on buying ornaments or hoarding in bullion will pay the tax at the time, but when he chooses to convert his inert possessions to an active use he will get the bulk of the tax back again or rather pass it on to the next buyer. This idea of taxing the buried talent has in fact some very attractive aspects. I will leave them, however, to others who are better qualified to speak upon them, merely remarking that the broad general effect of the tax is not only the most important matter for our consideration but one which, as I take the liberty of suggesting, should specially appeal to the elected members of this Council who, though chosen by particular interests, collectively represent the vast mass of the population who are unable to select their own champions.

"I now turn to the case presented on behalf of the Bombay mill industry. I take it that the fundamental result of our tax, to which all other results are subsidiary and consequential, is that some reduction may be expected in the Indian demand for silver, and consequently some reduction in the world demand for silver. This means a fall in the world price of silver. Such a fall has in fact actually occurred. Now China being a country with a silver standard, the silver which she uses as currency feels the effect of this fall just as much as silver used for any other purpose. Consequently her exchange with India, and not only India but India's gold standard competitors for the China trade, may be expected to fall. Such a fall has occurred. I may illustrate at once by actual figures what has happened and what is expected to happen. Just before the announcement made last Friday, the London price of an ounce of silver stood at 24*d.* exactly. The moment the intention to impose a tax was known, it fell to 23 $\frac{2}{3}$ *d.* On the 28th it fell from $\frac{2}{3}$ to $\frac{5}{16}$. On the 1st March there was another fall to $\frac{3}{8}$, and on the 3rd there was a recovery to 23 $\frac{7}{16}$. The whole fall from the 24th to the 3rd is just over a half penny or 2 per cent. of the value of silver at the outset. Similarly with the Shanghai exchange with India. On the 25th of February, *ie.*, before the announcement made in this Council on that date was known, a 100 Shanghai taels exchanged for Rs. 178. The next day the exchange fell to Rs. 173 $\frac{1}{2}$. There was then an improvement to Rs. 174, but the rate fell back on the 3rd March to about Rs. 173. Here the fall is 3 per cent. The contention put forward on behalf of the mill industry is, first, that this fall of 2 or 3 per cent. in the value of silver and in the Eastern exchanges represents a bounty of the same amount conferred on the local production in China by the mere fact that this tax is being imposed; second, that the bounty is permanent in its nature, and whatever may be the future fluctuations in the value of silver, the price of the metal will always be higher by that

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amount than it otherwise would have been; and third, that this bounty is sufficient to do irreparable damage to our yarn trade in China.

“I will first take the suggestion that the increased duty in India will act as a bounty or protective duty in favour of Chinese yarn. The argument is that until last Friday the Indian manufacturer who sold yarn to the value of 100 taels in China was able to convert those taels into Rs. 178. Today, for the same quantity of yarn sold, he can only get Rs. 173. Thus, whatever the conditions of equilibrium previously established, it is claimed that the balance has now been disturbed to that proportionate extent.

“I shall have some criticisms of this theory to suggest in dealing, in a moment, with the alleged permanence of the so-called bounty. But before passing on to that question I should like to draw attention to the figure we have thus arrived at. In putting the case as I have done, I do not mean to imply that the Hon'ble Sir Sassoon David and his supporters are satisfied that the fall in the value of silver due to this tax will not ultimately prove greater than 3 per cent. I believe Sir Sassoon David anticipates that in certain circumstances it will. But I do not think he has shown any clear grounds for the supposition that the fall which has already occurred does not fully discount the probable reduction in the world demand for silver. We all know that with large and sensitive markets the trade instantaneously adjusts itself to new conditions and protects itself against them. The tendency is rather to seek over-protection than to underrate the importance of a new disturbing factor. In the last few days we have had our one and only opportunity for distinguishing the influence of the new factor introduced by the menace of this tax. A year hence or even a month hence a score of new circumstances affecting the value of silver may come into operation. But to-day effect and cause are clearly related, and we are justified in regarding the change of price as representing expert practical opinion as to the full effect of the tax.

“Now, Sir, assuming the main argument to be valid, can we seriously be asked to believe that this handicap of 2 or 3 per cent. is going to ruin the Indian yarn industry? We have all heard of protective duties being justified as a means of stimulating infant industries. Have any of us heard of a protective duty imposed with this object being limited to such an extraordinarily low figure as 3 per cent? We know very well that in actual practice much higher rates are always required. We treat that as an axiom, and for that reason we are accustomed to claim that our general 5 per cent. tariff in India cannot fairly be

regarded as in any real sense protective, and exactly the same line has been repeatedly taken by those who have resisted the imposition of excise duties in this very case of cotton. And can it be imagined that capital will flow out to China on the strength of this small reduction in the value of silver, that mills will be constructed, that machinery will be ordered and the existing organization completed on the scale required to drive out the Indian manufacturer? I think, Sir, the proposition has only to be stated clearly for its unsoundness to be obvious. All this may come; it is possible of course that it may come quickly, for China already holds a large portion of the trade; but that the fall of silver by $\frac{1}{2}$ d. in the last week will materially affect the question is not, I submit, a reasonable expectation. And that, Sir, as far as I can gather is the opinion of the Bombay shareholders themselves. There has been a good deal of noise about this tax, and consequently no doubt some real trepidation; but as far as my information goes the decline in the value of shares has been limited to a few mills and confined, with hardly an exception, to about 1 or 2 per cent. of market value.

“I come now to the second of the three points which I mentioned above, namely, the claim that this bounty will be permanent in its effect. This is a claim which we can in no way admit, and which was not admitted by the Currency Committees of 1893 and 1898. The whole theory of the protection given by a fall in exchange is, we believe, thoroughly unsound the moment its application is extended beyond the purely temporary period of disturbance and the theory becomes a pronouncement as to permanent results. To revert to my previous example of a 100 taels' worth of Chinese yarn competing with 100 taels of Indian yarn. The proposition implied is that though 100 taels will in future represent a smaller value owing to the depreciation of silver, they will still be as effective as before in paying wages in China, in purchasing raw material and in buying the machinery required for new mills from gold standard countries, or in meeting the dividends of foreign capitalists. This is obviously fallacious as regards payments, such as those for machinery, which are made in gold. It is also ultimately incorrect as regards wages and prices in China, for you cannot indefinitely obtain a given quantity of labour or material while the real value of what you give in exchange is a constantly decreasing amount. There must in the end be an adjustment of wages and prices; and in China in particular such adjustments are in some ways particularly rapid. The silver currency of the country is not a currency in any effective sense, but an article of barter pure and simple. There is no constant and stable relation between subsidiary currency and the conventional silver

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unit; it is a matter of daily fluctuating exchange. The true currency of the country in which all the minor purchases take place and most of the wages are paid is the copper cash. Here again there is a constantly fluctuating rate of exchange between the copper cash and the silver unit; and as the copper unit is infinitesimally small, so that it may take 10,000 cash to make up a pound sterling, and the coolie in China is a good deal more familiar with exchange problems than most educated men in other countries, there is no possibility of a gain or loss on exchange being overlooked by either of the parties affected. This is a commonplace of standard writers on Chinese trade and economics, and evidence to the same effect was given before the Indian Currency Commission of 1898. It was shown that the lower purchasing power of silver in terms of copper, *i.e.*, in terms of labour, had actually proved a considerable set-off to the fall in its purchasing price in terms of gold which was caused by the closing of the mints.

“ My Lord, I have emphasized the fact that the best opinion, namely, that of those who control the movements of world prices, is that the discrimination against the Bombay industry which is created by this tax cannot be put above 2 or 3 per cent. I have pointed out that the conditions in any silver standard country, and in China of all others, must set up adjustments which will diminish this marginal disadvantage to a negligible quantity. I have argued on general grounds that this small and temporary injury—if injury it is—cannot reasonably be expected to have any marked effect on the welfare of the industry. I might have hesitated to oppose these views (though I believe them to be soundly based and they are supported by the recent course of prices in the Bombay share market) to the opinions of practical experts like Sir Sassoon David and Sir Vitthaldas Thackersey, but we have on these matters an absolutely conclusive appeal to experience. During the currency discussions of 1893, and again when the Currency Committee sat in 1899, there were the same gloomy forebodings—justified however by an immeasurably greater disturbance of conditions. Many here will remember the arguments used on behalf of the tea-planting industry. At that time India and China had been competing together* for years on the same footing as regards currency. It was argued that the disturbance of the exchange, the appreciation of the rupee and the depreciation of silver, might not only result in India's ascendancy in regard to tea being wrested from her, but in the entire and irretrievable ruin of the tea industry. I am quoting the words actually used by the Darjeeling Planters' Association in 1892. The question of tea is of course outside our province today, and I will only mention the result. In the year before the closing of the mints India exported 115 million pounds of

tea to foreign countries and by 1909 had a little more than doubled that amount. Almost exactly the same arguments were used in regard to the cotton industry, and here I must enter into more detail. What the mill-owners feared, and had excellent reason for fearing, was an enormous depreciation in silver. This actually took place. In 1892-93, the year before the mints were closed, the average value of silver per ounce was nearly 40*d.* The next year it fell to 33*d.*; the year after to about 29; and it stayed at or below 30*d.* for some years. Surely here were the conditions in which a disastrous stimulus to production in China might have been expected. The so-called bounty in this case was not 2 per cent. but 25 per cent. It was not a temporary decline which might be counterbalanced by other causes in the course of a single month. It continued for years, and as we all know silver has not since returned to a price anything like 40*d.* an ounce. In addition, just before the closing of the mints occurred there had been considerable overtrading, and the mills had actually been working short time for some months before to enable the Chinese markets to dispose of their accumulated stocks. There was, as a matter of fact, a fall in exports in 1893-94 partly due to the dislocation arising from the changes in our currency system and partly to the existing glut of the Chinese market. The exports picked up, however, in 1894-95, and it would appear that the adjustment of prices and wages in China to the extraordinary new conditions began very quickly, for I find it stated that by the first month of 1894 the mills were again working steadily and profitably. I may perhaps give the actual figures. In 1891-92 the exports of yarn had been 161 million pounds. In 1892-93, the inflated year just preceding the closing of the mints, they rose to 189 million pounds. In 1893-94 they fell (as I have said) to 134 millions, but went up again the following year to 159 millions. In 1902-03 and 1903-04, though by this time the value of silver had now fallen to 24*d.* the exports were about 250,000,000 pounds, and in 1905-06 they reached the record figure of 298 millions. In the last two or three years there has been a falling off, owing to various causes, but the amount exported in 1908-09 was as much as 235 millions, and in the exports to China in particular there was a marked improvement.

“ I claim, Sir, that this experience of an increase in exports, which may be roughly put at 50 per cent. during a period in which the value of silver fell by close on 40 per cent., entirely refutes the contention that a fall of 2 or 3 per cent. in the value of silver or even a much higher reduction is going to drive our yarn out of China. There could not have been a more decisive test of the ‘bounty’ theory than that to which it was subjected in the great experiment made in 1893. The theory was completely exploded in the case of tea and in

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the case of cotton; and I confess to some astonishment at finding it revived today in connection with a disturbance of exchange which might almost be called insignificant in itself and will certainly disappear the moment improving conditions make it possible for the Indian Government to resume silver purchases.

“The facts of the case, my Lord, at any rate as I read them, are that we are not dealing with an industry the ordinary conditions of which are so fixed that even a slight disturbance may produce a disproportionate result. As regards the Indian mills, the conditions under which they have been working for the last twenty years has been subjected to the widest fluctuation. The price of the raw material varies within the widest range. Exchange, as I have now repeatedly pointed out, has fallen and has also fluctuated to an extent which makes the present disturbance practically negligible. The mills have also no doubt been affected by the general rise of prices and wages in this country. Trade with China has also been interfered with by the deterioration of her copper coinage. Again as regards the general competition, the awakening activity of China is no doubt a real factor and one the importance of which must increase. If we take all these considerations together, there is no doubt much in the outlook which is uncertain and something which is disturbing. We can realise that under such conditions the mill-owners may feel bound to resist any charge which might even conceivably affect them adversely. But though those apprehensions are natural, it has not, as I submit, been shown that as regards the duty on silver they are well grounded, and we cannot be expected to refrain from using a fiscal instrument which from the broader point of view possesses exceptional advantages.

“I have now dealt as a whole, my Lord, with the case presented by the mills. There are, however, certain special points which demand reply. The first of these is the contention that the enhancement of the duty is incorrect in principle; that silver is an article of currency and should not be taxed. We do not accept this view. We have not accepted it in our tariff, in which we already distinguish between silver bullion which has hitherto paid the general rate of 5 per cent. and coined rupees which pay nothing. And if there is any proposition which has been treated as axiomatic in connection with our present currency system, it is the statement reiterated over and over again that the effect of the closing of the mints was to divorce the rupee from its relation to silver and to constitute it a token coin linked up with gold.

“Next, my Lord, we are told that the imposition of this tax will shatter confidence; that the mercantile community will never know when it may not be

taken off or enhanced. It would be very regrettable, my Lord, if business were permanently hampered through any feeling of uncertainty as to the future intentions of Government. The position is the more difficult in that it is impossible for Government to bind their successors, or even as regards themselves to go about saying what they will do and what they will not do at some future date in matters of taxation. But I must say that this question of the fate of the silver duty seems to me the least disturbing of all the problems which beset the cotton manufacturer in India. He can see for himself that to take off a duty of this kind is infinitely more difficult than to impose it; and that the rate now proposed is so high that we could not readily contemplate taking another step. He might also assume that in such a matter as this the Government will not act with levity; and that if circumstances should arise—it is just conceivable that they might—in which the tax has to be modified, they will be circumstances of obvious and pressing necessity. For my own part I can imagine nothing better calculated to disturb the minds of the mercantile community, nothing more suggestive of the thin end of the wedge than a tax of 2 annas or $2\frac{1}{2}$ annas, which I see suggested in one of the amendments on the agenda paper. If the ultimate object of Government were to impose as high a tax as silver could bear, but to do it gradually, this is exactly the way in which they would begin. *Our* proposal has at any rate the merit of apparent finality: whether it will be really final or not is more than any one here can take upon himself to declare.

“Another complaint, and a very natural one, is that we are imposing the tax at a time of special embarrassment to the mills. Well, my Lord, it is impossible for Government to choose when to impose new taxation; and their times of exigency are very likely, in a country governed so completely by seasonal conditions, to be times of difficulty for agriculture and trade as well. If the tax had been proposed for currency purposes, we might well have deferred it, though, as I have already mentioned, the state of the trade in 1893 did not restrain the Government from closing the mints in that year. But its object is purely fiscal, and we have had to consider the interests of the mass of the population rather than those of one section which, as we believe, though it may feel apprehensive at the moment, will not in the result be materially prejudiced.

“My Lord, I will end as I began by stating that the one and only object of Government is to raise revenue; and their object in selecting this form of taxation in preference to others is that they believe that the revenue required will in this way be raised with a minimum of hardship. I trust, my Lord, that a fuller consideration of the case will induce the great majority of the Council cordially

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to accept the proposal on this basis ; and to recognise the spirit of consideration for the taxpayer which has induced the Government to fix its choice on this particular fiscal expedient."

The Hon'ble PANDIT MADAN MOHAN MALAVIYA said:—" My Lord, the amendment that is now before the Council relates to the amount of additional duty to be imposed on silver, and so far as it affects the mill industry of Bombay it has been very ably and eloquently supported by many gentlemen who are better entitled to speak upon the matter. I do not propose therefore to take up the time of the Council by dwelling on that aspect of the question. But, my Lord, there is another aspect of the proposed taxation to which pointed reference has been made by the Hon'ble Mr. Brunyate in the speech to which we have listened just now, and that is how it will affect a large number of people among the general population. On that point I wish to submit a few words for your Excellency's consideration and for the consideration of this Council. My Lord, so far as the mill industry is concerned, it may be able to bear the loss which the imposition of the increased duty will inflict upon it, or it may not ; but so far as a large number of people among the general population is concerned, it ought not to be forgotten that a great deal of silver is consumed by them not as a matter of luxury but under the compulsion of a necessity imposed by social and socio-religious considerations. On the occasion of marriages, and on the occasion of other ceremonies connected with marriages, a large number of the middle class people have to make silver presents to their female relations. These presents are not made merely by those who have made savings and can spare something, but by even the humbler man who is unable to spare anything but feels that social considerations require that he should pinch himself, that he should put himself under pecuniary obligations in order to present some small silver ornament to his daughter or to his daughter-in-law who is being married. My Lord, this custom has even a religious sanction. In the sacred books of the Hindus it is laid down that the most approved form of marriage is that in which the father of the bride selects the husband, invites him to the house and gives away his daughter in marriage after giving her such ornaments as he can. This being so, over the whole length and breadth of the country a large number of the people of the middle class will be exposed to a very heavy imposition if the proposal to increase the duty on silver is accepted. My Lord, the result will be this. The man who will go to the market to buy Rs. 15 worth of silver will have to pay Rs. 2 extra. That will not be the value of the silver, but it will be the tax paid to the Government. Is it fair, my Lord, to put this tax on these middle class men, and even

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on the humbler classes who also try when they can to present such ornaments to their female relations?

“There is yet another aspect of the question. The poor middle class throughout the country, and the poorer humbler classes generally, invest their savings, what little they may be, in silver. If the proposed duty is imposed whenever any poor man will buy silver worth Rs. 15, he shall have to pay Rs. 2 extra, and that sum, my Lord, will go for ever to the Imperial exchequer; it can in no way add to the real value of his silver; it gives an artificial and fictitious value to the silver; but so far as its real value is concerned, it remains where it was. When it is said that by enhancement of the duty the value of the silver will be appreciated throughout the country, and that the mass of the population will be benefited, and when surprise is expressed that members who represent the masses do not render support to this proposal to add a further duty on silver, I submit, my Lord, that note is not taken of the important fact that silver is not an article of luxury of the poor but that they use it, when they do, as a matter of necessity or an investment. That being so, my Lord, the next question that arises is, has any necessity been proved for imposing this fresh burden upon the poor? I have listened with the greatest consideration to all that has been said by the Hon’ble Finance Member, the Hon’ble Mr. Meston and the Hon’ble Mr. Brunyate, but I regret to say that I do not see any justification for adding to the burthens of the poor at this moment. What are the exigencies in which the Government finds itself? The budget clearly shows that so far as the people generally are concerned, they have been adding to their contributions to the Imperial Exchequer. The land revenue alone has given 65 lakhs more in the last year than was expected when the budget was framed. It is clear that the contributions of the people have not decreased; they have increased in many respects; and, on the whole, I submit that it cannot fairly be said that there is any justification so far as the collections of the year can show it, for imposing a fresh burden on the people. No circumstances have arisen which would justify a resort to fresh taxation. As my Hon’ble friend Mr. Gokhale has pointed out, there is no war threatened, there is no famine impending, and, my Lord, there are no other circumstances which would justify a resort to additional taxation, and particularly to a taxation which would fall heavily on the poor.

“If the Government require more money than the revenues of the year are likely to bring them, then, taking the circumstances of the country as they stand, there are certain courses which are obviously open to the Government. In the first place there is the long standing complaint that the expenditure of the Gov-

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ernment generally is extravagant. My Lord, these complaints have been made year after year, but no serious effort has been made to generally recast expenditure. I do not blame the Hon'ble Finance Member for it. I am sure we all respect him for his desire to keep down expenditure and are grateful to him for his expressions of sympathy. The statement which he has made would show that if the Government could be persuaded, he would be more than glad to have a general recasting of expenditure in order to reduce expenditure generally. But while I gratefully recognise that he has taken care, with the knowledge that he had of the circumstances of the country, to frame a budget which he considered would fall in the lightest manner upon the mass of the people, I regret that the result will unfortunately be different from what he desires so far as the tax on silver and petroleum is concerned. And there is a general feeling that it was possible to avoid these taxes by reducing expenditure at least temporarily, or by suspending works which did not press for urgent execution. There seems to me no reason why such suspension should not have taken place. Under Civil Works, for instance, I find that there is an increase of nearly 60 lakhs provided for in the next year's budget. I have been unable to understand, my Lord, why this expenditure of 60 lakhs could not be postponed for a year. The expenditure on the Army has been growing, and this in spite of the earnest representations of the people. The expenditure on general administration also has been growing. Take only a few figures so far as the general administration is concerned. In the year 1906-07 the total amount spent was £1,524,835. In the Budget the amount is put at £1,744,500. Now, my Lord, I submit that there appears to be no reason why when the Government finds itself not in a position to meet fresh expenditure such expenditure should not be stopped, at any rate for the time being. So also in the case of Stationery and Printing. I find in the Budget of 1909-10 the amount budgeted for was Rs. 89,55,000 for Stationery and Printing. In the budget before us it is Rs. 98,74,000. I do not see why a little curtailment of expenditure should not have been effected there. Then with regard to the programme of railway construction. I do not see any reason why in a season of financial difficulty the Government must borrow the large amount of Rs. 16,30,00,000 to provide for increased expenditure on railways. My Lord, this means a serious hardship to the people as we have to meet the charges of interest on this railway debt from the revenues of the year; and in the Financial Statement I find it stated that the increase in the amount of interest is due to the progress of capital expenditure. My Lord, the Government ought, I submit with great respect, to act under such circumstances like any good householder. If it finds that it cannot meet interest on the amount which it wishes to borrow, it should

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stop borrowing. If the Government find that they are not able to meet interest charges from the ordinary revenues, justice to the tax-payer requires that the borrowing should be postponed for a time. Then with regard to administrative changes, I am unable to understand, my Lord, why for the purpose of meeting the wants of improved administration resort should be had to fresh taxation. Eastern Bengal and Assam stand in need of money. I submit that every province should be required to meet the expenditure, which it has to meet, from its own revenues. I do not understand why my people of the United Provinces should have to pay higher stamp duties, higher court fees and higher silver and petroleum duties because Eastern Bengal and Assam has been found to be financially a bad administration."

THE PRESIDENT :—" I would remind the Hon'ble Member that he is wandering entirely from the general principles of the Bill. We are now discussing the amendment."

The Hon'ble PANDIT MADAN MOHAN MALAVIYA : " I beg your Lordship's pardon, my Lord. My object was to support the amendment by explaining that it was not necessary to impose the proposed duty on silver. I will confine myself to the amendment. My Lord, I support the amendment as it seeks to prevent an impost being added which will press on the poor people of the country, for which I submit that no justification has been shown. If more money must be found, other sources must be tapped, for there are other articles which can very well bear taxation; but so far as silver is concerned, I hope that the Government will see its way to accept the amendment and not put this further burden on the poor."

The Hon'ble SIR GUY FLEETWOOD WILSON :—" Perhaps your Lordship will allow me to say a word or two in answer to the Hon'ble Pandit Malaviya because otherwise he might think me ungrateful, inasmuch as he has delivered a very valuable lecture on the merit of economy which will help me very much and for which I am very grateful. I do not intend to follow him over the large area which he has covered by his remarks as they are not germane to the amendment which is now before us. I do not propose to say much at this late hour: in fact I propose to say very little. Parenthetically, I would remind my Hon'ble friend behind me that we fully recognise that we shall have to pay more for those little presents which we are all called upon to buy. Even in my race and creed we have to make presents to our female relations and to other peoples' female relations for that matter, and I very greatly regret that when Christmas comes round we shall all have to pay out more rupees; but on the other hand, we

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shall have the satisfaction of feeling that we are contributing to an increase in the revenue.

“Whatever our views may be on the silver question, we can all join, I think, in congratulating the Hon'ble Mr. Brunyate on his maiden speech, and we may agree that he has shown great grasp of his subject and marked ability in his treatment of it. I certainly do not propose to travel over the same ground, and will merely repeat what I said in my Budget Statement, namely, that the object of the enhanced duty is to raise revenue. But the fact that a tax presents advantages other than the mere production of revenue does not prove that that tax is a bad one. *Inter alia* it will certainly result in an appreciable additional value accruing to the silver hoards in this country. I combat altogether the idea that this increase imposes a loss on the people of the middle class or otherwise. As to the point made, that the people will have to pay more for silver, it is perfectly evident that if the value of the silver is greater, they will get more for their money. The opposition to this tax, I honestly believe, is primarily and mainly the opposition which comes from Bombay mill-owners. It is a perfectly natural opposition, and I sympathise with their anxiety, but I believe their anticipations will to a large extent not be realised; indeed I think Mr. Brunyate has proved this conclusively.

“We must consider the interests of India as a whole, and in the interest of India as a whole I think it is perfectly legitimate to make silver produce revenue when revenue is wanted. Are the Indian Members as a whole going to support this amendment? Are the Indian Members going entirely to ignore the indirect advantage which this tax will confer on their people? Are you going back to your people and tell them that you have opposed a duty which will restore to your people at any rate something of what we are always charged with having taken from them when we closed the mints in 1903? Will you tell your humble artizan, your coolie and your raiyat that you have done your best to prevent an enhancement of the value of their hard-earned savings? Will you tell your lowly-placed women-folk that you have opposed to the utmost in your power any increase to the value of their poor little domestic treasures? I am convinced that the Government is right in imposing this tax on silver. It is one which has been advocated by far abler men than myself, and it is one which, after the most careful consideration, I have advanced with confidence. I am unable to accept the amendment.”

The Council divided:—

Ayes—18.

The Pandit Madan Mohan Malaviya.
 The Hon'ble Maharajadhiraja Bahadur of Burdwan.
 The Hon'ble Babu Bhupendra Nath Basu.
 The Hon'ble Mr. M. Mazharul Haque.
 The Hon'ble Nawab Saiyid Muhammad Sahib Bahadur.
 The Hon'ble M. R. Ry. Nyapathy Subba Rao.
 The Hon'ble Raja Vairicherla Vairabhadra of Kurupam.
 The Hon'ble Mr. G. K. Gokhale.
 The Hon'ble Mr. F. Rawson.
 The Hon'ble Kanwar Sir Ranbir Singh.
 The Hon'ble Rao Bahadur R. N. Mudholkar.
 The Hon'ble Mr. C. H. Armstrong.
 The Hon'ble Sir Sassoon David.
 The Hon'ble Mr. M. B. Dadabhoy.
 The Hon'ble Mr. G. M. Chitnavis.
 The Hon'ble Mr. Mahomed Ali Jinnah.
 The Hon'ble Mir Allah Bakhsh Khan.
 The Hon'ble Sir Vithaldas D. Thackersey.

Noes—39.

His Honour the Lieutenant-Governor.
 His Excellency the Commander-in-Chief.
 The Hon'ble Mr. J. O. Miller.
 The Hon'ble Sir Guy Fleetwood Wilson.
 The Hon'ble Mr. S. P. Sinha.
 The Hon'ble Sir Harvey Adamson.
 The Hon'ble Major General R. I. Scallon.
 The Hon'ble Mr. R. W. Carlyle.
 The Hon'ble Mr. L. M. Jacob.
 The Hon'ble Mr. B. Robertson.
 The Hon'ble Mr. J. S. Meston.
 The Hon'ble Mr. J. B. Brunyate.
 The Hon'ble Sir H. A. Stuart.
 The Hon'ble Mr. S. H. Butler.
 The Hon'ble Malik Umar Hyat Khan.
 The Hon'ble Zulfikar Ali Khan.
 The Hon'ble Mr. M. W. Fenton.
 The Hon'ble Mr. F. A. Slacke.
 The Hon'ble Mr. J. M. Holms.
 The Hon'ble Mr. C. H. Kesteven.
 The Hon'ble Mr. C. G. Todhunter.
 The Hon'ble Surgeon General C. P. Lukis.
 The Hon'ble Mr. H. W. Orange.
 The Hon'ble Mr. J. M. Macpherson.
 The Hon'ble Mr. J. Andrew.
 The Hon'ble Mr. H. O. Quin.
 The Hon'ble Mr. W. C. Madge.
 The Hon'ble Mr. C. W. N. Graham.
 The Hon'ble Mr. F. A. Th. Phillips.
 The Hon'ble Mr. F. C. Gates.
 The Hon'ble Maung Bah Too.
 The Hon'ble Mr. P. C. Lyon.
 The Hon'ble Maulvi Abdul Karim Ghuznavi.

[4TH MARCH 1910.] [Sir Vithaldas D. Thackersey.]

Ayes—18.

Noes—39.

The Hon'ble Maulvi Syed Shamsul Huda.

The Hon'ble Mr. C. Stewart-Wilson.

The Hon'ble Mr. F. E. Dempster.

The Hon'ble Lieutenant-General Sir Douglas Haig.

The Hon'ble Sir T. R. Wynne.

The Hon'ble Colonel F. B. Longe.

So the motion was negatived.

The Hon'ble SIR VITHALDAS D. THACKERSEY moved that in item 6 in Schedule III appended to the Bill, as amended by the Select Committee, for the word and figure "annas 4" the word and figures "annas $2\frac{1}{2}$ " be substituted. He said:—"My Lord, in moving this amendment I propose to reduce the rate of duty from annas 4 per oz. to annas $2\frac{1}{2}$ per oz. My Lord, so far as the principle of taxing silver is concerned, I hope I have made myself clear in my previous speech that I am absolutely opposed to it. But without prejudice to that contention, I am moving this amendment with the object of minimising the disturbance in the silver market and the consequent adverse effect on one of the principal industries of India. The Hon'ble Mr. Brunyate in his very able speech has admitted that it would have such adverse effect. The only difference is, as to its extent. With due deference to the Hon'ble Mr. Brunyate, I submit that to speak of 2, 3 and 4 per cent. loss on production as negligible, is misleading. Admitting that the extent of the loss is what he estimates it to be, namely, about 3 per cent., it works out at about Rs. 5 per bale, taking the average price or Rs. 25 lakhs on 5 lakhs of bales of exports. In order to show what proportion it will bear to the capital cost of a spinning mill, I will take the instance of a mill containing 40,000 ring spindles. The approximate cost of such a mill would be about 20 lakhs; and taking the production of the mill to be 18,600 bales of yarn per year the loss would come to Rs. 93,000 on the basis of Mr. Brunyate's figures or equivalent to nearly 5 per cent. on the capital of the mill. Is this loss so small as to be lightly regarded by this Council? It was further argued by the Hon'ble Mr. Brunyate that the silver in London had not gone down to the extent of the new duty and that the share market in Bombay had not been depressed to a considerable extent. Now, my Lord, is it conceivable that the effect of the new legislation should fully come into operation the very next day on the price of silver at home or on the shareholders of mills? The economic laws of supply and demand must ultimately determine prices. The producers of silver could not be expected to reduce their selling-price

[*Sir Vithaldas D. Thackersey; Sir Guy Fleetwood Wilson.*] [4TH MARCH 1910.]

immediately until the demand slacks off. In the same way, shareholders do not sell away their shares at a greatly reduced price until they find that their dividends are growing less. Therefore, my Lord, we should not judge of the consequences of this enhanced duty by the state of the market within the last week. The economic laws of demand and supply will ultimately assert themselves, and we have only to consider today what the tendency of the new duty is likely to be.

“ Then, my Lord, the Hon’ble Mr. Brunyate argued that after the closing of the mints in 1893, although temporarily we shipped less yarn to China, our exports to that country increased in 1905-06. My Lord, I can only say in reply to that, that although the mints were closed in 1893, the rupee did not rise to the level of 1s. 4d. for a considerable time and continued low until 1898-99 when the full effect of the currency legislation made itself felt. During this period mills sprung up in China like mushrooms: and as a consequence in 1901 in India 20 to 25 mills went into liquidation as has already been pointed out by the Hon’ble Mr. Gokhale. And whatever success the Government may claim for their currency policy, it was on the ruins of these Mill Companies. In the same way, after the legislation of today more mills may go into liquidation and Government may be able to collect an extra revenue of 55 lakhs of rupees out of their wreck. Is that the policy which Government or a responsible Council like this should accept? Have we not to consider the safety of the capital already invested in the spinning industry or that this Council should add to the existing difficulties of the industry which are already very great? I do hope that the Council will accept this amendment as being calculated to minimise the shock to the Indian yarn trade with China.”

The Hon’ble SIR GUY FLEETWOOD WILSON said:—“ I confess that it seems to me that this resolution if carried will produce no good result. It will not produce the effect of removing any of those evils which have been put before us so eloquently and so strongly in regard to the tax on silver in itself, and on the other hand it will produce the evil result of curtailing the revenue of which I stand in need. Therefore, I am sorry to say I must meet it by a direct negative.”

The motion was put and negatived.

The Hon’ble SIR VITHALDAS D. THACKERSEY moved that to sub-clause (ii) of clause 1 of the Bill, as amended by the Select Committee, the following proviso be added, namely:—

“ Provided that the silver afloat or in bond on that date shall not be liable to pay the enhanced duty.”

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He said:—"My Lord, the Hon'ble Mr. Armstrong in his speech with reference to another matter has clearly explained to this Council how it would be unjust to tax trade when that trade has imported certain things honestly. When this duty was declared no one had the slightest idea that Government had the intention of levying duty on silver, and therefore in the natural course of trade the usual consumption of India came in. Apart from the question of banks that are importing silver—I had a conversation with the manager of a bank in Calcutta recently, the banks have not much to lose, I admit, and if they had to lose, I would not press my amendment so strongly because banks are strong enough to bear the burden even if it is unjustly laid,—but the question when a burden is unjustly laid upon the individuals who have purchased from the banks, and who have in their turn sold the silver to small merchants, the burden on that individual, who is not perhaps so strong to bear the burden, is greater than it would be to the bank. So, my Lord, I think that it is quite reasonable that those who have honestly traded should not be made to suffer, and if this amendment is not accepted, I fear there may be many ruins for the little revenue that the Government of India may derive from this. It may be 10 or 15 lakhs of rupees from the few people who hold bullion, but they would be ruined. I, therefore, my Lord, propose this amendment."

The Hon'ble SIR GUY FLEETWOOD WILSON said:—"My Lord, this is an amendment which is deserving of the most sympathetic consideration. It is obvious that the suddenness of the enhancement of additional duties has come somewhat as a shock, not only upon the silver market, but upon many interests not in any way connected with silver. I had hoped that I might be able to meet my Hon'ble friend in regard to this amendment, but I much regret that I cannot accept it. Hon'ble Members will, I think, readily understand that we cannot deal with silver alone in considering this question. There are other imports which are equally hit by the date which we have fixed upon as the one which shall govern the application of the new duty. An alteration of this date, if accepted, would have to apply to the whole of the new taxes, as it would be obviously unreasonable and unfair to extend a concession to silver which I have had to refuse in the case of tobacco, spirits and petroleum.

"I very much regret that I cannot accept this motion. Hon'ble Members will readily understand that I cannot treat it as referring to silver alone. The same principle, if accepted, applies to the whole of the articles which are affected by the new tariff, and it would be unreasonable and unfair to extend the concession to silver which I should have to refuse to liquors or tobacco or petroleum. Had the position been different I should gladly have listened to any reasonable suggestion for avoiding inconvenience to the trade by some

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concession in regard to goods which are now on their way to India or are stored in our bonded warehouses. It would be impossible, however, as matters stand, to reconcile all the different interests, which have equally strong claims in the matter, without a sacrifice of revenue which our situation renders wholly unjustifiable and which might seriously affect our financial prospects for next year.

" If I were to allow articles which are now in transit to come in at the old rates of duty, how could I refuse the same privilege to articles now in bond ? If I admit the issue at the old rates of articles which are now in bond, how could I refuse the same concession to the large quantities of Indian manufactured beer and foreign spirits which are now in bonded warehouses all over the country, or to beer and spirits which are now under the process of manufacture in our local breweries and distilleries, but which will be placed in the market before the arrival in India of the last shipments, or similar articles to which I should be extending the old rates ?

" The only possible way of reconciling all these different interests is clearly to fix one date for everything. That date must, for obvious reasons, be the date on which our proposals are first made public. We are bound by no precedent in the matter. It is true that, when the mints were closed, certain consignments of silver were accepted at a later date ; but that transaction, which, I may remark, has since been almost universally condemned, bears no analogy with what is now suggested. It is true also that four years ago, when the last rise in the spirit duty took place, certain concessions of this character were made ; but, on the other hand, when Sir Edward Baker raised the beer duties in 1908, a repetition of these concessions was refused. I should have been very glad to have been able to meet the suggestion implied in this amendment not only in the case of silver but in the case of all these articles which are going to pay additional duty, but I regret to say that I am unable to do so and for the reasons given I am afraid that the 25th February must be the date for the application of the new duties. I therefore cannot accept the amendment."

The motion was put and negatived.

The Hon'ble MR. CHITNAVIS moved that in clause 3, sub-clause (iii), for the words and figures " No. 16 ", " Petroleum ", " One anna " and " One anna and six pies," the words and figures " No. 8, " " Sugar ", " Five per cent." and " Seven-and-a-half per cent." be substituted, respectively." He said :—" My Lord, as could be seen from the tenor of the debate today, sugar, in the opinion

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of the people of this country, will be far more preferable subject of taxation than petroleum. The suggested increase in the duty on sugar, far from causing irritation, will be more acceptable to the nation. I do not refer here to its probable economic results. It may help the indigenous industry. But we here discuss the tax only as a source of revenue. The imports of sugar are increasing, and should therefore, apart from other considerations, be a fit subject of taxation. According to the Revised Account of the current year, the Customs revenue from sugar is 55 lakhs of rupees, whereas that from petroleum is 47½ lakhs of rupees. An addition of 50 per cent. duty should yield more in the one case than in the other. Besides, an additional loading on sugar would be justified by all economic considerations. On the contrary, an additional tax on petroleum will appear to be a violation of the enlightened principles of taxation which this Government has generally followed in the past. Petroleum is almost a necessary of life with the poor middle classes whose standard of comfort has risen, but whose resources have become crippled with the rise in prices. The incidence of further taxation upon it will clearly fall upon these unfortunate people. A rise in the price of the foreign petroleum will cause a sympathetic rise in the price of the Burma oil which is so largely used by the poor, even the very poor in their villages. It may be properly called the poor man's light. These will suffer equally with the higher classes in consequence of the increased duty. On the other hand, imported or refined sugar is largely used by the comparatively richer classes. The poor man is satisfied with molasses and the crude or unrefined country sugar. The imported sugar is an article of luxury of the richer classes, and, if anything is to be taxed, that should be. I therefore suggest the alteration in the subject of taxation on principle as much as for its greater productiveness. I appreciate the motives that have induced the Hon'ble Finance Minister to select petroleum for increased taxation, but, having regard to the general feeling and the many and varied uses to which petroleum is applied in this country, I feel it my duty to make this humble suggestion. I am glad that this suggestion finds strong support both in this Council and outside it. The Press, both Indian and European, which represents a large body of public opinion in the country, cordially supports it, and so also the most prominent mercantile associations in this country."

The Hon'ble MR. CARLYLE said:—"I must say that I was very surprised when I saw that a gentleman who is so well known for his zeal for the welfare of the poor proposed to impose an increased tax on sugar rather than petroleum. But this debate has brought enlightenment, and I see that it is not recognized by all that sugar is an absolute necessary article of diet in some form or other. Petroleum is to a certain extent a luxury, while sugar is an article of necessity. What really makes this proposed tax on sugar popular

is, I have no doubt, the fact that it is believed that it will help to protect a very important home industry which is supposed to be threatened by foreign competition. I have looked through the agricultural statistics very carefully—unfortunately there are no statistics for country refineries in India—and I can find no warrant whatever for the belief that the Indian industry is in any danger whatever. In 1898-99 the acreage under sugar-cane was 2,485,681; it varied with seasons, but its maximum was reached in 1907-08, when it rose to 2,639,200 acres. Since then there has been a considerable drop, but I believe this is entirely due to seasonal causes. There was a very bad monsoon in 1907 and poor rains in 1908. After a drought or famine the poorer cultivator is obliged to give up precarious or expensive crops for other crops which will bring him in a quicker return. I may note that ten years ago there were similar fears of the future of the Indian sugar industry owing to the competition of bounty-fed sugar. The Lieutenant-Governor of the North-Western Provinces wrote in great alarm on the subject, and his letter very much impressed the Government of India. It was quoted by Sir James Westland in the debate on the amendment of the Tariff Act in order to enable Government to place a countervailing duty on bounty-fed sugar. But events have falsified these forebodings: the cultivation has not decreased, while at the same time imports have very largely increased, and this is largely due to the fact that India is now in a position to buy a larger quantity of a very important article of diet. I may have failed to convince the Hon'ble Member that the increased tax will not be protective. If so, he has to face a somewhat difficult position. In a free trade country a protective duty should as a rule be counterbalanced by an excise-duty, and no one, I think, can look with equanimity at any idea of putting an excise-duty on sugar cultivation in this country. If the Hon'ble Member had brought forward his proposal as part of a general scheme for increasing the tariff for revenue purposes, the matter would have been somewhat different. It is very difficult to fix the exact point where a revenue tariff becomes protective, and in raising a revenue tariff all round it is almost impossible to avoid giving slight protection in the case of some items; but this is a very different matter from specially selecting one article for increased taxation. Fortunately the Government of India is not now in a position in which it requires to raise the revenue which might be obtained by an increased tariff all round, and it is unnecessary to consider the matter from this point of view. I hope the Council will agree with me that it would be unwise to accept the resolution now before us. Sugar is a necessary of life and, except on strong grounds of the revenue needs of the State, we should not do anything to raise its price specially as by doing so we would not be assisting the class whom the Hon'ble Member would like to help."

The motion was put and negatived.

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The Hon'ble MR. GOKHALE moved that clause 3, sub-clause (iii), of the Bill, as amended by the Select Committee, be omitted. He said:—"My Lord, the object of my amendment is to get rid of the proposed enhancement of duty on petroleum altogether. The Hon'ble Mr. Carlyle just now told us that sugar was a necessary of life, even to a greater extent than petroleum. Well, all I can say is that he was speaking of the poorer classes of some other country and not of India. I am sure that there are tens of thousands of cultivators who do not see sugar from year's end to year's end, whereas they cannot do without petroleum. They must have a little light in their houses and petroleum has now come to take the place of the ordinary vegetable oils. However, I am not going to argue the question about sugar as the amendment relating to it has been rejected. I will only say one or two things about petroleum. Petroleum is recognised to be a necessary of life. The imports of duty-paying petroleum are very considerable and they have been steadily increasing. During the last three years I find that the duty paid on petroleum has risen from about 37 lakhs to 53 lakhs, or about 45 per cent. Burma oil cannot supply the needs of the people altogether, because its supply is not equal to the demand. I think therefore that this duty on petroleum will really fall upon the poorest classes of the community. As I said this morning the price of Burma oil will go up, if not by the full amount of this duty, at least by something like it. I therefore propose that the amendment which I have moved should be accepted by the Council."

The Hon'ble MR. GATES said:—"My Lord, it will perhaps be expected of me as representing the Government of a Province which is much interested in the petroleum industry to put before this Council a few facts bearing upon the motion just made by the Hon'ble Member. The Hon'ble Member says that petroleum is much more a necessary of life for the people of India than sugar, and he seems to consider that there are thousands of people in India who have never seen sugar but who use petroleum daily. Well, my Lord, I appeal to the experience of this Council. Is there any one here who wishes to corroborate that statement? (Cries of 'we do.')

On the contrary, besides petroleum there are many illuminating oils which are used by the common people in this country. You will find from the trade returns that the quantity of foreign mineral oil imported in the year 1908-09 was about 84 million gallons. There was a drop in the imports in 1909-10 for reasons which I shall touch on later. Well then, it is proposed to charge an extra duty of six pies per gallon on this amount of 84 million gallons. That would amount to about 26 lakhs of rupees in the year. Now what is the population which is going to pay this sum? The population of India at the last Census was 294 millions. I will deduct the

populations of Burma and Eastern Bengal and Assam, because, although they take a certain quantity of imported oil, it is not very much. (I think about 2 million gallons were imported into Burma in one year, and a certain amount no doubt goes into Eastern Bengal and Assam, though it is difficult to say how much because it goes through the inland water-ways from Calcutta.) Now deducting the population of Burma and Eastern Bengal and Assam, which is about 42 millions, this leaves 252 millions of people who have to pay $2\frac{1}{2}$ millions of rupees, so that the incidence is one rupee to 100 persons or two pies per head. We know that there are thousands of people in this country who are far from railways and who do not use kerosene. According to figures kindly supplied to me by one of the representatives of one of the oil industries, the deliveries of local mineral oil from refineries of any consequence and the deliveries of foreign mineral oil from the ports aggregated about 155 millions of gallons in one year, and that gives us a consumption of 155 millions.

“Now I will try and approach the subject in another way. There was an import from abroad of 84 million gallons and there was a transport from Burma into the Indian Peninsula of 62 million gallons. That makes a total of 146 million gallons. The internal consumption of Burma has been variously estimated at from 8 to 12 million gallons. I will take the higher figure. That produces a total of 158 million gallons. Now the Council will see that these two calculations are not very far apart, one of 158 millions and the other of 155 millions. Well, suppose we strike an average and take the figure at 157 million gallons. Of course this figure neglects certain small producing areas in Baluchistan and a rather larger area in Assam, but the production of these is nothing very great. On the other hand it neglects the export or transport of petroleum by land or by sea from the area to which these figures relate. However, I am not troubling about this. There is a large margin and I will present that margin to the Hon'ble mover of the amendment. Well then, 294 millions of people are consuming these 157 millions of gallons of mineral oil. Now let us suppose for the sake of argument that the whole of this consumption is going to rise in price. I do not admit that point and I shall perhaps return to it later on; but we will suppose it for the present. Then the incidence per head on this rise in price, owing to this extra duty which it is proposed to put on, will be something like 3 pies per head per annum. Now these are merely what I may call control calculations. They fix the figures at which the populace can possibly be affected. But I have made some enquiries as to the actual consumption of petroleum by persons of the middle or poorer classes, say the ordinary

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[Mr. Gates.]

cultivating *raiyat* and his family. My Hon'ble friend who sits next to me referred when moving his amendment to the burden which would be laid upon the middle classes. He did not appear to care about the poorer classes so much. It was the middle classes he was considering. I am not going into the budgets of the middle classes, because I think that the argument that was used by the Hon'ble mover of the amendment laid more stress on the burden falling on the poorest. A correspondent in Burma, where there is a fairly high standard of living and where petroleum is produced, estimates the amount used to be $1\frac{1}{2}$ tins or 6 gallons a year. I have made some other enquiries and I am disposed to think that is a rather low estimate. I will put it at 2 tins a year. I am told that 4 bottles a month is a reasonable consumption for a *raiyat's* family. That is 48 bottles a year or 8 gallons and that is just about 2 tins. Now the extra duty on this at 6 pies a gallon, would be 4 annas per annum, not per head but per consuming family. Of course 4 annas a year is not to be despised in the budget of the cultivating *raiyat*, but still, if we must have money, I submit that that is as reasonable and as good a way of getting it as can possibly be devised; and I should like to draw the attention of the Council to the fact that if these duties fall on the poorest classes, they have been relieved not very long ago by the reduction of the salt duty, and this enhancement of the duty on petroleum, if it does fall on them to the extent of 4 annas per family per annum, will not come to so much as they have been relieved of by the reduction of the salt tax.

“Now, my Lord, I desire to say just a few words on the question of whether all the mineral oil, that from Burma as well as that which comes from abroad, is likely to go up in price, and indeed whether the importers of foreign oil will succeed in passing on the extra duty to the consumer. Now, my Lord, that is a very intricate question. The oil companies move in a region of high politics. They have wars and preparation for war and exhaustion after war, and it is very difficult to say what is likely to be the result in any particular case in this extremely artificial condition. But this much we do know. There is some arrangement between the Burma Oil Company and the Asiatic Petroleum Company. When the appearance of new competitors in the Burma Oil Fields caused a fall in prices in the Indian market, the Asiatic Petroleum Company brought in a great deal less of their own oil, and they sold a great deal more Burma oil, and we may presume that they sold it at a profit. I take it that they would not be content to go on doing it unless they made a profit. Now, in the course of this competition the price fell as low as Rs. 2-2 per unit. A unit is 8 gallons. Two tins are spoken of as a unit, I understand, because even when the oil is sold in bulk it is still sold at so much per unit.

Well, as I say, the Asiatic Petroleum Company were taking in a great deal of Burma oil and were selling it through their marketing organization. I believe it paid them better to burn their own oil as fuel at that time. But I understand that they were not content that their own product should disappear from the market altogether. They have to keep it before the public and wait for better times when they will push the sale of their own product once more. Consequently, they went on selling their own product up to a limited extent throughout this competition, and, as they have borne the full brunt of the fall in price which was induced by this competition there seems to be considerable reason to expect that they and the other importers from the United States of America and from Roumania will very likely have to bear this extra duty themselves and that they will not be able to pass it on to the consumer.

“It has been suggested that even if the Burma Oil Company do not raise their prices—and I think there is very strong reason to expect that they will not raise them, at least for the present, while the question of excise duties is not settled—that the importing companies will raise their prices and that the dealers in towns will charge the extra price both on Burma oil and on the other. Well, my Lord, if they all combine that can be done, but if any one of them instead of taking his share of the profits on the rise of price prefers to charge a lower price, and get a greater share of the sales, then the combination will fail and that scheme will not succeed. I do not wish to prophesy, and I do not think any one can prophesy, what may happen, but I think it is not by any means certain that this duty will be passed on to the consumer. There seem to be three possibilities—either that this duty will be passed on to the consumer both for foreign oil and for Burma oil, or else the prices may be unaffected by it and the importers will have to bear the extra cost, or else in the course of time the Burma oil will drive the other oil out of the market altogether. There is one thing that I note at this point, namely, that prices began to rise owing to the slackening of the competition, before the extra duty was announced. The price had been down as low as Rs. 2-2, but it had been brought up to Rs. 3 before this duty was announced. There is one word more, I might say, on this subject. It has not been said in this Council, but I have seen it said in the newspapers and elsewhere, that the Government was under the impression that the American oil only went to the higher class of consumers or was burnt in the better sort of houses. I think the Government was under no misapprehension on that point. It seems clear that a considerable proportion, about $\frac{2}{3}$ ths, of the American oil competes with the Burma oil and with the Borneo oil. The Burma oil is always the cheapest and the other oils generally carry slightly higher prices. I believe they have slightly better illuminating effects. Be that as it may, whatever the price of

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Burma oil may be, that controls the market; there is not a fair fight between them. Owing to this system of combines, they cannot sell as much as they wish. They have to abide by certain arrangements. We do not know the details of them—of course they are suspected—and consequently the price is never affected as freely and as easily as that of other commodities is affected.

“Then there is one more point which I may mention, although it is not perhaps exactly relevant to this amendment, and that is the question of the excise duty. I think the Hon'ble Mover of the amendment is not averse from some protection for Indian industries, but I don't think his sympathies go as far as Burma. Burma after all is part of India, and surely the Hon'ble mover of the amendment does not wish the people of Burma to think that the enlarged representation of other parts of India on this Council will lead to a less careful consideration of Burman interests than before. The Burma petroleum industry is surely as worthy of encouragement, or even of protection if you like to call it so, as the sugar industry. As to this excise duty it has been stated by the Hon'ble Finance Member that the question of excise is still open, but there are some practical difficulties in the way. Besides the Burma Oil Company's large refineries there are between 30 and 40 small refineries in Burma, each of which would have to be supplied with guards and watchmen and so on. If from a financial point of view it is necessary to counterbalance this import duty, if experience shows that this is so, I think some other way will have to be found of doing it, and perhaps in that case a duty on the transport of oil by sea from Burma to India would be feasible. But I would add one word of caution on the subject, and that is that this would be a new departure and that there is a considerable section in Burma which is apt to dwell more upon the disadvantages of the connection with India than upon the advantages. Perhaps it would not be wise to differentiate against Burma by a new process. However, I think those things are in the future. At present, I believe it is not certain that the Burma oil will drive the other oils out of the market and consequently it is not certain that the Finance Minister will lose the revenue for which he has budgeted, and therefore I think that the question of excise will not come up for consideration just yet. I submit to the Council that this increase of the petroleum duty in the present circumstances of the finances is a praiseworthy item of the Tariff Bill and of the financial arrangements for the coming year.”

The Hon'ble MR. GOKHALE said :—“ My Lord, I am reluctant to address the Council again at this late hour, but I am afraid I must not allow what the

[*Mr. Gokhale ; Sir Guy Fleetwood Wilson.*] [4TH MARCH 1910.]

Hon'ble Member who has just spoken has said to pass without a reply. The first thing that I would like to say is this. I would invite the Hon'ble gentleman to accompany me to the part of the country from which I have come—the Deccan; I will take him from town to town, village to village, and will show him that there is not a single house which does not use petroleum. I will also show him thousands and thousands of poor raiyats who do not use sugar from year's end to year's end. That is my answer to the first point. Then, my Lord, he said that the incidence of this new enhanced duty would be about 4 annas per annum per family. I accept his calculation. To my mind 4 annas per family is a serious addition to the burdens of the poorest classes of this country. The Hon'ble Member says that the people have had a relief in the remissions of salt tax. The prices, however, have gone up in every direction, and I am quite sure even 4 annas a year will make a considerable difference to poor people. As regards the question of excise in Burma, I did not refer to it as I had learned from my Hon'ble friend the Finance Minister that that question was under consideration. Moreover my whole fear is that the effect of this duty will be to inflate the profits of the producers in Burma. I understand that all Burma oil that can possibly come to India finds a ready sale; therefore it does not seem that any protection is necessary."

The Hon'ble SIR GUY FLEETWOOD WILSON said :—"We have had an admirable speech, and I think a convincing speech, from the Hon'ble Mr. Gates, and I think he has proved conclusively what I have always been convinced of, and that is that the very fractional amount of cost which will fall upon the poorer Indians is almost a negligible quantity. I do not think that anybody will be willing to charge me with being unsympathetic to the interests of the poorer classes in this country, and if I had thought that this additional tax on petroleum was going really to press heavily upon the poorest Indian class, I would have made every effort to select some other object for taxation. But, when you come to four annas a year per family, I do not think you can say that the taxation is otherwise than fractional. Of course we are all going on the assumption that it is the very poorest who will be affected: but this method of dividing the amount up amongst millions is rather fallacious in this sense that a great proportion of the oil is burnt by the richer people or at any rate by the people who are not so very poor. It also must be remembered that vegetable oil is largely used, particularly I believe in the Punjab—of course on all these matters I have to speak subject to correction because my knowledge of this country is not extensive or based upon a lengthy experience—there is still a great deal of vegetable oil used; and I think I am right in saying that the *raiya*t is one of those extremely shrewd persons who believe in the little verse

"Early to bed, and early to rise,
Makes a man healthy, and wealthy, and wise."

[4TH MARCH 1910.] [Sir Guy Fleetwood Wilson.]

“And he does go to bed early and therefore does not burn very much oil. I think that, on the whole, I really am entitled in the words of one of the greatest of English Financial Statesmen in claiming *ex luce lucelum*, and with that I merely have to say that I cannot accept the amendment.”

The Council divided :—

Ayes—16.

The Hon'ble Pandit Madan Mohan Malaviya.
 The Hon'ble Zulfikar Ali Khan.
 The Hon'ble Maharajadhiraja Bahadur of Burdwan.
 The Hon'ble Babu Bhupendra Nath Basu.
 The Hon'ble Mr. M. Mazharul Haque.
 The Hon'ble 'Nawab Saiyid' Muhammad Sahib Bahadur.
 The Hon'ble M. R. Ry. Nyapathy Subba Rao.
 The Hon'ble Raja Vairicherla Vairabhadra of Kurupam.
 The Hon'ble Mr. G. K. Gokhale.
 The Hon'ble Rao Bahadur R. N. Mudholkar.
 The Hon'ble Mr. M. B. Dadabhoy.
 The Hon'ble Mr. G. M. Chitnavis.
 The Hon'ble Raja Pramada Nath Ray of Dighapatia.
 The Hon'ble Mr. Mahomed Ali Jinnah.
 The Hon'ble Mir Allah Bakhsh Khan.
 The Hon'ble Sir Vithaldas D. Thackersey.

Noes—41.

His Honour the Lieutenant-Governor.
 His Excellency the Commander-in-Chief.
 The Hon'ble Mr. J. O. Miller.
 The Hon'ble Sir Guy Fleetwood Wilson.
 The Hon'ble Mr. S. P. Sinha.
 The Hon'ble Sir Harvey Adamson.
 The Hon'ble Major-General R. I. Scallon.
 The Hon'ble Mr. R. W. Carlyle.
 The Hon'ble Mr. L. M. Jacob.
 The Hon'ble Mr. B. Robertson.
 The Hon'ble Mr. J. S. Meston.
 The Hon'ble Mr. J. B. Brunyate.
 The Hon'ble Sir H. A. Stuart.
 The Hon'ble Mr. S. H. Butler.
 The Hon'ble Malik Umar Hyat Khan.
 The Hon'ble Mr. M. W. Fenton.
 The Hon'ble Mr. F. A. Slacke.
 The Hon'ble Mr. J. M. Holms.
 The Hon'ble Mr. C. H. Kesteven.
 The Hon'ble Mr. C. G. Todhunter.
 The Hon'ble Surgeon General C. P. Lukis.
 The Hon'ble Mr. H. W. Orange.
 The Hon'ble Mr. J. M. Macpherson.
 The Hon'ble Mr. J. Andrew.
 The Hon'ble Mr. H. O. Quin.
 The Hon'ble Mr. F. Rawson.

[*Sir Guy Fleetwood Wilson ; Mr. Graham.*] [4TH MARCH 1910.]

Ayes—16.

Noes—41.

The Hon'ble Kanwar Sir Ranbir Singh.

The Hon'ble Mr. W. C. Madge.

The Hon'ble Mr. C. W. N. Graham.

The Hon'ble Mr. C. H. Armstrong.

The Hon'ble Mr. F. A. Th. Phillips.

The Hon'ble Mr. F. C. Gates.

The Hon'ble Maung Bah Too.

The Hon'ble Mr. P. C. Lyon.

The Hon'ble Maulvi Syed Shamsul Huda.

The Hon'ble Mr. C. Stewart-Wilson.

The Hon'ble Mr. F. E. Dempster.

The Hon'ble Lieutenant-General Sir Douglas Haig.

The Hon'ble Sir T. R. Wynne.

The Hon'ble Mr. G. H. B. Kenrick.

The Hon'ble Colonel F. B. Longe.

So the motion was negatived.

The Hon'ble SIR G. FLEETWOOD WILSON moved that the Bill further to amend the Indian Tariff Act, 1894, as now amended, be passed. He said:—"My Lord, I have received Your Lordship's permission to say one word in answer to a representation which has been made to me by the Hon'ble Mr. Graham. He, I must say, has fought the battle for all those interests which, as Chairman of the Chamber of Commerce, fell to his lot to defend, so strongly and at the same time so courteously, that it has made it all the more difficult for me to say no to him. But I am happy to say that we propose to meet the case of the rectified spirits which are used in medicines and drugs. We propose to meet the case by asking the Local Governments to give respectable chemists the rectified spirits which they require on the present tariff duty of Rs. 7. I think this will be a reasonable settlement of a small matter, but one which undoubtedly is of considerable importance from the standpoint of medicine."

The Hon'ble MR. GRAHAM said:—"My Lord, as one of the Select Committee who has signed the report that we have been considering in connection with this Bill today, I would just like to make one or two remarks in my position as representing the Bengal Chamber of Commerce of Calcutta. I think that

[4TH MARCH 1910.]

[*Mr. Graham.*]

though there is a great diversity of opinion over these duties, yet there is a very great volume of opinion in favour of the principles of them, and so far as Calcutta is concerned I should not like to miss this opportunity of saying so. I think there has been a great feeling of sympathy for the people who have been especially hard hit as regards the stuff in bond and transit, but from what we have been told by the Hon'ble the Finance Member there is evidently no help for it, and although our sympathy still remains, personally I feel that his answer is complete and we have nothing more to say in reply to it. That is with regard to the three items tobacco, spirits and silver.

" With reference to spirits the Hon'ble the Finance Member has just made a statement which relieves me from making any further remarks upon the duty on spirits used by chemists here in the manufacture of drugs, that is, drugs manufactured in India, about which I had intended to ask a question.

" As regards the duty on kerosine oil, I understand it is absolutely impossible even to take into consideration anything in the shape of excise-duty on Burma oil at the present time, but I take it that this is not the final statement on the matter and it is still possible for it to come up in future budgets, and I put it forward for further consideration in the future, seeing that the trade has gone on for so long a time with what you may call a one anna per gallon protective duty, and seeing that the Budget purports to be a revenue one, and not protective, any enhancement therefore of that duty might very well have been divided between the two. The trade is practically divided between imported oil and Burma oil in equal proportions and a quarter anna on each might fairly have met the case, but of course one understands this is impossible under the conditions existing at the moment, without very full investigation. With these few remarks I beg to support the Bill."

The motion was put and agreed to.

The Council adjourned to Saturday, the 5th March 1910. | X

• J. M. MACPHERSON,
Secretary to the Government of India,
Legislative Department.

CALCUTTA; }
The 17th March 1910.