

***THE INDIAN LEGISLATIVE COUNCIL***

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**P L**

**PROCEEDINGS  
OF  
*THE INDIAN LEGISLATIVE COUNCIL***

***ASSEMBLED FOR THE PURPOSE OF MAKING***

**LAWS AND REGULATIONS**

**VOL. LVIII**

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GOVERNMENT OF INDIA.  
LEGISLATIVE DEPARTMENT.

PROCEEDINGS OF THE INDIAN LEGISLATIVE COUNCIL ASSEMBLED UNDER  
THE PROVISIONS OF THE GOVERNMENT OF INDIA ACT, 1915.  
(5 & 6 Geo. V, Ch. 61.)

The Council met at the Council Chamber, Imperial Secretariat, Delhi, on  
Monday, the 8th March, 1920.

PRESENT :

The Hon'ble SIR GEORGE LOWNDES, K.C., K.C.S.I., Vice-President, *presiding*,  
and 54 Members, of whom 47 were Additional Members.

QUESTIONS AND ANSWERS.

The Hon'ble Mr. Kamini Kumar Chanda asked :—

1. “(a) Has the attention of Government been drawn to the following  
press telegram from the Associated Press, dated Patna, the 21st January :—

‘The *Searchlight* publishes the particulars of how an Indian lady  
passenger travelling by first class from Ujjain railway station was asked by  
two European gentlemen to vacate the first-class compartment at Samastipur.  
She was taken out and she had to remain standing on the platform with a  
servant for a few minutes. Then a gentleman, who happened to witness the  
occurrence, placed her into a second class. The matter was brought to the  
notice of railway authorities, but no action was taken.’

11 A.M.  
Treatment  
of an Indian  
lady pas-  
senger at  
Ujjain  
Railway  
Station.

(b) Do Government propose to have an inquiry made about the matter  
and publish the result at an early date, stating what action, if any, has been  
taken by Government?”

The Hon'ble Sir Arthur Anderson replied :—

“ (a) The attention of Government has not previously been drawn to the  
telegram referred to.

[*Sir Arthur Anderson; Mr. Kamini Kumar Chanda; [SUN MARCH, 1920.]  
Mr. A. P. Muddiman.*]

(b) Information has now been obtained to the effect that the lady made no complaint to any railway official, but inquiries are being made with a view to ascertaining the facts of the case."

**The Hon'ble Mr. Kamini Kumar Chanda asked :—**

Representa-  
tion of the  
Delhi  
Province on  
the new  
Councils.

2. "(a) Has the Delhi Province been given any representation on any Council, Local or Imperial, under the Reform Scheme ?

(b) Is it a fact that the Southborough Committee allotted one seat to Delhi in the Legislative Assembly ?

(c) Will Government state the reasons why this recommendation is not to be given effect to, as stated in the Communiqué of the 8th January ?

(d) Do Government propose to consider the advisability of allotting to Delhi at least one seat on the Imperial Assembly and one on the Council of State ? "

**The Hon'ble Mr. A. P. Muddiman replied :—**

"(a), (b), (c) and (d). The Hon'ble Member is referred to the answer given to the question asked by the Hon'ble Mr. Patel on the 8rd March. For the reasons there stated, the Government of India do not propose to allot any elective seats to Delhi in either Chamber of the Indian Legislature. Delhi is a separate province, and cannot therefore be given representation on any of the Legislative Councils of Governors' provinces."

**The Hon'ble Mr. Kamini Kumar Chanda asked :—**

Railway  
porters for  
the Delhi  
station.

3. "(a) Is it a fact that the contract for supply of railway porters for the Delhi station is, according to the decision of the railway authorities, to be given to retired European or Anglo-Indian stationmasters and never to an Indian ?

(b) Is it a fact that there is an army of 400 porters employed at the station who have to pay a daily commission of four annas per head to the contractor ?

(c) Is it a fact that these porters harass passengers whose luggage they handle ?

(d) Do Government propose to make an inquiry into the matter ? "

**The Hon'ble Sir Arthur Anderson replied :—**

"(a) The reply is in the negative.

(b) Government are not aware that this is the case. The contractor is authorised to employ a maximum of 400 coolies, to be available in batches over the 24 hours, and makes his own arrangement with them.

(c) The tariff which coolies are authorised to charge for services rendered is fixed by the Railway Administration. Each complaint forms the subject of inquiry, and if a licensed porter is proved to be guilty of harassing a passenger, he is summarily dismissed.

(d) The reply is in the negative."

**The Hon'ble Mr. Kamini Kumar Chanda asked :—**

Constitution  
of a Board  
of Economic  
Survey in  
the Punjab.

4. "(a) Is it a fact that a Board of Economic Survey has been constituted in the Punjab under official auspices in order 'to take up the more pressing economic questions of the day and arrange for their examination on scientific lines ?'

(b) Do Government propose to suggest to other Local Governments to constitute similar bodies ? "

[ 8TH MARCH, 1920. ]

[ *Sir Claude Hill; Mr. Kamini Kumar Chanda; Mr. Shafi; Mr. V. J. Patel* ]

**The Hon'ble Sir Claude Hill** replied :—

"(a) The Government of India have been informed that the Punjab Government has sanctioned the constitution of a standing board of economic inquiry, but have not yet received any details regarding its functions.

(b) The Government of India consider that this is a matter which must be left to the discretion of Local Governments, but a copy of the Hon'ble Member's question and of my reply will be communicated to them."

**The Hon'ble Mr. Kamini Kumar Chanda** asked :—

5. "(a) In connection with the recent Press Communiqué of the Government of India on the re-organisation of the Provincial Educational Service, as sanctioned by the Secretary of State (dated Delhi, the 29th November, 1919), will Government be pleased to state—

The Provincial Educational Service.

(i) whether the cadre of the Provincial Educational Service in the different provinces will be re-organised permanently on the scale now sanctioned by the Secretary of State, or whether some other subsequent re-organisation is in contemplation, the present measure being in the nature of temporary relief;

(ii) whether the proposed re-organisation has been sanctioned as a result of the recommendations of the Public Services Commission; and

(iii) the date from which the re-organisation will come into force?

(b) Do Government propose to direct that the re-organisation be given effect to from the same date in all the provinces as far as is possible?

(c) Will Government be pleased to lay on the table papers in connection with the re-organisation of the Provincial Educational Service, including the despatch of the Government of India, Education Department, dated 10th July, 1919, on the subject and the Secretary of State's reply thereto?"

**The Hon'ble Mr. Shafi** replied :—

"(a) (i) The re-organisation sanctioned by the Secretary of State is intended to be a permanent re-organisation.

(ii) The re-organisation sanctioned by the Secretary of State, although it differs from the proposals made by the Public Services Commission, has resulted from the proposals made on the recommendations of that Commission.

(iii) The date of introduction will be primarily a matter for decision by the Local Governments.

(b) The Government of India do not propose to give any orders to the Local Governments in respect of the date from which the re-organisation of the Provincial Educational Services should come into effect.

(c) The "papers are laid on the table."

**The Hon'ble Mr. V. J. Patel** asked :—

6. "(a) Has the attention of Government been drawn to the following observations of Lord Amphill appearing at page 115 of the unrevised Official Report of the debate in the House of Lords of 16th December 1919 :—

Formation of a militia and a mercantile marine in India.

'It would be a long step in progress, which would take more than a generation to accomplish, to train a proper proportion of the manhood of India in every Province in a military organisation and also in the art of modern seafaring; but no better earnest of our professed intentions could be given than to trust the people of India with the formation of militia and of a mercantile marine. There could be no better lesson in self-reliance and self-government than that.'

[ *Mr. V. J. Patel; His Excellency the Commander-in-Chief; Mr. A. P. Muddiman; Sir Claude Hill.* ] [ 5TH MARCH, 1920. ]

(b) What steps do Government propose to take for the formation of a militia and a mercantile marine in India ?”

**His Excellency the Commander-in-Chief** replied :—

“ As regards (a), the answer is yes.

As regards (b), the question of the formation of a militia forms part of the general question of Army organization which is now being examined by Lord Esher's Committee. No statement on the subject can be made until the report of the latter has been considered. The creation of a mercantile marine is a matter for private enterprise, but the question of establishing training schools in navigation and marine engineering is receiving the attention of Government.”

**The Hon'ble Mr. V. J. Patel** asked :—

Payment of  
India Office  
charges by  
Parliament.

7. “ From what date is it proposed to give effect to the recommendation of Lord Selborne's Committee that all charges of the India Office, not being ‘ Agency ’ charges, should be paid by moneys to be provided by Parliament ?”

**The Hon'ble Mr. A. P. Muddiman** replied :—

“ The Government of India understand that it is proposed to transfer certain charges of the India Office to the British estimates from the beginning of the next financial year.”

**The Hon'ble Mr. V. J. Patel** asked :—

Control rate  
of Burma  
rice.

8. “ (a) Is it a fact that the control rate of Burma rice fixed on the 7th May, 1919, in Burma was Rs. 385, but that people could not get rice at that rate and had to buy it at Rs. 500 after the 15th November, 1919 ?

(b) What is the present control price of rice in Burma ? What steps do Government propose to adopt for preventing higher rates being charged from the people ?”

**The Hon'ble Sir Claude Hill** replied :—

“(a) It is a fact that on the 7th May, 1919, the maximum controlled price of Burma rice was fixed at Rs. 385 per 7,500 lbs. Big Mills Specials. After the middle of November some rice was obtained at the controlled rate, but stocks were by that time much exhausted and had mostly passed into the hands of a few merchants who were speculating on decontrol. These speculators were able to extort secret bonuses from licensees in Bombay, and it is possible that in some cases these bonuses brought the price up to the figure cited by the Hon'ble Member.

(b) The Hon'ble Member is referred to the Press Communiqué of the 24th December on the subject, which was laid on the table on the 18th February in answer to a question by the Hon'ble Sir Gangadhar Chitnavis.”

**The Hon'ble Mr. V. J. Patel** asked :—

Publication  
of the  
Punjab  
Govern-  
ment's  
report on  
the Punjab  
distur-  
bances.

9. “ (a) Has the attention of Government been drawn to the fact that the official report of the Punjab Government on the Punjab disturbances has been published in England ?

(b) Has the Secretary of State authorised the publication on his own responsibility, or were the Government of India previously consulted in the matter ?

(c) Why has the publication of the said report in India been hitherto withheld ?

(d) Do Government propose to order its publication without delay ?”

[8TH MARCH, 1920.]

[*Sir William Vincent; Mr. V. J. Patel; Mr. Shafi; Mr. A. P. Muddiman; Mr. W. E. Crum; Sir Claude Hill.*]

**The Hon'ble Sir William Vincent** replied:—

- "(a) The narrative portions only of the report were published.  
 (b) The Government of India were previously consulted.  
 (c) The same portions of the report have now been published in India (*vide* Press Communiqué of the 28th February, 1920). Government did not consider it expedient to publish in India while the Hunter Committee was sitting."

**The Hon'ble Mr. V. J. Patel** asked:—

10. "In what universities and to what extent has the system of examination by compartment been in vogue? Will it be extended?" Examination by compartments.

**The Hon'ble Mr. Shafi** replied:—

"The Hon'ble Member is referred to the statement which was laid on the table by the Hon'ble Sir Sankaran Nair on the 23rd September, 1918. Further information on this subject is contained in the University Calendars. The extension of the system of examination by compartments is a matter for consideration in the first instance by the Universities."

**The Hon'ble Mr. V. J. Patel** asked:—

11. "(a) Has the attention of Government been drawn to the recommendation of Lord Selborne's Committee regarding the embodiment in the law of the main principles governing the assessment of land revenue?" Land revenue.

(b) What action do Government propose to take in the matter?"

**The Hon'ble Mr. A. P. Muddiman** replied:—

- "(a) Yes  
 (b) The Government of India consider that as land revenue is a provincial subject, the necessary legislation must be undertaken by the local legislatures. They are in communication with the Secretary of State and propose to address Local Governments on the subject before long."

**The Hon'ble Mr. W. E. Crum** asked:—

12. "(a) Is it a fact that Government propose to earmark to Burma only one lakh out of the surplus arising from the present rice control in Burma?" Allotments to Burma out of the surplus arising from rice control.
- (b) Are Government prepared to reconsider this question and to allot the whole of the surplus to the improvement of communications in Burma?"

"May I draw attention to a slight clerical error in this question, in which the word 'lakh' has been substituted for 'crore.' I hope the Hon'ble Member will not need notice of the alteration."

**The Hon'ble Sir Claude Hill** replied:—

"I had assumed that the Hon'ble Member meant a crore."

"(a) Government originally announced their intention of allotting to Burma the whole of the net profits accruing from the rice control scheme up to a limit of one crore.

(b) The question of the allotment of the balance of the profits, should they exceed one crore, is under consideration."

[ *Rai Sahib Seth Nathmal ; Sir William Vincent ;* [ 5TH MARCH, 1920. ]  
*Khan Sahib Shah Nawaz Bhutto ; Sir George Barnes ; Sir Gangadhar Chitnavis ; Mr. W. M. Hailey.* ]

**The Hon'ble Rai Sahib Seth Nathmal asked :—**

The Provincial Executive Service.

13. "(a) Are Government aware that officers of the Provincial Executive service have been suffering great hardships owing to inadequate salaries and the unprecedented and enormous rise in prices ?

(b) Are Government prepared to ameliorate their condition by giving retrospective effect to the recommendations of Provincial Governments on the Report of the Public Services Commission immediately ?

(c) Do the recommendations of the Central Provinces Administration published in the issue of the Central Provinces Gazette, dated the 18th December, 1919, create a distinction in the pay of officers of the Provincial Judicial and Executive Service of the Central Provinces ?

(d) Do Government propose to sanction for Executive officers the same scale of pay as that proposed by the Central Provinces Administration for Judicial officers, in addition to a fixed touring allowance of at least Rs. 120 a month, with double first-class fare for journeys performed by rail ?"

**The Hon'ble Sir William Vincent replied :—**

"(a) Government are aware that officers of the Provincial Executive Service, like officers of all other services, have been considerably affected by the rise in prices.

(b), (c) and (d) Instead of giving specific replies to these questions Government think it will be more useful to lay on the table for the information of the Hon'ble Member a statement of what has actually been decided in regard to revised scales of pay for the provincial civil service in the executive and judicial branches."

**The Hon'ble Khan Sahib Shah Nawaz Bhutto asked :—**

Increase of allowances to the postal employes in Sind.

14. "Has the attention of Government been drawn to a telegram sent by the Sind Postal Union, Sukkur, to the President of the Postal Conference, held at Calcutta on the 21st January, 1920, regarding the delay in sanctioning increased allowances to the postal employes in Sind on account of the high cost of living ?"

**The Hon'ble Sir George Barnes replied :—**

"Yes.

The postal employes in Sind, outside Karachi, got the general war allowance sanctioned for the Postal and Telegraph subordinates, at the rate of 10 per cent. on salaries up to Rs. 70 and 5 per cent. on salaries exceeding that figure.

The men of the clerical class in Sind will participate in the general revision of pay which has been recently sanctioned by the Secretary of State for India for postal subordinates, and which will be brought into effect from 1st February, 1920."

**The Hon'ble Sir Gangadhar Chitnavis asked :—**

Fluctuations in exchange.

15. "(a) Will Government be pleased to make a full statement, as suggested in the *Times of India* of 18th February last, on its policy on the subject of violent fluctuations in the exchange ?

(b) What measures do Government intend to take to stabilise exchange ?"

**The Hon'ble Mr. W. M. Hailey replied :—**

"The Hon'ble Member is referred to the *communiqué* published on February 23rd. The matter has also been dealt with in my speech introducing the Financial Statement.



[8TH MARCH, 1920.]

[*Mr. W. M. Bailey; Mir Asad Ali, Khan Bahadur; Sir William Vincent; Sir Arthur Anderson; Sir George Barnes.*]

As regards the second part of the question, if the Hon'ble Member is referring to the stability of the rupee sterling exchange, then I should point out that the policy recently adopted by the Secretary of State on the recommendations of the Indian Exchange and Currency Committee aims at securing the stability of the rupee in terms of gold, and not in terms of sterling."

**The Hon'ble Mir Asad Ali, Khan Bahadur, asked :—**

16. "Will Government state for each of the last ten years the expenditure on their exodus to Simla under the following heads :— The Simla exodus.

- (a) Travelling allowances to officers and clerks ;
- (b) Special Simla allowances to them, such as house or rent allowances and any other allowances ;
- (c) Expenditure on account of the carriage by railway of Government materials, including Government records, books, stationery, furniture, and sundries
- (d) Expenses of Legislative Sessions, including all the allowances to members of Council, Executive and Legislative, and the additional cost of the Legislative establishment at Simla ; and,
- (e) Miscellaneous expenses, covering all other expenses not ordinarily incurred at Delhi during the stay of the Government there?"

**The Hon'ble Sir William Vincent replied :—**

"The information required by the Honourable Member is being collected, and when it is received a statement will be laid on the table."

**The Hon'ble Mir Asad Ali, Khan Bahadur asked :—**

- 17. "(a) Is it a fact that on all the principal railways in India Indians are not generally employed as guards in mail and passenger trains? Number of Hindu and Muhammadan guards, etc., employed in various railways.
- (b) Will Government lay on the table a statement showing for each of the last ten years the number of Hindus and Muhammadans employed as (i) guards in charge of mail and passenger trains, and (ii) district officers, on private and State railways, respectively?"

**The Hon'ble Sir Arthur Anderson replied :—**

"(a) Indians are employed as guards on mail and passenger trains to the full extent to which men of suitable qualifications can be obtained, and the proportion is increasing.

(b) The labour involved in obtaining the information asked for by the Hon'ble Member is very great, and the statement would take a considerable time to compile. In the opinion of Government the result would not justify the expenditure of clerical time which the collection of the figures would necessarily involve."

**The Hon'ble Mir Asad Ali, Khan Bahadur asked :—**

18. "(a) Is it a fact that the period for which liquor shops are auctioned has been extended to three years in certain districts in the Punjab, and, if so, what has led to this change? liquor shops in the Punjab.

(b) Do Government propose to consider the advisability of substituting the fixed fee system for three years for the auction system in those districts as an experimental measure?"

**The Hon'ble Sir George Barnes replied :—**

"(a) The Government of India have no information on the point.

(b) The Hon'ble Member is referred to the Report on the Excise Administration of the Punjab during the year 1917-18, from which he will see that a

[*Sir George Barnes; Rao Bahadur B. N. Sarma; [8TH MARCH, 1920.]*  
*Mr. W. M. Hailey; Sir Fazulbhoj Currimbhoj;*  
*Sir Claude Hill; Sir William Vincent.]*

return to the fixed fee system is not considered advisable by the Government of the Punjab. The proper place for the question asked by the Hon'ble Member is the local Legislative Council, and the Government of India do not propose to take any action in the matter."

**The Hon'ble Rao Bahadur B. N. Sarma** asked :—

Cost of the  
War with  
Afghanistan

19. "Will Government be pleased to state (a) the cost of the war with Afghanistan; (b) the cost of the expedition against the frontier tribes since April, 1919; (c) how the above cost has been met by the Government; (d) whether it is intended to meet the above cost from the revenues or from loans?"

**The Hon'ble Mr. W. M. Hailey** replied :—

"The information which the Hon'ble Member desires to obtain will be found in paragraphs 27, 30, and 50 of my narrative introducing the Financial Statement for 1920-21 which was presented to the Council on 1st March. It is not possible to show separately the cost of the Afghan war from the cost of the operations against the frontier tribes."

**The Hon'ble Sir Fazulbhoj Currimbhoj** asked :—

The Cattle  
Conference  
held at  
Pusa.

20. "(a) Have Government issued any report regarding the Cattle Conference held at Pusa during 1918-19?"

(b) Do Government propose to consider the desirability of inviting representatives of managers of panjrapole and dairy companies in India to such conferences in future?"

**The Hon'ble Sir Claude Hill** replied :—

"(a) The Hon'ble Member probably refers to an informal meeting attended by a few Government experts which was held at Pusa in February, 1919, to discuss cattle-breeding and connected questions. The proceedings of the meeting were circulated to Local Governments and Administrations but were not published.

(b) There is no present intention of holding another meeting similar to that described, but the Hon'ble Member's suggestion will be brought to the notice of the Agricultural Adviser to the Government of India."

**The Hon'ble Sir Fazulbhoj Currimbhoj** asked :—

Rouble Note  
Ordinance.

21. (a) Are Government aware of the consternation produced among the commercial community by the Rouble Note Ordinance?

(b) What are the reasons for making the possession of rouble notes a criminal offence?

(c) What steps have the authorities in England and other countries concerned in Russian trade taken to safeguard themselves from any trouble that may arise from the depreciation of rouble notes?

(d) What is the market value of the rouble in England, Canada, Japan, and such other countries as trade with Russia?

(e) What is the approximate extent of rouble notes held by Indians in India?

(f) What was the extent of Indo-Russian overland trade prior to the war and during the war when Russia was an allied country?

(g) Did rouble notes play any part in the liquidation of the balance of trade, and, if so, to what extent?"

**The Hon'ble Sir William Vincent** replied :—

"(a) Government have seen a limited amount of criticism in the press and have received protests from the Indian Merchants' Chamber, Bombay, and

QUESTIONS AND ANSWERS; THE CHARITABLE AND 1121  
RELIGIOUS TRUSTS BILL; FINANCIAL STATEMENT  
FOR 1920-21.

[8TH MARCH, 1920.] [Sir William Vincent; The Vice-President; Mir  
Asad Ali, Khan Bahadur.]

from certain Yarkhand traders, but have no reason to believe that any general consternation has been produced in the commercial community by the Rouble Note Ordinance.

(b) Attention is invited to the Communique which was issued on the 22nd December last.

(c) The Government of India are not aware that any steps have been taken by England or other countries concerned.

(d) Government have no information.

(e) The total value of notes deposited by all parties during the period of six weeks' grace allowed by the Ordinance was approximately 213 lakhs in roubles. Government do not know how this amount compares with the amount actually held by Indians before deposit.

(f) and (g) The Government of India have no information."

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**THE CHARITABLE AND RELIGIOUS TRUSTS BILL.**

**The Hon'ble Sir William Vincent** :—" Sir, I beg to present, 11-16 A.M.  
the Report of the Select Committee on the Bill to provide more effective control over the administration of charitable and religious trusts."

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**FINANCIAL STATEMENT FOR 1920-1921.**

**FIRST STAGE.**

**The Vice President** :—" Council will now enter on the first stage of the discussion of the Financial Statement. Before we begin, I should like to inform Hon'ble Members of the course I propose to adopt. We shall sit on with the usual midday adjournment till 4 o'clock, at which hour we must adjourn as we have an important Select Committee sitting. Then, if Hon'ble Members so desire and not otherwise, we shall meet again at 6-30 this evening and sit till 8 o'clock. That will be a matter for the wish of the Council, but I would only point out that, if we are going to adjourn at 4 o'clock, I shall have to give the Hon'ble the Finance Member an opportunity of replying at a quarter to 4."

**The Hon'ble Mir Asad Ali, Khan Bahadur** :—" Sir, 11-16 A.M.  
while congratulating the Hon'ble Mr. Hailey on his first satisfactory budget I cannot help feeling that he has to face more difficult times ahead especially in view of coming changes, and to the need for providing ways and means to meet our capital liabilities, as well as the war bonds and loans within the next three or four years. A fair revenue position and an anticipated budget surplus of a little over £2 millions for 1920-21, the maintenance of reasonably high silver reserves and the ability to keep down within manageable proportions the floating debt of India (which is said to have reached about 68 crores in October last) without the necessity of increasing the fiduciary note issue, the re-arrangement of the super-tax and the adoption of a railway programme, and above all, the absence of any additional burden to the country in the shape of fresh taxation are among the salient features of the Financial Statement. The Statement, the last of its kind under the Government of India Act of 1909, I venture to submit, calls for little criticism. With the menacing situation in the middle East and the Bolshevist schemes at our very doors, we cannot reasonably expect any appreciable reduction in our military expenditure in the present budget, nor can we look to any special grant under the heads of Education and Sanitation with a current deficit of about £14½ millions staring us in the face.

[*Mir Asad Ali, Khan Bahadur.*] [8TH MARCH, 1920.]

"I may, however, be permitted to make a few general observations. In noticing the general revenue position it is satisfactory to note that the budget for 1920-21 provides for an increase in revenue of about £4½ millions over the revised estimate for 1919-20. While an increased revenue under customs and stamps, income-tax and railways, and posts and telegraphs is welcome, that under excise and opium is to be viewed with little satisfaction. The excise revenue has grown from about £7 millions in 1910-11 to about £13½ millions in 1920-21 (budget). It has nearly doubled itself within the last ten years. While the Provincial revenue has increased by about 46 per cent. within the last five years, the Imperial revenue has risen by about 95 per cent. during the same period. My own Presidency, which enjoys a high reputation for the efficiency of its Abkari administration, contributes over three-fourths of the total provincial increase in the revised estimate for 1919-20 over the budget of that year. While an increase in the excise revenue does not necessarily indicate a corresponding growth in consumption, it represents, however, that the major portion of the revenue is derived from the poorer classes whom the cursed drink habit unfortunately impoverishes. But an increase by leaps and bounds may also suggest an increased consumption of liquor. It is unfortunate that excise should be looked to as a fruitful source of ever expanding revenue. While we ought not to look to any increase in opium revenue, we find that, while the revenue from the sale of provision and medical opium has decreased by about 11 per cent., that from the sale of excise opium has risen by about 13 per cent. within the last five years.

"As for the railways, we may anticipate a further increase in the ordinary passenger traffic, and consequently a higher revenue from that source might probably have been budgetted for. While the railway administrations have been profiting themselves through increased earnings, it becomes their bounden duty to provide for greater facilities for train service and for increased comforts to the travelling public, especially the third class passengers who contribute largely to the revenue, and whose manifold grievances have from time to time been brought to the notice of this Council.

"Coming to the expenditure position, I find that military services, the largest item on the expenditure side, claim nearly two-fifths or about 40 per cent. of the total expenditure, both Imperial and Provincial. While I hesitate to criticise the military policy of the Government in the absence of a full and accurate knowledge of the present military needs and of the details of the military administration, I fear that a growing military expenditure in times of peace may probably lead to the starvation of the civil needs of the country. While it is true that a smaller item has been budgetted for, it may not be known until the actual figures for 1920-21 are obtained whether there might not be an increase over the budget estimate, as is the case this year even after deducting the Afghan war expenses. For even then the revised estimate for 1919-20 exceeds the budget estimate for the same year by about £2 millions. Though it is not possible to reduce military expenditure to the pre-war standard, the pruning knife of the Hon'ble Finance Member has yet to be applied to large Military items. Again, salaries and expenses of Civil Departments have increased by about 20 per cent. within three years, as the budget estimate shows. Though posts and telegraphs show a large budgetted expenditure for 1920-21, an increase of about 50 per cent. over the actuals for 1918-19, it is gratifying to learn from the Financial Secretary's memorandum that a part of the increase is due to the revision of pay of various establishments. The grievances of postal and telegraph subordinates have been before the Government for a long time. I trust, therefore, that a substantial part of the increased expenditure under posts and telegraphs will go to meet their legitimate wants.

"With the presentation of this budget closes an eventful chapter in the history of Indian Legislative Reform. By this time next year, the Indian Legislative Assembly with wider opportunities may probably go into a detailed examination of the Imperial Budget, and suggest ways and means for the social and economic development of the country. In this connection, I should like to suggest that the Financial Statement accompanied with the

[ 8TH MARCH, 1920. ] [ *Mir Asad Ali, Khan Bahadur; Maharaja Sir Manindra Chandra Nandi* ]

Financial Secretary's memorandum should first be presented to the members of the new Assembly. One week after such presentation, the first stage shall merely open the various heads of the Financial Statement; At least a week should elapse between the opening and the discussion stage. During the second stage the resolutions pertaining to the Financial Statement should be discussed. A week after that, the Assembly may go into a general discussion of the statement, three or four days after the third stage of general discussion. The Hon'ble Finance Member should present the budget in its final form. The adoption of this procedure, it seems to me, will be more useful and convenient to the non-official representatives."

**The Hon'ble Sir Manindra Chandra Nandi** :—" Sir, I do not envy Mr. Hailey's position as the present Finance Member of the Government of India. His first budget on behalf of his Government happens to be the last budget based on the combined accounts of the Provincial and Central Governments. This year Mr. Hailey has had many new problems of finance to grapple and contend with; in the next, he will have to throw all the traditional arrangements of Imperial and Provincial accounts into the melting-pot and evolve a purely imperial budget. Then, Sir, as soon as Mr. Hailey came into his office, he was set face to face with the problem of high prices on the one hand, and the preparations for a war on our frontier on the other. No one, Sir, with such a task before him, could feel very happy or comfortable: yet one feels that Mr. Hailey has done well under very adverse circumstances. 11-24 A.M.

" Sir, Mr. Hailey's first Financial Statement has been hailed in certain quarters as 'a prosperity budget': in others, as 'a disappointing document' typifying old-world ideas of bureaucratic finance. It appears to me, however, that the truth in this matter, as in most other matters in this imperfect world of ours, lies midway between these two extravagant judgments. Mr. Hailey's budget is not a 'prosperity' one inasmuch as it does not indicate on a very sure and safe basis the prosperity of the people or the Government of India with whose finance he deals. Mr. Hailey's good luck comes from the gain by exchange, and if the Indian tax-payer has escaped an additional burden other than involved in the re-arrangement of the super-tax, he must thank the exchange windfall rather than to increased revenues from the ordinary resources of the State. Nor are his disbursements very unhappy or disappointing either. Though military expenditure has absorbed the lion's share of the revenues of the Government of India, Mr. Hailey does not appear to have stinted money on such nation-building items as 'education' and 'sanitation' or such reproductive investments as 'railways' and 'irrigation.' I am one of those who have never supported the idea of starving Indian Railways and Irrigation, for, after all, they are the geese that lay the golden eggs for us, and I feel that the budgetting for a capital expenditure of £18 million in England and 4½ crores in India for our profitable railway estate and £580,000 for Irrigation is not open to much sane criticism. Now, I will turn to education and sanitation. I find in Mr. Hailey's statement under discussion that the expenditure on education for the year 1920-21 from imperial assignments alone will be about 2½ lakhs more than the similar grant for the last year, the provision made in the budget under 'education' amounting to over 2 crores of rupees against the probable outlay of 178 lakhs in the current year. In the matter of 'sanitation,' I similarly find that the special imperial grants under this head for 1920-21 amount to about 80 lakhs against a probable expenditure of 3½ lakhs in the current year. Sir, though these figures may not represent all the people might wish the Government of India to spend for their education and sanitation, it would be a travesty of truth to describe the grants already provided for in the budget under these heads as not going a long way towards meeting the requirements of the situation. Sir, the critics of the Government of India, however, are having their last fling in this matter, for, from next year, both 'education' and 'sanitation' will be transferred to the charge of the provinces and placed in the portfolios of Indian

[*Maharaja Sir Manindra Chandra Nandi*; *Mr. V. J. Patel*. [STU MARCH, 1920.]

'ministers.' We shall then be able to see what amounts we are able to spend ourselves on our education and sanitation when they have been taken out of the hands of Mr. Hailey and my good friend Mr. Shau.

"Sir, though I do not share the general pessimism of my Indian friends who have described Mr. Hailey's efforts as very disappointing, in one matter at least . . .

**The Hon'ble Mr. V. J. Patel**:—"I rise to a point of order, Sir. No one has described it as disappointing so far."

**The Hon'ble Maharaja Sir Manindra Chandra Nandi**:—"My sympathies are with them. The military expenditure of the Government of India ran very high in all conscience during the last four years, but we submitted to all that very cheerfully in view of the great interests which civilisation had at stake in the last war. We do not even now mind paying a very heavy bill for the great Afghan war and its sequel, out of whose meshes, I am afraid, we have not yet been able to get out completely. These things, however, do not trouble me very much, for they form part of the very necessary sacrifices, which, along with other parts of the Empire, we were called upon to make for the protection of some of our dearest interests. But, Sir, it is not the past, so much as the future that appears to me full of danger. In his budget, Mr. Hailey puts our military expenditure for the next year to sixty crores of rupees, which is about a little less than half of the total revenues of the Government of India. Sir, I frankly confess I cannot reconcile myself to a situation which takes away such a considerable amount of our revenues for military services and equipments, though we are assured by Mr. Hailey that this amount represents no more than only 'the bare minimum required.' If it were a question for one year only, we might acquiesce without much grumbling, but, Sir, what appears to me to be the most alarming feature in Mr. Hailey's budget is the fear held out of our military expenditure never coming down to a pre-war basis. In paragraph 53 of his statement, Mr. Hailey observes:

'I may say at once that if India is to maintain in an efficient state an army of the strength required for the adequate defence of our frontiers, the cost of the military services will in future be much in excess of the sum which we have been accustomed to allot in our budget for this purpose.'

"Sir, this appears to me to be an ominous warning. I understood, and hundreds of thousand of people understood all over the world, that the last war was waged to end war, and that, with the inauguration of the League of Nations, an era of peace would dawn upon this earth which would be quickly followed by disarmament and demobilisation in every part of the world. But, Sir, with Mr. Hailey's budget for this year and his ominous warning for the future, we do not appear to have entered into an era of peace at all. The budget does not read like peace, nor does the atmosphere look like it. But though, Sir, we cannot go back to old pre-war and old peace-time conditions, I think we must do something to reduce our military expenditure compatible with the safety of the Empire. It appears from the budget that a very large part of our expenditure on military account is incurred for the increased pay and war gratuities of British soldiers and officers, and for the housing and accommodation of the same. Sir, I do not see any reason why the future Indian Army should not be exclusively an army of Indian soldiers,—manned and officered by Indians themselves. If the time is coming when we should do with a very small number of British officers in the civil administration of the country, I do not see any reason why we could not do without a very large British element in the army also. If the Indian Army could be made a self-contained and self-dependent machine, if the normal garrison of India could be largely left to Indian hands, then our military expenditure could be reduced by leaps and bounds, in spite of the higher standard of military equipment necessitated by the experience gained during the last war. I hope, Sir, this view of the question will be duly considered when

[8TH MARCH, 1920.] [Maharaja Sir Manindra Chandra Nandi; Sir Fazulbhoj Currimbhoj.]

the Army in India Committee's report comes to be considered by your Government, and I have no doubt that, when a policy of trust of the people on the part of the Government begins to beget trust on the part of the people for British rule, there will be a very large margin for economy in our military expenditure.

"There is another matter, Sir, to which I would very much like to draw the attention of the Government of India. We are told by Mr. Hailey that the exchange has made it possible for the Government of India to look forward to a time when it may be independent of all provincial contributions. Sir, it must be your wish, as well as the heart's desire of all friends of India, that the provinces of India should start their new career in constitutional development under as happy auspices as possible, and provincial development should not be strangled by inadequate finance. I, therefore, congratulate Mr. Hailey on his assuming on behalf of the Central Government the liability for extinguishing all provincial contributions within a measurable time. This, Sir, after all, is a negative blessing, and I hope the time is not distant when the Government of India should also assume the liability of contributing back to some of the provinces a certain definite amount for their development. Sir, I am thinking of Bengal, where, the land-revenue being fixed, we may naturally claim for a portion of the large amount which we contribute towards the imperial exchequer in the shape of customs and income-tax revenue, and, without which, I am afraid, it will be impossible for us to meet the growing requirements of a progressive and autonomous administration.

"Sir, I have no intention to take this Council into the intricacies of the currency question, but I would very much like to give the Government a warning in the matter. High prices, Sir, have followed the present exchange question, as it was inevitable that 'the general decrease in the purchasing power of money elsewhere should re-act upon the purchasing power of the rupee'. Mr. Hailey has himself admitted that the question of high prices is the most difficult and most anxious of problems which the Government of India have to face. Under this circumstance, I may be allowed to entertain the hope that the linking of the rupee with the gold, recently effected in consequence of the recommendations of the Currency Committee, will not be lightly disturbed. In this connection, Sir, I have another suggestion to make. I find that the Government of India have lost a good deal of money,—nearly 12 crores in January and February alone—by the sale of their Reverse Councils. It will go on losing heavily so long as these are put up in the markets to adjust the balance of trade. As I understand from experts that trade is not likely to suffer if the sale of reverse drafts were stopped, the Government ought to give their immediate attention to concerting measures for putting a stop to the sale of these Councils.

"In conclusion, Sir, I have to thank Mr. Hailey, on behalf of the people of Bengal, for the special grants made by the Government of India of the sum of nearly 9 lakhs of rupees in lump for our provincial sanitation, of over 4 lakhs for the Belgachia Medical College, of 6 lakhs of rupees for a technical institute in Calcutta, nearly 13 lakhs for the improvement of the Port of Chittagong, 10 lakhs for increasing the pay of menials in the various services, 7 lakhs for widening the Madaripur Bill Canal in the district of Faridpore, 6 lakhs for the re-building of the Kidderpore Bridge, and 38 thousand rupees for Sir Jagadis Chandra Bose's Laboratory in Calcutta, besides the necessary allotments for the re-organisation of the public services and the recurring grant of a lakh and fifty thousand to the Calcutta Improvement Trust."

**The Hon'ble Sir Fazulbhoj Currimbhoj** :—"Sir, at the outset <sup>11-</sup> I may remark that the Financial Statement presented by the Hon'ble the Finance Member is a brief and business-like document. I should like to congratulate the Hon'ble Finance Member on his good fortune in finding huge surpluses from adventitious sources, which on the whole cover the deficits arising from military and other causes. The Finance Member will reap a certain amount of legitimate popularity owing to the fact that when most people expected

[ *Sir Fazulbhoy Gurrimbhoy.* ] [ *STH MARCH, 1920.* ]

further taxation and when most countries in the world are raising large sums by taxation, he is able to give this country a budget which does not apparently involve any additional taxation.

"I am anxious to draw the particular attention of this Council to the serious feeling existing among all classes of business-men in Bombay with regard to the sale of Reverse Council Bills. Those of us who have given thought to the subject of Indian Currency and who have followed carefully the various steps by which the Government have changed their policy from time to time are distressed at the recent extraordinary fluctuations in the exchange which people in Bombay believe to have been due very largely to the action of the Government. The ratio of R15 to one sovereign had been maintained in practice to the advantage of this country for over twenty years. It was maintained during the war at a great sacrifice of public funds and a serious loss to the business community. After the armistice, just when this country had the largest claim for reward and generous treatment at the hands of the United Kingdom and the Allies for whom India underwent to the full extent all sacrifice that was possible for her, we find that exchange has been raised successively until it has reached this height. The Government have sacrificed the stability of exchange, and notwithstanding the great need for establishing stability, the recommendations of the majority of the Indian Currency Committee have failed to give any reliable remedy in this direction. The American cross rate on which reliance was put has since gone down from 885 to 340; hence nothing but disaster can come from that report. The uncertainty of exchange is hitting alike the import and export trade, and I fear a still greater and permanent harm is done to the producers of this country. Whatever theoretical writers and armchair philosophers may say, I have no hesitation from my practical business experience in maintaining that the higher exchange has not resulted in any substantial benefit to the users of imported articles. The United Kingdom has not been able, owing to various well-known causes, to produce even a fraction of her pre-war output, and it is significant that the trade of other countries with India, as far as the import trade of the country is concerned, has expanded by leaps and bounds. Even during the period of rising exchange England has not been able to make any considerable advance in actual delivery of goods. Quotations from England in numerous articles are to-day even higher with an exchange which at one time nearly touched 3s. than they were twelve months ago when the exchange had not risen. The textile industry of Bombay with which I am closely connected is one of the best customers of the United Kingdom in matters of machinery and stores of all kinds, chemicals, beltings, etc. We are paying prices to-day which do not show any appreciable advantage to us owing to the rise in exchange. If anyone asserted that the loss to this country over the exports is made good on the imports, that assertion would be a great wrong to this country, not only because the imports are smaller in volume, but also because the prices of imported goods have, on the whole, not shown any great tendency to come down in spite of higher exchange. What is the other side of the picture? Every Englishman who had investments in this country has hastened to realise them. Investments in machinery of all kinds have appreciated in value to an unprecedented extent, and most of these have been remodelled or amalgamated or refloated and passed on at inflated values to Indian investors. Their high realisations from these sources, the Government have enabled them to transfer to the United Kingdom at favourable rates. I am one of those who believe that the greatest benefit conferred by British rule on this country is the investment by Englishmen of their capital here in enterprises which Indians are unable to undertake on account of lack of funds or ignorance. In this light I cannot but help feeling that the greatest disservice has been done by the Government to this country in preventing this flow of capital and in encouraging the withdrawal of those investments.

"Capital which came to this country with the expectation of a steady 6 to 10 per cent. return is earning now by mere withdrawal over 100 per cent. in the sales through inflated value and more than 100 per cent. in exchange.



[SIR MARSH, 1920.] [Sir Fazulbhoy Currimbhoy.]

The difference between Home investments and investments in India was great at one time; but it is not so great now as to induce an Englishman to forego all advantages. He can afford to take a much smaller return at Home, and even to bear a larger taxation if he can make such enormous profits on exchange. Apart from the withdrawal of this capital it is the turning of the stream which must cause serious concern to all business-men. I for one do not expect that for some years to come capital would flow to this country for investment.

"Sir, the sale of Reverse Council Bills appears to have been adopted by the Government of India in pursuance of the recommendation of the majority report of the Indian Currency Committee. That Committee was very defective in its constitution, and it took very long to give its decision. In the meanwhile, Government went on raising the exchange ratio. Indian publicists and a few Englishmen do not agree that the events during the period the Committee was sitting justified the Government successively raising the exchange. There were other remedies which, I am sorry to say, were not adopted. One such remedy was the mobilisation of the Indian Sterling Debt and its purchase by the people of this country. At the time the report of the Committee was published the exchange was 2s. 4d., but the Government suddenly raised the rate to 2s. 7d., 2s. 9d., 2s. 11d., in the course of a few days when no such action was at all necessary. The situation has radically changed since the Committee's report. Even if one allows for the sake of argument the raising to 2s. 11d. was unavoidable, there could be no object in Government wanting to maintain it at that high level, and therefore there could be no object in the sale of Reverse Bills. I do not apprehend any serious consequences could have happened had Government not offered for sale Reverse Bills, when they did. They throw the market by their action into an uncertainty and invited those speculative elements which are always drawn where quick and easy money is to be made. The speculative demand created by Government action is having disastrous consequences, and even now the continuance of that policy is producing serious evils and serious obstacles in every form of legitimate trade and industry.

"In the meanwhile, Sir, there has been a phenomenon which has been greatly misunderstood by the public. The Government have not yet made free the import of gold to this country, and they have deliberately kept very low the acquisition rate for gold imported into this country by private parties. The Government method of reducing premium on gold in this country was certainly not the best one to adopt, because I can say from reliable information that by their policy of selling gold in the manner they did, the Government drew in the not an enormous mass of persons who did not want gold for any legitimate object, but who were merely speculating. The result was that large sums of money were locked up. What was more necessary was to establish immediately honest and *bona fide* exchange rates with the outside world, and this could have been done by removing the restrictions on gold imports by private individuals. If Government were not prepared to do this Government should have at least raised gradually the acquisition rates of gold so as to reduce the tension. I regard gold as a very desirable backing for the note issue of India. The only explanation which I can find for the course of action they followed is their desire to save the gold reserve of England. If the acquisition rate was raised in India the premium on gold in London would have gone up and the sterling would have depreciated still further in relation to gold owing to the withdrawal of all gold for India. The low acquisition rate prevents gold from South Africa coming here and the gold from Australia being diverted to Bombay. Instead of India being able to dictate to the world and being in a superior position owing to the large percentage of metallic backing to her currency, she is deliberately kept in a position of inferiority, subordination and drift. While recognising the necessity of avoiding any violent changes and crisis in any particular financial centre, without reaction on the finance of this country, I cannot help feeling that too much concern has been shown for British financial interests and too little for trade and finance of India.

[ *Sir Fazluloh Quorimblay.* ] [ 5TH MARCH, 1920. ]

" Sir, I am pressing these rather involved points to the notice of this Council and the notice of Government in order to raise a serious practical issue. In all earnestness I ask the Government whether they are going to lead the fortunes of this country in the matter of currency and exchange with the changes that may take place in the exchange between England and the United States—changes which may have nothing to do with India, which may have nothing to do with England, which may arise from political cause, strikes or any other reasons absolutely remote from the life and activity of this country. Must India perpetually play the second fiddle and be tossed about by every change that takes place in the American cross rate? Are the trade and industry of this country not to count in the decisions on currency and exchange question? I do not understand the particular point of fixing 2s. in gold for the rupee. It ensures no stability, and it is unduly high. If one were to judge the result by the evil consequences which have come about in the attempt to fix the exchange at this artificial point, the future seems very dark. If we can secure neither stability in exchange nor favourable conditions for trade, nor security, all legitimate expectations of further investments of British capital in this country will be at an end. How can we recommend persistence in this policy? Let us, I submit, seek the re-establishment of Indian exchange at the old rate of 1s. 4d. sterling by gradual stages without debasement of the rupee. I do not apprehend any serious consequences, provided the attempt is made steadily and by degrees; but I submit to Government in all humility that the objective of Indian policy should be that we cannot have a general advantage at any other rate. If that were the objective, the sale of Reverse Bills at such high rate as 2s. 11d. would certainly be disadvantageous. Even with the change in the exchange ratio, the sale of Reverse Bills is wrong. It does not even secure legitimate security from day to day. The only anxiety of Government should be to prevent exchange going below the rate fixed.

" Sir, various explanations have been forthcoming as to the necessity of selling these Reverse Bills. One object is the accommodation of trade. I am not raising a mere conventional protest against Government interference with trade when I say that trade would take care of itself if only Government left it free. What about the serious losses arising from the withdrawal of funds which were remitted to England at 1s. 4d. and are being called back at an exchange double of the old rate. The advantage in the reduction of Home charges is distant, and may be lost in future; but nothing can wipe out the public feeling from this simple process which the man in the street can understand very clearly. He sees the present loss which bulks large in his eyes. I ask leave of this Council to refer to the serious exasperation in commercial circles in Bombay which demand reconsideration of the whole problem and an immediate stoppage of the sale of Reverse Bills. Even if Government be not altogether convinced of the reasonableness of some of the demands of the Indian public, it would be, I submit, high statesmanship to respect this opinion as far as possible, and not to disregard it in a matter of vital importance to the people, nor to overlook the discontent which has followed and is likely to grow."

" In addition to what I have already said with regard to the policy of selling Reverse Council Bills and of the acceptance of the Currency Committee's Report, I should like to bring to the notice of Government the desirability of providing for the encashment of currency notes at district treasuries. The Government have at no time been bound by law to do this, but it was a healthy practice before the war, and it undoubtedly led to the establishment of confidence of the general public in the note issue. This confidence was during the war, on account of overissue and several other causes, shaken, and there was for some time very high discount on the notes, in some districts as high as 19 per cent. This is a phenomenon which I regard as alarming, and I would, therefore, urge on Government to provide as early as possible at convenient centres facilities for the encashment of notes. If the Government are apprehensive of an excessive number of notes being presented at any particular centre, they might authorise the district treasury to fix a daily limit for each individual, with the proviso that all applications up to Rs. 100 should be allowed. This would restore the confidence of the public.

[8TH MARCH, 1920.] [Sir Fazalbhoy Gokhale.]

"I wish to refer, Sir, to the very large gain from exchange. These large surpluses from exchange I regard with as much distrust as the late Mr. Gokhale used to regard the large surpluses from overissue of rupees and high prices. One can legitimately suggest that the surpluses arise as a matter of account, because no one suggests that India has actually gained this much money from any outsider. If then these large surpluses come primarily from the pockets of the people, they constitute to my mind a form of tax, and the greatest circumspection should be used to examine in what way these are spent.

"I wish to refer, Sir, next to the large military deficit during the current year amounting to no less than fourteen million pounds sterling. Whilst those who were watching the situation across the frontier anticipated some sort of trouble, but few expected such costly and extensive operations with such inconsiderable results, involving a financial burden which must make the Government and the people pause and consider the whole question. Where is all this going to lead? I am a practical man, but I cannot help feeling that the hopes and dreams of the world that was waging the war in order to end war are at the moment shattered to pieces. It was the hope of every patriotic citizen of India that the large financial resources required for nation-building, for vigorously pushing forward the programme of education, sanitation, and general industrial and economic improvement, would be got by savings in the military estimates. The military expenditure of India has been a subject of criticism by Indian members of this Council for over a generation. Even English critics of Indian finance have declared from time to time that India is bearing more than her legitimate share of military burdens. India maintained before the war an army beyond her own requirements—troops which have been used from time to time in operations beyond her own frontiers. While not grudging every legitimate contribution to the defence of the Empire, I respectfully urge on Government the need of curtailment, to its lowest limits consistently with efficiency and safety, of the programme of military expenditure for the next year, put at the extraordinary figure of £40 million. This amounts to nearly half the total revenue of India, and leaves very little for other essential purposes. Government, I am sorry to say, have not taken the members of this Council into their confidence in regard to the details of military defence and of future military reorganisation. Looking merely to the total figure of expenditure, our first impulse is to appeal to Government to have these enormous charges reduced. I am not sure that they could not be reduced, and that we could not effect further economy in military matters without impairing the efficiency of the army. A good country like India should rely on a Territorial Army and large half-trained reserves of Indians on the volunteer system. I earnestly hope that the Army-in-India Committee now sitting will consider this question in this light. Sir, in referring to this subject, I am referring to a feeling universal among the Indian public, and as they become more and more conscious politically through the benevolent action originating in the joint report of His Excellency the Viceroy and Mr. Montagu, these reflections and opinions are bound to gather strength.

"While on the subject of military expenditure, I should like to mention clearly my views on the question of further war contribution by India. When the resolution was passed, the feeling in the country was something different. The conditions have now changed. The Capital loss from exchange (forty crores in our paper currency reserve alone) have been very heavy. The economic condition of the people is anything but satisfactory. During the war, apart from direct contributions, the indirect contributions of India as a whole were large, and our various services have elicited expressions of gratitude from the highest authorities, both here and in England. To my mind, the very fact that the resolution last year was carried through the Council conditionally is significant of the grave apprehension which the people had with regard to the currency crisis and the disturbance on the Frontier. The assurances of the Government and His Excellency's personal views secured for it the support of this Council. We hold to the conditions. One of them admittedly is present. Then there are other considerations. We can ill-afford to spare this sum, though apparently

[*Sir Fazlulhoj Currimbhoy.*] [5TH MARCH, 1920.]

the budget does not suggest new taxation. We need it for various purposes. The saving to the exchequer of India of this money would enable us to use it in numerous directions now unfortunately neglected for want of funds. In my opinion Government should take the responsibility of final decision in the matter. Government have the materials before them for a comparative estimate of advantages and disadvantages. The Hon'ble Mr. Hailey, in his Note on the subject, observes: 'Apart, therefore, from the larger question which now comes before the Council the Government of India have in the matter of the contribution for non-effective charges formulated a settlement, which, judged in the light of the previous proposals, must be regarded as satisfactory to Indian revenues, and if the matter is to be re-opened, it may result in new claims being pressed against India which it would be difficult to resist.' Again: 'A certain sum, calculated at £1 million would, if the offer be withdrawn, fall on our revenues on account of troops utilised for the Afghan operations. Finally, there are strong grounds for holding that any re-consideration of the case should not in any case extend to the non-effective charges in view of the nature of the settlement....., since to do so might involve India in liabilities which cannot now be definitely stated.' We have no idea about these claims and liabilities; but the whole point is that the matter should be treated as a business proposition. If the compulsory Indian service share and the other non-effective charges exceed or even equalise the total proposed grant, it would certainly be prudent for India to sanction it. If, on the other hand, the total of the claims and the liabilities referred to above be less than the contribution, prudential considerations would counsel waiver. If the non-official members have to express an opinion, they would certainly press for the cost of the frontier operations to be deducted from the promised contribution.

"Sir, while the business community is thankful to Government for the abolition of the excess profits duty, the fact remains that the real burden on Industry is not reduced to the desired extent owing to the re-adjustment of the super tax. One aspect of the re-adjustment must be brought to the notice of Government. A flat rate of one anna in the rupee will be levied on the whole profits of a company including the portion appropriated to payment of the tax. The dividends will therefore be lower and these attenuated dividends will be liable to be assessed to the super tax, possibly at a higher rate over again as forming part of the income of an individual. This principle is foreign to the administration of the income tax, and it is necessary that similar safeguards should be provided in the assessment to the super tax. Perhaps Government intend to do so, but from the speech of the Hon'ble Finance Member doubts have arisen in financial circles in Bombay, and hence I am referring pointedly to it. In case that portion of an individual's income which comes from dividends is not exempted from this levy, the net effect will be discouragement of investment in joint stock enterprises. Investment in a partnership business will bear super tax once, while that in joint stock companies twice. This would be manifestly unfair and very inexpedient. I earnestly hope Government will favourably consider this important point.

"Sir, as a banker I regard the question of the outstanding Treasury Bills as serious. It is gratifying to see the Hon'ble Finance Member realises the danger involved in carrying huge floating liabilities. I have, however, looked in vain in his statement for a bold or definite policy for the reduction of this liability. Evidently he relies on his ways and means programme for a balance which can be applied to repayment of Bills as they fall due. Probably he expects a larger response to the next loan than the 15 crores mentioned by him. On the other hand, with the amalgamated row bank the Government of India ought to be in a position to tide over the intermediate period. All the same I would advocate a bolder course, and I would suggest that an option be given to the holders to convert the bills without any charges into Government Paper in the new loan with all the advantages and attractive features which would, no doubt, be devised by the Finance Member."

[ 8th March, 1920. ] [ *Mr. Surendra Nath Banerjee.* ]

**The Hon'ble Mr. Surendra Nath Banerjee:**—" Sir, in approaching the discussion of the Budget we are reminded of the fact to which, I think, reference has been made by my friend the Hon'ble Mir Asad Ali, Khan Bahadur, that we are a dying legislature and that our life has twice been prolonged by the beneficent intervention of His Excellency the Viceroy. This is the last Budget of its kind which this Council will be called upon to consider. The Budgets of the future will be very different in form and substance, and the methods of procedure in dealing with them will also be different. They will largely, if not wholly, be budgets of the Central Government. There will be no grants from the Imperial Government to the Local Governments, but, on the other hand, contributions from the Local Governments to the Central Government. The estimates will be voted upon as in Parliament; the Resolutions will indeed not be binding upon the Government, but it is obvious that a Government, which has to depend for its legislation upon an Assembly preponderatingly popular in its character and complexion, cannot long afford to ignore its wishes or to disregard its behests.

" Sir, what is the attitude of public opinion with regard to this Budget? Our feelings about it, I may say, are of the mixed order. They are feelings of approval and also of apprehension, of general approval subject to criticism in respect of details, of apprehension with regard to the future position of our finances. We recognise—and I think I re-echo the sense of this Council in this matter—we recognise the great ability which the Hon'ble the Finance Minister has displayed in dealing with a financial situation so difficult and so complicated. We congratulate him upon the lucidity of his exposition and upon the keen solicitude which he has displayed in dealing out even-handed justice to all interests concerned. But, Sir, we cannot disguise from ourselves the fact that it discloses a situation which must cause the gravest concern to the tax-paying community. The military expenditure has bounded up from 20 millions in pre-war times to 40 millions to-day. If that were all, the long-suffering Indian tax-payer might perhaps have reconciled himself to a situation that was inevitable, and perhaps not wholly unexpected; but there is something behind. The Finance Minister strikes an ominous note of warning; he tells us that this is the least amount that can be budgetted for as military expenditure and, furthermore, that it is liable to increase in the event of the frontier wars continuing. Sir, who can regulate or control the martial tribes on the frontier? They are volatile and fickle, notoriously turbulent, liable to be carried away by gusts of tribal passion and prejudice. The situation is ominous to a degree, and it is no comfort to us to be told that Japan has trebled her military expenditure after the war. Japan is not India. Japan is wealthy, India is poor; Japan has built up the fabric of her political freedom and of her commercial greatness, we are about to apply ourselves to this task. We have to re-organize our educational system, to create our industries, to develop our commerce, to re-fashion and re-mould our domestic and social institutions. There is the great work of re-construction that lies in front of us. Where is the money to come from, if the bulk of our revenues or a substantial portion of them is to be absorbed in military expenditure? Sir, let me not be misunderstood. I do not in the smallest degree desire to minimise the importance—I will even go further and add the paramount necessity—of effective military defence for the country. I think it is a matter in which educated Indian opinion is absolutely agreed. Peace must precede progress; tranquillity at home, security against foreign aggression from abroad, must be the fundamental condition of orderly and stable progress. We all recognise that; but, then, Sir, how are we to reconcile the exigencies of the military situation with our domestic needs and wants and the resources of a country so poor as India? That is the problem, the problem of problems, that confronts us, and I commend it to the solution of the Hon'ble the Finance Minister and of the Government of India.

" Sir, in this connection I have some recommendations to make. My first suggestion is the formation of a territorial army of Indians. It would entail a small expenditure at the start, but in the long run it is bound to be

[Mr. Sankar Nath Banerjee.] [Eighth March, 1920.]

economical. It would be a volunteer force, a second line of defence, a reserve if you choose to call it so, which may be called out at any time for active military operations as was done in England. Sir, you are going to form a territorial army of Europeans and Anglo-Indians, 36,000 strong, upon a compulsory basis. I ask you to form an Indian territorial army on a voluntary basis, and I am sure I do not appeal in vain to the Government of India or to His Excellency the Commander-in-Chief whose sympathies with Indian aspirations are so well known.

"Sir, no one knows what the future has in store for us; the future is on the lap of the gods. We must not rely too implicitly on the shifting phases of international relations either in the East or in the West. Those who are your friends to-day may be your enemies to-morrow. Ten years ago who could have anticipated in his wildest dreams the great war between Germany and England, or the terrible conflagration that has been lit up in the world, the dying embers of which are still smouldering? To be forewarned is to be forearmed, and I am sure a territorial army would be an institution, which both in its moral and material aspects would be a bulwark of the Empire. And mark the educative effect of the experiment which I commend to the acceptance of this Government. They talk of anarchism. I feel confident that if a territorial army were formed, it would sound the deathknell of whatever remains of the revolutionary feeling in this country. It will infuse discipline among our young men, foster public spirit and inspire a sense of Imperial citizenship which will bind the most distant parts of the Empire in the golden chains of an indissoluble union.

"My Hon'ble friend, the Finance Minister, has referred to the menace of Bolshevism in the Mid-East. I do not know anything at all about it. The country knows nothing at all about it; but I accept the statement. I do not wish to minimise the significance of that statement. My friend is in the secrets of the Government, and I am not. I do not wish from my place in this Council to utter one word which may leave upon it the mark of irresponsibility. Assuming then that there is this menace, let us organise the materials at our disposal. If you have a territorial army it would be an organisation both materially and morally strong. You will have in every Indian household a sentinel to guard the country and the Empire against the machinations of Bolshevism; for Bolshevism is an insidious thing; it does not fight with open arms; you can always fight that sort of enemy; but this moves underground, spreads its dangerous propaganda unseen; creates a revolutionary sentiment and saps the foundations of order and social stability. If the people were organised, disciplined, equipped under modern conditions, inspired with a sentiment of devotion to the Empire, I am confident they will be more than a match for the enemies of civilization and social order.

"I am told, Sir, that there has been a loss of martial spirit among the people of India. I am afraid there is a substratum of truth in that statement. I cannot disguise the fact. Where are our stalwart Rajputs of Bhojpur in Bihar who swarmed in the armies of the East India Company? Where are they? You do not find them. They have ceased to be the soldiers of the Government because you have not utilised their services; you go and look further afield; you go among the Gurkhas, among the Pathans on the frontiers of India for your soldiers, as if we had not throughout our long and historic existence sufficient war material in this broad and wide Continent. These soldiers are not citizen soldiers; they are mercenaries; and I may say with all confidence in this Council that citizen soldiers in the long run are far more efficient than mercenaries can ever be; for mercenaries, unlike citizen soldiers, do not possess that instinct of patriotism which is the most valuable asset of the good soldier. If I may remind the Council of a great historic feat, I may refer to the example of Rome when she rolled back the tide of invasion from her borders times without number; and that of France when invaded by the combined armies of Europe, who with her raw recruits led by experienced Generals defeated the trained soldiers of Austria and Prussia. Therefore, it seems to me, Sir, that you have in this territorial army a moral

[8TH MARCH, 1920.] [Mr. Surendra Nath Banerjee.]

and material force of tremendous potency to fight against the enemies of the country and of the Empire.

"Sir, you talk of martial qualities. We know what people used to think of the Bengalees. They were thought to be utterly unfit for military service. Well, we sent a Bengali battalion to Mesopotamia. At the present moment a Bengali unit is operating in Kurdistan, and I hold in my hand a letter from the Officer Commanding who bears the highest testimony to the pluck, the courage, the endurance of these Bengalee soldiers. Military qualities are not the gift of any particular race. If there is any element of gift about it, it is liable to be developed, trained and educated by culture, and I ask the Government of India to extend the area of recruitment to the whole of India, or, at any rate, to a considerable part of it, to classes which hitherto have been excluded from it.

"Then, Sir, we are all grateful, I am sure I speak the sense of this Council, we are all grateful for our admission to the commissioned ranks of the Army, but I think I voice the sense of my countrymen when I say that these admissions are few in number having regard to our requirements; the method also is faulty, and is not what it should be. There is not sufficient publicity given to attract suitable candidates to apply for admission. Then, Sir, there are departments of the Army from which we are excluded. Take, for instance, the artillery, the transport, the veterinary and other services. Exact any test you please, but do not put upon us the bar of racial disqualification. We are prepared to submit to any test that you may like to impose. I think we are fit for it; we have sufficient stuff in us to equip ourselves to pass any ordeal which you in your wisdom may think fit to prescribe. There is a movement, a progressive movement, going on in connection with the wider employment of our people in the Civil Service, or, I think, I ought to say, the Civil Services of the Government. I feel that there should be a corresponding movement, a counter-part in the military service of the Empire. Sir, self-government has been declared to be the end and aim of British rule in India. That is the mandate of our Sovereign. It has been embodied in an Act of Parliament. Self-rule connotes self-defence, the obligation to guard our hearths and homes. Therefore, we appeal to the Government to qualify us for responsible service, not only in the civil but also in the military departments of the State, so that, Sir, we may rise to the full height of our manhood and our moral stature, and perform in full measure those responsibilities, I was going to add, those exalted duties which belong to the citizenship of the Empire. I am sorry that His Excellency the Commander-in-Chief is not here. I should like to make a personal appeal to him about this matter, and I am sure my appeal will not go in vain.

"There are one or two other matters not connected with the Army to which I desire to call attention. There is the question of the decentralisation of finance. Next year, the Provincial Governments will be making contributions to the Imperial revenue. My Hon'ble friend, Mr. Sarma, moved a resolution to the effect that the Provincial Governments should be relieved of their contributions. My Hon'ble friend, Mr. Patel, suggested that the matter should be referred to the Meston Committee for their opinion. You have budgetted six crores of rupees as the contributions of the Provincial Governments to the Imperial Government. I appeal to the Hon'ble Finance Minister to relieve the Provincial Governments of that contribution. He has given us an assurance that this will be done by and bye. We are all interested in placing Provincial Governments under conditions which will free them from financial embarrassment. An impecunious Provincial Government is bound to be an unsuccessful Provincial Government; and an impecunious Provincial Government imposing taxes will be still more unsuccessful. I hope, therefore, that in this matter the Hon'ble Finance Minister, although the vote was lost in this Council, will respond to the clear verdict of public opinion.

"One word I have to say about railways. We are spending vast sums of money on them. But what about the convenience of the travelling public? There has been no sensible addition to them; the fares are as high as ever

[*Mr. Surendra Nath Banerjee; Mr. Nigel F. Paton; Sir Fazulbhoj Currimbhoy.*] [STK MARCH, 1920.]

and they have not been reduced to their former rates; railway journeys are sometimes very tedious and wearisome. I at least know of some trains which cover a distance of 217 miles in twelve hours' time at the rate of 18 miles an hour. All this is reminiscent of the Middle Ages when people used to journey by stage coaches, but the high and oppressive fares are painful reminders of modern conditions. May I appeal to my Hon'ble friend, the President of the Railway Board, to look into this matter? There is very considerable public dissatisfaction with the railway administration. I feel it my duty to give public expression to it from my place in this Council Chamber, and it would not be a bad thing at all if a committee, a mixed committee of officials and non-officials, were appointed to inquire into this matter.

"One word, Sir, about the grievances of the postal clerks. I am sure Hon'ble Members are quite familiar with this subject. We have been flooded with telegrams, I think, since we have been here from these aggrieved postal clerks. They want their pay, their time-scale, to be assimilated to clerks employed in the Telegraph Department. May I make a personal appeal to my Hon'ble friend, the Finance Member, to look into this matter, and I am sure he will receive very substantial and sympathetic aid from the Hon'ble the Director-General of Post Offices.

"Sir, there are at the present moment two educational projects before the Government. There is the Dacca University Bill, and there are the recommendations of the Sadler Commission which will soon materialise in the form of law. Well, Sir, with reference to the recommendations of the Sadler Commission, it has been estimated that the initial cost will be one crore of rupees, and the recurring charges will be 66 lakhs of rupees a year. I feel, Sir, speaking as a graduate of that university, that no attempt should be made to give effect to these provisions until ample funds have been secured.

"Sir, education will soon be a Transferred Subject, and I do not think that this Council ought to pass a law imposing a heavy financial burden upon the province of Bengal and yet make no provision for it. You have no right to call for the tune when you do not pay the piper. If the matter were left to Bengal, Bengal would decide it in its own way, but when you take the matter out of the hands of Bengal, I claim as a representative from Bengal, that you must provide for the finances necessary for the scheme.

"I do not think I ought to detain the Council any longer. Sir, we are at the parting of the ways. The old order changeth and giveth place to the new. On such an occasion the memories of the past crowd in upon us, but they are overshadowed by the vision of a brighter future which will set us firmly on the road to self-government and to the attainment in full measure of our equal rights as citizens of the British Empire. We have had many disappointments in this Council in the past. I hope under new conditions, under happier auspices, there will be fewer of them. Sir, if I read aright the signs of the times, I will say this that the spirit of co-operation, of which there have been many signs of late, will dominate the deliberations of the Legislative Assembly which will be formed under the Reform Act. May I appeal once again to officials and non-officials, European and Indians alike, to combine to bring about this blessed consummation so devoutly to be wished for."

12-23 P.M.

**The Hon'ble Mr. Nigel F. Paton:**—"I should like to say one word, Sir, with reference to Sir Fazulbhoj Currimbhoy's speech. If I have not misunderstood him, he indicated that commercial opinion in Bombay was unanimous in regard to the abandonment of Reverse Councils. There is no doubt at all that a very large body of opinion shares Sir Fazulbhoj Currimbhoy's view, but we are not unanimous. We are all searching very earnestly for some solution of this question, but there is no unanimity as yet . . .

**The Hon'ble Sir Fazulbhoj Currimbhoy:**—"May I rise to make a personal explanation, Sir? I said Indian commercial opinion."



[ 8TH MARCH, 1920. ] [ *Mr. Nigel F. Paton ; Sir Gangadhar Chitnavis* ]

**The Hon'ble Mr. Nigel F. Paton** :—“That satisfies me, Sir, and I have nothing more to say.”

**The Hon'ble Sir Gangadhar Chitnavis** :—“The Financial Statement before us is remarkable for an undertone of depression and anxiety which the confidence and trust in the future expressed by the Finance Minister at the end of his illuminating narrative cannot disguise. The position is really one of anxious concern to all of us. Not only the Council, but the public outside, will realise the difficulties of the Finance Minister, and every one of us here present will extend to him his sympathy and support. The Hon'ble Mr. Hailey deserves our support all the more in that the Statement gives clear evidence of his anxiety to make economy the ruling principle of his administration. If our expenditure during the current year has been abnormally large, and if the estimate for next year does not provide for a considerable reduction, it is because the operative causes, I, for my part, am convinced, are beyond his control and the situation does not admit of much economy. 12-21 P.M.

“Sir, the extraordinary expenditure of this year has been met by measures which the Hon'ble Mr. Hailey himself describes as undesirable and unsound. It is superfluous to criticise them. The point of more particular interest is the next year's budget, and the programme of expenditure, capital and revenue, to get through is heavy in all conscience. The Finance Minister points out frankly that ‘this programme can only be realised if India gives a liberal response to our rupee loan in the coming year.’ He expects 15 crores from the next loan, an estimate which requires examination. To my mind, it is excessive and unreliable. It must be conceded that the present Government stocks are somewhat discredited. The enormous depreciation in value has had a demoralising effect upon the investing public. Government Paper is mostly in the hands of small capitalists who lack the courage to invest their money in industry and business, and who derive little comfort from the fact that in competition the different loans are finding their own levels. People who are likely to take up the bulk of the new loan have, unfortunately, had their faith shaken in the value of Government loans as sound investment. The same uncertainties as to the future which makes capital shy of investment in business have come to hang over Government Paper. The holders have lost heavily through depreciation. The poor villager suffered heavy capital loss on his silver holding as a result of closure of the mints. The richer townsman has lost and stands to lose more on his gold investment. In the result it may well be that the small capitalist would prefer hoarding coins to laying out his hard-earned money on any of these investments. Government ought not to base their calculations in respect of the next loan upon the results of the loans raised during the year. It is not a secret that these were to a large extent taken up by big capitalists, European and Indian merchants and businessmen who made large profits but could not find employment for their money. The bulk of the securities have not been thrown upon the market. In my humble opinion, the whole question of Government loans should be investigated by the Finance Minister with the help of a small committee. It will not be right to go on increasing the rate of interest of future loans. It will be far better, instead of floating a fresh loan, to raise money by offering to the holders of 3 per cent., 3½ per cent. and 4 per cent. stocks favourable rates of conversion into a uniform 5 per cent. stock. The yield, I am sure, will be large. It is true in the result our interest charges will grow, but the moral gain will be incalculable. Confidence will be restored, and Government will have an unfailing source of financial assistance at their disposal. And for that matter, the increase in the interest charges will be debited to productive works, our railways and irrigation works—the income from which is progressive. With confidence restored, it may not be necessary to make large payments in redemption of the War Bonds. The holders may be induced to take up permanent stock in lieu of them. An effort should be made in that behalf. Special rates of conversion may be offered to them. The rate of interest suggested, 5 per cent., is fully warranted by the conditions of the money market.

"Sir, connected with this is the question of sale of Reverse Council Bills. The Hon'ble Mr. Hailey observes, 'the solution of the problems of the future depends therefore on the growing accumulation of capital wealth in India, and the interest which the Indian money market evinces in our loan issues.' Something has been said above to indicate the measures necessary to attract Indian capital into the Rupee Loans. Careful investigation may reveal additional possibilities. But one point needs to be emphasised here. It would be wrong to depend only upon appeals to the patriotism and the sense of responsibility of the Indian investor. The whole thing should be considered as a business proposition.

"Then, it may be pointed out that the heavy sale of Reverse Council Bills at a high rate of exchange certainly does not help to conserve capital in India. The Finance Minister himself notices the heavy withdrawals from the Post Office Savings Bank by European depositors under the impetus of a high exchange. The withdrawals, it may safely be assumed, have not been restricted to the Savings Bank. And these outgoings are anything but helpful to the accumulation of capital wealth in India which the Hon'ble Mr. Hailey desires. On this ground, if on no other, the sale of Reverse Councils should be discontinued. There are more powerful reasons besides. These sales are wholly opposed to the main principle of Reverse Councils. The Bills were never intended to be issued for the benefit of the trade. They were only meant for the support of exchange. But, in the present instance, they are sold mainly, and one might say solely, for the convenience, not of trade, but of private remitters, and, as such, they lack justification either in principle or expediency. The incidental deflation of the extra paper currency, even if considerable, is effected at too great a sacrifice. I believe the time has come when the whole exchange policy of this Government should be thoroughly overhauled, and a reversion to the old silver standard of currency with free coinage of silver should be seriously considered.

"Sir, the Hon'ble Mr. Hailey counts gain from exchange as a permanent factor in Indian finance, so much so that he seriously contemplates the complete extinction of provincial contributions in the near future. I wish grounds were present for such optimism. Assuming for the moment that exchange is maintained at 2s. (gold), with the change in the policy of the financing of the India Office establishment and the purchase of stores, our Home charges will steadily shrink. It would have been better if the Finance Minister's narrative had contained an analysis of the new position created by the transfer to the British Estimates of the cost of the India Office establishment, less the charges connected with Agency work. Indian revenues will be relieved to some extent. And it is quite likely that our purchases in England will grow less and less with industrial expansion in India under the able lead and guidance of the Hon'ble Sir Thomas Holland. How can then the gain from favourable exchange be steady? Councils cannot be sold to a large extent for the convenience of trade. Then, much of the future of the rupee exchange depends upon the price of silver, a most uncertain factor. The present conditions cannot continue. Sooner or later settled political conditions will be restored in Mexico, and the annual output of silver must reach its former level. The China demand, too, must ultimately fall off. In India, the Finance Minister has pointed out, the demand for coins is not now so insistent and embarrassing. When the reaction in the silver market does take place, it is not possible that the rupee will be maintained at its present high exchange level.

"Sir, I hope though it is, we must support the Military expenditure of this Government. The Hon'ble Mr. Hailey's statement must reconcile us both to the Revised Estimates and the next year's budget. But what the public would like to know is, if Government have any materials for the conclusion that danger threatens India from the Mid-East? Reports are so far conflicting. In England the story is now discredited by a large and growing body of public men who ought to know as a canon, owing its origin to Mr. Winston Churchill's imagination. There is even a movement for official recognition of the Soviet Government of Russia, and

[5TH MARCH 1920.] [Sir Gangadhar Chitnavis; Mr. W. E. Crum.]

the Prime Minister is himself the sponsor of it. Is it likely that His Majesty's Government would consider the question of recognition if any proof existed of Soviet Government's mischievous activity in Mid-East with India as its objective? His Majesty's Government must be supposed to keep correct information about the course of events in Mid-East. A full statement on the point by Government in these circumstances is urgently necessary. For long years our military finance was influenced by the bogey of a Russian invasion. It is imperative the mistakes of the past should not be repeated. If there be real danger from Mid-East, our military expenditure must of necessity be maintained at the proposed level; if not, it must be cut down to the irreducible minimum. In connection with this military question the suggestion made by Sir Fazlulhoy and Hon'ble Mr. Banerjee about the formation of a territorial or citizen army requires Government's serious consideration.

"As regards the special war contribution, I will speak with some reserve in view of the amendment or resolution that I hear is going to be moved, by some friends later on. Subject to such change as the arguments then advanced may bring to my mind, I presently think that this question will have to be decided in the light of facts stated by the Hon'ble Mr. Hailey in his able analysis. I am of opinion that it will be advisable to pay the contribution in instalments as stated by the Hon'ble Mr. Hailey. It is far better that the compromise effected by Government in respect of non-effective charges should be confirmed by the Council, than that delicate questions of extra payment to His Majesty's Government should be re-opened. At the same time, I hold that the principle at the back of the 'long-standing practice, dating from 1870, for India to bear the Indian Service share, if any, of *all* pensions of British troops employed in British campaigns, while His Majesty's Government do the same in the case of Indian campaigns,' needs scrutiny in the light of existing conditions. The practice for a certainty involves India in heavy financial obligations. All the British units may be sent out here one after another for experience in India, and what with their ordinary and recently sanctioned extraordinary pensions the bill against us may run to an alarming length. In any scheme of Imperial Federation such a principle of apportionment of the cost of Imperial defence is sure to be abandoned. Meanwhile, efforts should be made for better arrangements with His Majesty's Government on the general question.

"The policy underlying the Railway allotment will meet with general support in the country. Improvement on open lines is a matter of the first importance and must have the first claim. Increased facilities of transport and travel will be appreciated by all, especially for their effect upon prices. I am sure the discomforts of Railway journey so well described by Mr. Banerjee will receive in future the attention of the Railway authorities. I fully endorse his opinion that a Committee of officials and non-officials, if sanctioned, will help the Railway authorities in a large measure to come to a right decision in all these matters."

**The Hon'ble Mr. W. E. Crum:**—"Sir, I would like first to take this opportunity of congratulating the Hon'ble Mr. Hailey on the very lucid way in which he brought forward his Financial Statement, and also generally on his Budget. At the same time I hope he will not take that as meaning that I entirely agree with all his policy. 12-37 P.M.

"I would like to go through one or two items of the Budget, Sir, and I will take them in the order in which they come in the figures. First of all is Customs. On the question of export duty on hides and skins last year, Sir, at Simla, I made a special request to the Government that they should utilise the proceeds of this duty as largely as possible in providing tanning for Indians and improving the methods of curing and of treating the raw hide.

"Now, Sir, I know that certain steps are being taken in regard to tanning, but as regards curing and slaying of hides, I do not think anything has yet

[Mr. F. E. Gram.]

[SITTING MATEN, 1920.]

been done, and to such an important matter I should like to draw the attention of Sir George Barnes and Sir Thomas Holland again.

"Take the case of Calcutta alone; in Calcutta from the 500 hides produced daily, about half are seriously damaged by butchers to the extent of about Rs. 2 a hide; so that if an improvement could be effected in that direction, it would mean a difference to the country generally of nearly two lakhs of rupees in Calcutta alone.

"Great improvement has been effected in Bombay owing to the fact the Government had practical control during the war of the Bombay slaughter houses.

"And I do think it is a matter of Imperial importance that Government should do what it can to improve the raw product and thereby add to the justification for the tax. A good deal has been said about the tax and it has been said that a great deal of harm has been done to export. Well Sir, the tax is 3 per cent. in the case of England and 15 per cent. in the case of other countries. The rise in exchange since it was put on has amounted to 33 per cent. Therefore I do not think it can be said in any way that the tax has contributed to the present undoubtedly slack trade which is going on in hides and skins.

"Then, Sir, I come to the next point of direct taxation. I am sure we are all very glad that the Hon'ble Member has taken off his Excess Profits tax, and I should like to congratulate him very seriously on that. It is true it was pointed out last year that it was probably only a tax which would last for a year, but nevertheless I am sure everybody is very much relieved that it has been taken off.

"As regards the super-tax I may have something to say later, and I venture to defer anything I have to say until the super-tax is actually under discussion.

"Then, Sir, as regards Posts and Telegraphs, there is one small point, and that is that I hope Sir George Barnes will be able still further to reduce the cost of foreign telegrams. The amount paid from India to outside for foreign telegrams is not reckoned in rupees, and since the exchange is so much in favour of India, I hope that further reduction will be made as soon as possible.

"Now I come, Sir, to the very important question of Railways. Now Sir, when the Mackay Commission set it recommended a yearly programme of not less than £12 million on capital account. Now £12 in those days was 18 crores, and, I think, it is simpler for me to speak in rupees rather than in pounds. When 18 crores was considered sufficient as a yearly capital expenditure on railways, the purchasing value of the rupee was very much greater than it is at present. I do not think I am exaggerating when I say that the purchasing value of the rupee as against railway stock and such materials as are required for our railway construction is not greater than half what it was at that time. Therefore, when we see a figure of 22 crores in the Budget on capital account for railways, I do not think we should be unduly elated, and if I may say so I think that, considering the purchasing value of the rupee, the amount is far less than it should be. If I am right in assuming that the purchasing power of the rupee is only 50 per cent. what it was when the Mackay Commission set, when the capital expenditure this year should be, not 13 crores of rupees, but 36 crores. But there is another consideration which also should tend to make Government increase the amount that it is going to spend on railways, and that is, the fact that during four years, 1915 to 1919 only Rs. 20 crores was spent, whereas under the Mackay programme Rs. 72 crores should have been spent. That of course was nobody's fault. The reason was that, because of the war, materials could not be provided, but the fact remains that on account of the war India in these four years has spent Rs. 52 crores less on railway capital construction than she would have done if she had been able to spend the amount which was recommended. Therefore, that is another argument for my proposal that 22 crores is very far short of what should be spent. Now, Sir, in the year

[See March, 1920.]

[Mr. W. B. Green.]

1917, Sir Hugh Bray pointed out that railways were making a great deal of money and that they were putting by no reserve, and at the end of the war when it was possible to spend money it might be difficult to get hold of that money. And in 1918, Sir William Meyer provided a certain sum, £20 million, which he called a special reserve, and he said about it :—

' Lastly, when peace conditions permit the resumption of the Railway Capital Programme on a scale necessary to provide adequately for requirements—and this will involve making up a lot of leeway in respect of the compulsory cutting down of that programme during the war—we shall probably find some difficulty in raising, on reasonable terms, the amount of capital which would be required.

' We propose, therefore, as against our temporary borrowings on Treasury Bills here, and in view of the satisfactory financial position of India as a whole, to invest £20 million in Home Treasury Bills in order to provide for the liabilities which in one way or another will come upon us shortly after the war is over.'

" Now I think this was generally recognised by members of Council, both official and non-official, and was accepted by Sir William Meyer as an actual reserve to be put by when money could not be spent on capital expenditure to be spent on capital expenditure in future. That Sir Hugh Bray imagined this to be the case is clear from what he said :—

' It is therefore, my Lord, with unbounded satisfaction that I find that he has had such a good year that he has been able to make restitution, if as I hope I do interpret correctly what he said on the 1st March and I trust that the reserve he then referred to may be so ear-marked, so tied up, that it must be spent on Railways only and that next year it may be possible to provide even a further reserve.'

' And Sir George Barnes said :—' I cannot, however, pass railways by without emphasising the great importance of the special reserve fund of £20 million sterling which is being made this year. This provision will enable us to embark on fresh railway construction directly materials are available.'

" I think from those extracts, Sir, it must be evident that this £20 millions was regarded as being put by as a special reserve to be spent on railway construction, not as a part of the normal railway construction programme of the future, but in substitution of what had not been spent in previous years. It was regarded therefore as an addition to the normal expenditure. Now, Sir, I have been trying to find out where this £20 million has gone to. I find that £13½ millions of it disappeared in the year ending March 1919, and the other £7 millions, as the Hon'ble Member told us in his Financial Statement, has disappeared during the last year. Well, Sir, the railway capital expenditure in 1918-19 when the £13 millions disappeared, was Nil as far as England is concerned. In 1919-20, it was, I think, somewhere about £10 millions. But that presumably was capital expenditure out of the sum which had been otherwise laid apart in the Budget for capital expenditure on railways. I think therefore there should be some explanation as to why this £20 millions, which was put by as a special reserve for expenditure on railways over and above the normal railway expenditure for capital has not been spent on railways.

" Then, Sir, I come to a few special points about the railway budget. I am very sorry to see that Burma is treated so badly. This year, I understand from the figures before us, that the amount to be spent on new railways in Burma is only Rs. 3 lakhs. Now the position, as I understand it, in Burma is that there is only one mile of railway for 14½ square miles of country. In India there is one mile of railway for 35 square miles of country.

" Now there is something very wrong about that, that the proportion in Burma should be so much less than it is, and there are, I understand, two very important Burmese railways which are practically ready for construction at present. I refer to the Pyn Oon Mergui Railway which is part of the Indo-Burma route by Chittagong and the Maulmein-Ye Railway which connects Northern Burma with Southern Burma. I hope that Sir George Barnes or Sir Arthur Anderson will be able later to tell us why such a small amount has been allotted to railways in Burma, and whether some considerable sum cannot be allotted to these railways in Burma, and to these special railways out of the unallotted sum which is in the railway construction programme.

[Mr. W. E. Dutt.]

[8th March, 1920.]

"As regards Bengal, Sir, we press for the further construction of the broad gauge on the Calcutta-Darjeeling line and for the Hughli Bridge. The answer which Sir Arthur Anderson gave to me the other day regarding the Hughli Bridge was that it had been surveyed and that soundings were being taken. I hoped something further from him and I hope that he will be able to say that it is the intention of Government to proceed with that bridge and with the railway bridge connecting the two sides of the river with the greatest possible despatch.

"Then, Sir, I come to railway revenue and expenditure. Now, in pre-war years, 5 per cent. was regarded as a very fine revenue for the railways, a very fine return on the capital. During the war this rose and the reason that it rose was because the receipts from increased traffic were so much greater and because it was impossible to spend money on repairs and renewals. It rose to 5.79 in 1916-17, 6.55 in 1917-18 and nearly 7 per cent. in 1918-19, and I make out that the railways saved some 20 crores of rupees during those years which went into the common purse and which to my mind and in the opinion of a great many other Members of this Council should have been ear-marked to railway expenditure. This year, Sir, we find that the amount to be spent on railways has largely increased and gone up to 50 crores of rupees from 37 crores in 1918-19 and 45 crores in 1919-20. I hope that the Hon'ble Sir Arthur Anderson will be able to tell us later how much of this increased expenditure is due to normal increase of running costs, that is to say, such matters as increase of staff, increased cost of coal, and so on, and how much of it is going to be devoted actually to repairs and renewals, because there is no question about it, and I am sure he will admit it, that the position regarding Indian railways with respect to repairs and renewals and the general condition of the railways' rolling stock is very serious. Now we have had an example during the last two or three months of the complete inability of the Indian railways to carry the traffic that is tendered to them. We have had blocks all round; we have had complaints from coal; we have had complaints from almost every source; and the reason is simply because the railways are not up to trim. I do hope, therefore, that we are not to regard this 5.51 per cent. which it is proposed to make out of railways this year as a permanency, and that, as soon as possible, the Government will make an attempt to utilise the money which they receive over and above what may be called the normal of about 5 per cent. for the benefit of railways.

"I did not intend to speak, Sir, on the question of Reverse Councils and exchange, but there are one or two points in the Hon'ble Sir Fazalbhoy Currimbhoy's speech to which I would like to draw attention. He said that in Bombay among the Indian community Reverse Councils are generally condemned. As far as Calcutta is concerned, I think that the opinion in favour of an adverse to Reverse Councils is about equally divided; but that is a matter of opinion.

"There is, however, a point of fact regarding which he has spoken. He said that higher exchange has not resulted in advantage to users of imported articles. Now, Sir, ordinarily speaking, I do not think there is any doubt about it that a high exchange or rather a rising exchange is of great harm to exporters, but, under the present circumstances, I doubt whether the fact that exchange is rising has been nearly so harmful to exporters as it would have been had conditions been normal. Prices are exceedingly high, the prices of all articles are high, and since I disagree with him that higher exchange has not resulted in advantage to users of imported articles, it follows that had exchange not been high, we should have had a still greater increase than we have had in the cost of imported articles. An instance of this would be an ordinary pair of imported *dhoties*. Imported *dhoties* with exchange at 2s. 10d. cost Rs. 5-8 per pair; were exchange to go down to 2 shillings they would cost Rs. 7-8 per pair. Now, Sir, if under present circumstances the rupee was to go down to two shillings or even lower, I maintain that to the general people of India the result would be far, far more serious than if it remains somewhere in the neighbourhood of what it is. Who is it who has benefited by high exchanges or by low exchanges. The man who has benefited

[8TH MARCH, 1920.] [Mr. W. E. Crum; Raja Sir Rampal Singh.]

by high exchanges is the man who is living on a paid wage, generally the very, very poorest in the country, the labourer who earns his three or four annas a day and another class who is not generally regarded as poor, but who is in fact almost as poor as the labourer, the clerical class. They would have to pay, if exchange went down, and went down appreciably, very much higher than they do for every imported article that they consume. On the other hand, if exchange goes down, the people who will be benefited will be the people who actually produce the produce of the country, the *raiyats* and people of that class, and prices of produce are so high at present that I do not think they can complain very much if the prices of the articles which they produce did go down. I therefore think, Sir, that there are those two sides to the question, and that at the present moment it is very doubtful whether you can say that a high exchange is really adverse to the great majority of the peoples of India."

**The Hon'ble Raja Sir. Rampal Singh:**—"Sir, the questions of exchange and currency, the sale of Councils and Reverse Councils, and the gains and losses accruing therefrom are too technical and complicated to let me have an insight into their intricacies. To a layman like myself, who can only take a superficial view in such matters, the gain of 11½ crores in these transactions is a source of satisfaction. But the natural inquisitiveness remains unsatisfied as to the question whether the losses sustained were avoidable or not? I hope there may be no ground for alarm over them as I trust there must be in them also 'an element of artificiality' as is the case with the 'gains.' 1 P.M.

"I feel bound in justice to offer my mead of praise and appreciation to Lord Meston for the skill and accuracy with which the Budget estimates of the current year were prepared under His Lordship's guidance. No one could have foreseen at the time the Afghan War and the consequential military expenditure that had had to be incurred in its prosecution. In fact, it throws a still greater credit on the caution and foresight that were brought to bear on the preparation of the estimates, for otherwise the amount of deficit would have been much higher than £14½ million. Howsoever much we may deplore the Afghan War that was wantonly forced upon the Government, there is absolutely no reason to grumble over the expenditure that it had cost us. It is well and just that the subsidy which used to be paid had been stopped and I hope it shall never be renewed. It is a cause of just and real resentment and of extreme disapprobation that, pampered by the subsidy which India had been providing her and to the outrage of all moral obligations, Afghanistan should have had the audacity to wage war with us without any provocation whatsoever. It is an ample proof, if proof were needed, that no canons of morality can stop people from having their cupidity excited when times are propitious to have territorial aggrandizement. It is for this reason, Sir, if not for others, that I would most strongly deprecate any large diminution in our military strength or in its efficiency. As long as human nature is what it is, the evil of keeping a strong military establishment shall have to be maintained.

"Sir, this is the last Budget of its kind under the existing system of division of revenue and expenditure between the Central and the Provincial Governments, and the first from the hands of the Hon'ble Mr. Hailoy, our new Finance Member. I may heartily congratulate him on his lucid exposition of the Budget figures for the coming year. Barring the complications of exchange and other such like transactions which are, as I have observed above, too technical to me, the estimates and the explanatory notes attached thereto are quite intelligible even to a layman, and he can well appreciate the skill, caution, sympathy for the people with due regard to the requirements of the situation, with which they have been prepared. One can with difficulty fairly indulge in criticism and find fault with the Budget. It is a matter of much gratification that no recourse to any new form of taxation has been taken. The abolition of the excess profit duty and the alteration of rates in the levy of super-tax is in the right direction and will help industries and joint stock concerns to build up their reserve capital and thereby strengthen their position.

[ *Raja Sir Rampal Singh.* ] [ 5TH MARCH, 1920. ]

"On the expenditure side in Imperial Budget the most important items fall under Military Services, Railways, and the New Capital.

"If regard be had to the poor resources of India and the pressing needs of the moral and material development of the country the Budget provision of £40 million for military services appears to be too big. But, Sir, that very development largely depends upon security which these services provide from external aggression and internal commotion. It would be amiss on my part to grudge this amount. In the present circumstances through which the world is passing it would be suicidal to think of any curtailment in the strength or the efficiency of the Army. The Finance Member has not only explained the situation, but has also emphasised the facts that would have to be kept in view and which would most assuredly entail high expenditure on these services in future. Without in any way recommending any diminution in the strength or efficiency of these services, I would strongly urge that they may be Indianised in a much more liberal and sympathetic manner than is the case at present. In every branch of such services, from bottom to top, there should be a far larger number of Indians than at present. It is only in this way that economy can be effected, and I cannot lay too much stress on the acceptance of this policy.

"The second Capital outlay is proposed to be on Railways. I have not a word to say against the proposal. It is a patent fact that during the War the expenditure on them got a set-back and much lee-way has to be made up. I am not prepared to deny that much of our progress depends upon greater facilities of communications, and the greater they are extended in proportion to our means and needs the greater the prosperity of India will flourish. But, Sir, as the things at present prevail before, the extension or the opening of new lines, I would very strongly advocate the removal of the terrible inconveniences due to overcrowding to which the passengers are subjected in railway journeys now-a-days. The Railway fare was enhanced during the War and yet no relief in that respect has been given, and to make matters worse the public does not enjoy even half as much comfort as it had in pre-war times. I only pray that the Government will see to that before extending further lines.

"The allotment of £380,000 for irrigation is too small, but the Hon'ble Finance Member has cut at the root of any criticism on this item by a statement that this is all that the Public Works Department can spend in the coming year. The importance of expenditure under this head cannot be over-exaggerated. I wonder when the scheme for Sarda canal for Oudh will mature. My Province is now very much interested in it, and the sooner the work is taken up the better.

"It is needless for me to say that I am one of those who support the present elevated position of Delhi, and so I have no reason to disagree or to criticise the allotment of Rs. 110 lakhs for our Capital.

"Sir, it appears to me that the grievances of the postal subordinate services as regards their salaries and emoluments are real, and I only hope that something will be done to ameliorate their condition in these hard times."

"Sir, in the future the battles for education, sanitation, Medical relief, and Agricultural and Industrial development are to be fought in Local Councils and I need not refer to them here. It is a matter of great satisfaction that the Government of India now fully realise their importance, and as the circumstances permit liberal allotments are made under those heads. We the people of the United Provinces under the guidance of our popular and sympathetic ruler Sir Harcourt Butler are re-organising the old University, and are founding new ones, and it is my earnest prayer that the Government of India will see their way to give us financial help to bring about those schemes into fruition, and further that, when they allot any funds to the Universities of other Provinces, the claims of my Province will not be overlooked.

"In the end, Sir, I feel bound to offer grateful thanks on behalf of my Province to the Finance Member and the Government of India for affording relief to the Provincial Governments to the extent of 11 crores of rupees. I hope my Province will receive an equitable share in it. The concluding words



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of paragraph 24 of the Budget statement will be very highly and gratefully appreciated by the Province but, I am afraid, that consummation will depend upon Exchange which has always troubled our finances from a long long time without any permanent solution. Whatever the case with exchange may be, I strongly hold that the Government of India should become self-supporting and no contributions should be taken from the Provinces unless any special emergency might arise."

[At this stage the Council adjourned for Lunch.]

**The Hon'ble Mr. Kamini Kumar Chanda:**—"Sir, I did not have the good fortune to listen to the Hon'ble the Finance Member when he introduced the Budget as I happened to be away at the time, but on my way back to Delhi I came across an Anglo-Indian daily paper in the train, the leading article of which in its comments on the Budget began saying that it is customary for members of the Council when speaking on the Budget to compliment the Finance Member on the lucidity of the Financial Statement, and inquired whether that pleasant custom would be observed on this occasion. I had not then seen the Budget and I was wondering what was meant. I thought that probably the Financial Statement would be a very abstruse document which would be very unintelligible to a layman like myself, but after I had returned to Delhi and perused the Financial Statement, I confess that I found no justification for that comment and I have no hesitation in congratulating the Hon'ble Mr. Hailey on the lucidity and luminous presentation of the subject. We differ from him in many matters, in his conclusions, in his promises, but I do not think that anyone can complain that the Budget lacks any perspicuity of statement. I also thank him, Sir, for his skill and ability, if I may say so, without impertinence, in avoiding any further fields of taxation. The variation in the incidence of the super-tax which as he says, is merely a re-arrangement is not a new tax at all, and I do not think that we have any reason to take serious exception to that."

2-31 P.M.

"Coming to the Budget, Sir, taking the revenue side, I have two remarks to make. In the first place I see that no steps have been taken, no real endeavour has been made to secure any portion of the huge war profits, the enormous fortunes that have been made out of the war by individuals who could have had no expectation to make a fraction of this and who could have no valid objection if the State appropriated some substantial proportion of these profits.

"The second remark which I have to make is in regard to the gain by Exchange.

"There is a cryptic passage in the Finance Member's statement on page 126 which says 'two months ago indeed it looked as if the figure would be very much higher, but the large sales of Reverse Councils which have been and are being made have considerably reduced the total anticipated for the year.' Sir, I confess that I do not understand this, it may be due to my not being acquainted with economics, but I do not follow why this heavy loss should be incurred and I do not see why we should continue to sell these Reverse Councils. Does anybody contend that there is an unfavourable balance of trade against us and that the creditors were insisting on immediate payments, or is it a case whereby we are profiting by these sales?"

"I think, Sir, that Government should have accepted the policy that was laid down by the Chamberlain Commission that trade interests in themselves are no justification for Council drafts. I think this argument applies in regard to Reverse Councils too. I would be very grateful, therefore, if a little light could be thrown on this point as to why we should continue to sell Reverse Councils. We hope to have an explanation on this point presently when we shall have a resolution on the matter later.

"Coming to the expenditure side, Sir, my first complaint is that you cannot claim to be credited with a really keen desire to scrutinise the items of

[ *Mr. Laminī Kṣmar Chanda.* ] [ 5TH MARCH, 1920. ]

expenditure. The Government did not see their way to accept the humble suggestion I made the other day to set up retrenchment boards on the lines existing in England. Sir, far from there being any retrenchment visible in the Budget, I submit that there is a steady and perceptible rise in all departments, civil as well as military. As regards the military budget items, I shall make a few remarks presently. Just at the moment I would call attention to a passage in the memorandum by the Finance Minister in which he says 'the dominating feature on the expenditure side of our Budget is the high figure which we have been obliged to insert in the military account'. Sir, this is very significant and I shall make a few remarks on it presently. Now taking the civil side, I confine my remarks to the Imperial allotment only, where we find that in every department there is a steady rise. Take the general administration, we find in 1916-17 the expenditure was Rs. 1,14,69,186. Thus in the present Budget it rises to 1,43,90,000 and the revised figures may exceed even this. Then take the Secretariat. In spite of the much talked of decentralisation, every year there is a steady increase from Rs. 38,11,609 in 1916-17 to Rs. 49,56,000 in the present Budget. The Medical expenditure in 1916-17 was Rs. 11,79,473 and in the present Budget it is Rs. 17,67,000. In Ecclesiastical expenditure there is a rise from Rs. 19,25,359 in 1916-17, to Rs. 22,10,000 in the present Budget. Well, Sir, if you go on at this rate what is going to happen to the country, and unless you apply your pruning knife to these subjects, I am sure very little will be left for the subjects on which the amelioration of the people depends?

" We find, for instance, no provision for redressing the sufferings of the people due to high prices. I do not know if any action is contemplated to be taken in regard to food. We had the other day a Reuter's telegram to the effect that the supplementary estimates in England provided for £6½ millions of additional bread subsidy owing to the increasing loss of selling the quartern loaf at 9 pence, and that this brings the total subsidy for 1920 up to £56½ millions. Have we spent a pice for cheapening the staples in this country in these hard times? Then while education, technology, agriculture do not come in for any share at all, we find that we have more than made up for the deficiency in these subjects in our liberality as regards the railway allotment. Sir, last year some of us objected to the record figure of £18 millions that was provided for railways by Lord Meston, and our objection to this was commented on adversely by Anglo-Indian critics. I remember seeing in a leading article of the 'Statesman' that my remarks were ridiculed and I was charged with inconsistency. It may be that we were wrong and the leader writer of the 'Statesman' was right, but Sir, what have we got for that huge sum? We are told by the Hon'ble Mr. Hailey that the revised statement of expenditure out of these £18 millions is £14½ millions. Now we have a right to ask, Sir, what have we got in return? We were promised improvement of railway transport and travelling facilities. We were led to believe that if that allotment was granted there would be no dearth of wagons and trade would not suffer. Now what have we got? Is travelling any cheaper to-day? Have the passenger fares been reduced to pre-war levels? The complaint last year that was made by my Hon'ble friend Mr. Sarma was that in the disposal of applications for wagons there was a good deal of complaint. Has that been removed? Is the scandalous over-crowding of third class carriages removed to-day? Far from that being the case, Sir, I have seen the other day even second class carriages packed full and third class passengers still continue to be shipped in cart-loads in goods wagons. And as regards transport facilities, coal is very scarce in Calcutta owing to the difficulty in getting wagons. The other day in reply to a question by my Hon'ble friend Rai Sita Nath Ray Bahadur, who is unfortunately absent to-day from the Council Chamber owing to illness, the Hon'ble Sir Arthur Anderson said that although consideration had been given to the question of reverting to the pre-war level in passenger fares, Government did not undertake to do so. Sir, we are to-day budgetting for a yet higher figure. It is just possible that experts may be satisfied, that these £14½ millions have been well spent, but it will appear nothing short of a

[5TH MARCH, 1920.] [*Mr. Kamini Kumar Chanda; The Vice-President.*]

riddle to the ordinary man that even after spending £14·5 millions, there is no improvement at all in travelling and in railway transport. Let us possess our souls in patience and hope that after expending these £18 millions and 4½ crores our position will be improved.

"Then, Sir, I come to Delhi. I will not frighten the Council by the threat of another debate on the question of the transfer of capital. I shall simply call attention to one circumstance. Sir William Vincent in answering my motion that Calcutta should be made the Capital again, said three things, in the first place he said the notice received of my amendment was very short, only two days . . . . ."

**The Vice-President:**—"Order, order, the Hon'ble Member must confine himself to the principles of the Budget."

**The Hon'ble Mr. Kamini Kumar Chanda:**—"I was basing my comments on the budget on his argument. He said that he had not time to go into this matter, and he said a new Council would come into existence a year hence, and therefore it was better to leave these things alone. I said in view of this argument, was it wise and prudent to spend ₹1,10 lakhs this year? Why not confine your endeavours, as you have done for the last four or five years, simply to carrying on, and leave this question to be decided after the new Council comes into existence? That is what I meant to refer to. I say it is not wise to commit the mistake that was made in Dacca. Even with the growing opposition to the ill-fated partition of Lord Curzon, Government went on spending lakhs and lakhs on buildings at Dacca and what was the result? After sinking crores of rupees in Dacca the whole thing collapsed, and His Majesty the King Emperor was pleased to reverse the policy. My submission therefore is that as regards Delhi you should not spend this amount, but should simply carry on and see what attitude is taken up by the new Council and what decision is come to by His Majesty's Government."

"Then, Sir, coming to the military budget, I say nobody can contemplate the figure without getting giddy. In four years' time we have nearly doubled the budget. We are providing £40 millions, that is nearly the total of the whole of our land-revenue and our revenue from railways, the two largest sources of income. Sir, what is going to happen? Well, it must be remembered that this is being provided for not in view of any threatened invasion of the country or any menace of war, but we are budgetting for a year of peace, a year ushering an era of peace after the greatest war in history has been fought and won to put an end to war, with the result that we are saddled with this colossal figure; and this in a year of profound peace in a country where half the population does not know what a full meal means. I say this is a mockery, Sir. I shall mention one passage from a leading article in 'The Leader,' a well-known exponent of moderate views. It said:—

'It is a still more melancholy thought that while this colossal amount is being spent the people of India are rigidly kept down to the lowest positions in the Army, and that after all these generations of British rule and the many and various proofs of both valour and fidelity that they have given, the policy towards Indians continues to be one of petty and unworthy distrust and there is yet no serious thought of doing them elementary justice.' The Hon'ble Mr. Hailey says in his narrative at page 130 'the expenditure in the current year is estimated to exceed the specific provision in the budget by ₹9,110,000.'

"If you refer to the figures you will see that the bulk of it goes to the English soldiers, and only ₹400,000 to the Indians.

"Mr. Ramsay Macdonald in his recent work expressed the opinion that unless Great Britain took a legitimate share of the military charges placed on the Indian estimates, there would be nothing left for internal amelioration in India.

"I submit, Sir, that England should certainly look upon our military expenditure as an Imperial burden. The benefit of it inures to Great Britain in times of crisis and the basis of it is not determined by mere defence of the country considerations.

[*Mr. Kamini Kumar Chanda; Mr. Srinivasa Sastri.*] [8TH MARCH, 1920.]

"We were told, Sir, that in November last a sub-committee of the Executive Council was appointed to look into the matter and scrutinise the causes which have led to this excess expenditure. We are grateful that it was considered necessary to appoint a sub-committee of the Executive Council to consider this matter. That means that the sub-committee must have consisted of at least one non-military Member. I complain that there is nothing to show why some non-official Member of this Council could not be associated with that sub-committee. Sir, if an Indian soldier, a Member of this Council, or a Bengali civilian, is considered competent enough to have a seat on the Army Commission, I do not see why you could not have an Indian non-official Member from this Council or from outside to present the Indian side before you. Military expenditure after all is determined by questions of policy, and I submit that it was absolutely necessary that the Indian view point should have been presented to you.

"With regard to the balance of the special war contribution, there will be a Resolution on the subject and I reserve my comments under that head.

"These, Sir, are my humble remarks with regard to the Budget."

2-52 r.x.

**The Hon'ble Mr. Srinivasa Sastri:**—"Sir, there are many things in the Hon'ble Mr. Hailey's Budget besides its lucidity of statement on which he may well be congratulated; but I think that, instead of paying compliments, if one brought his complaints before Mr. Hailey, he would be only the more grateful. I am bringing a number of complaints, not all of them remediable I fear. In the first place, I would remind the Council that in September, 1918, we discussed a number of Resolutions arising out of the Public Services Commission's Report. In the course of those discussions the non-official Members of this Council objected strongly for the reasons stated, then to the proposed increments to the salaries, allowances and pensions of the better-paid services in this country. Of course the Resolutions were negatived; that follows from the composition of this Council, but that does not relieve us from the duty of entering a protest against the way in which, notwithstanding our opposition, these increments to salaries, allowances, and pensions have been granted. They have been granted on an extremely lavish scale, and, as this is the first opportunity that a non-official Member of this Council has of entering a public protest against that course of action, I venture to do so on this occasion. There are many services still clamouring for such increments. The increments have been granted already in the case of the better-paid services; the lower-paid services have had their complaints referred to Committees sitting in the various capitals of the Governments to consider the matter. I am sure their recommendations will also result in a very considerable drain on the resources of our exchequer. I would not make a complaint, Sir, in the case of the lower-paid services; they have been very hard hit, indeed. The increments are perfectly legitimate in their case, and I for one shall strongly support any proposals that may be made to relieve their hard lot. As to one of these services there is a remark not altogether of this general character which I must make, *i.e.*, the Medical Service. That service stands on a very peculiar footing. We recommended on the occasion that I referred to that the civil and military branches of the profession should be separated. That would have involved no doubt additional expenditure, but the moral and material blessings to the poorer population of our country would have been so immense that we should have welcomed an additional outlay on that item. The matter is still under consideration, and all I can do is to press the matter again while still it awaits solution.

"A word, Sir, about the postal and telegraph services. Complaints come from both these branches of this mixed service. It is extraordinary that the small postal employees are paid on a considerably lower scale than the telegraph employees. Nevertheless, there is great complaint coming still from the telegraph branch of this mixed department. I would ask the members

[BTH MAROI, 1920.] [Mr. Srinivasa Sastri.]

concerned, Sir George Barnes especially, to inquire into the reasons for this disparity between the scales of salaries in the postal and in the telegraph branches of this department. I cannot explain it, it is very hard to explain, and every inquiry that I have made results in this somewhat disquieting consideration that the employes of the telegraph Department are drawn from a certain community in the main, while the employes of the postal service are drawn from the general community, and that the community that supplies recruits to the telegraph service are to be treated by the policy of the Government on a specially discriminatory basis. If there is any truth in this I think it is a matter which ought to be set right immediately. It is certainly questionable that in the public services of our country any discrimination should be made between community and community.

"Then, Sir, I must refer, although perhaps I shall be accounted somewhat eccentric and obstinate, to this question of the Simla exodus. It seems to me that the time has come when we must make as emphatic a protest as possible in the name of the Indian tax-payer against a system which allows the Government to transfer itself root and branch from one place to another twice a year. At any rate I would, as the Hon'ble Mr. Chanda did, ask the Government to place the matter before the Legislative Assembly when it meets next year and take its judgment upon it before they perpetuate this system and undertake any large building operations in Simla.

"The Hon'ble Mr. Banerjee referred to a question of educational policy and advised the Government to wait until the new ministers shall have had time to consider the recommendations of the Sadler Report. I take it that Mr. Banerjee and I are at one in thinking that there are considerable parts of that report which must be carried out, whether by the ministers that take charge of the Education Department or by the Government of India before they so take charge. Still I think there is considerable force in the contention put forward by him that as in most other matters he who calls the tune must pay the piper. If the Government of India are going to carry out the recommendations of that committee in respect of the intermediate and secondary departments of education before the ministers shall have assumed charge, I think it is but fair to ask that the financing of that large measure should be undertaken by the Government of India. Mr. Banerjee spoke only on behalf of his own province; but as I happen to know that measures of an analogous nature may soon be introduced into the administration of education in other provinces, I think it is but fair that I should state on behalf of other provinces as well that the Government of India had better wait before they go forward in this matter. Let them leave the decision of these large questions to the future departments of education which will be accountable to the legislature.

"Now, Sir, the Council must have listened with great interest and appreciation to the eloquent and moving plea made by Mr. Banerjee for the institution of a territorial army in this country. I make no doubt whatever that to a certain section at all events of this Council the appeal came with extraordinary force and cogency. Everybody objects more or less—I am afraid even the Hon'ble Mr. Mailey is no exception—to the leaps and bounds, with which the military expenditure of this country is going on. Whether it is inevitable or not—as he says it is inevitable—whether that is so or not, I can undertake to say on behalf of the people of India that they would be more than half-reconciled to this enormous expenditure if they were assured that that expenditure was incurred with the fullest possible justice to the aspirations of our country. If, for instance, there were free admission to the commissioned ranks of Indians instead of there being the pitiful figure of 80 at the present moment as contrasted with thousands of non-Indians if they were admitted to all the forces in the Army, if there were military colleges on the model of Sandhurst to train our young men in, if in these ways it was made clear that the expenditure on the forces in this country came back in a sort of way to the benefit of the people themselves and established their defences on the only satisfactory position possible, namely, that the army was more or less national, then as I say we might be more than half-reconciled to this burden-

[ *Mr. Srinivasa Sastri.* ] [ 8th MARCH, 1920. ]

some expenditure on the Army. But there is no sign whatever, there is the faintest sign which is almost negligible, that a real change in the policy of the military department is afoot. I am looking in vain all round to see that those who have the conduct of affairs in the military department are really making a serious effort to alter the basis of the army. There is a good deal of promise, much amiable sentiment that one often hears, but as to actual measures set on foot for seeing that justice is done to the aspirations of the people of India in that direction, I must say that the evidences are as yet scarcely discernible. I had intended to make a personal appeal to His Excellency the Commander-in-Chief. We are all impressed by his sense of justice, by his generosity, by the liberality of his views, by his amiable disposition. I do hope that we are not adding unduly to the burdens of the great office that he has borne during these troubled times, but it does seem to me that the chances are very few indeed of a large and liberal measure being initiated in this department if he does not himself take drastic steps to review the whole situation while he still holds the reins of the military department.

"There is one question about which I had not intended to say anything at all, the question of railways. I have during the last forty years come to look upon railways as one of our financial assets. The old argument that the railways were a white elephant in this country no longer holds good. We therefore look with something like complacency on the large outlay provided in the present budget to push forward the railway programme. I would not myself have quarrelled with it, but the Hon'ble Mr. Crum in some remarks that he made on this subject has aroused my alarm to some extent. He seemed to think that the provision made, although considerable, was hardly sufficient and he would be glad if the Hon'ble Mr. Hailey surrendered to him what he considers the profits of the last few years, which the general purse has assimilated. The Hon'ble Mr. Crum may remember that for a long series of years in this country the railways were maintained out of the public purse; it would take a very long series of years indeed before the railways made good the amounts that they have consumed out of the tax-payer's contributions. If their losses were in former years made good by the general tax-payer, the tax-payer may well expect that in the years when railways are a paying proposition he should also come in for a share of the benefit. I am not, Sir, in favour of fixing the tax-payer's share at 5 per cent. or 5½ per cent. rigidly; it must be left to the Government of the time to determine how much of the profits accruing from railways should really be appropriated to the benefit of the general revenues.

"A point that we used to make in former times when considering the budget is the relative proportions of the revenues raised which go to railways and to irrigation. We used in the old days, as I said, when railways were a losing concern always to say that if instead of treating the railways on a specially favoured footing Government only directed their attention to large irrigation programmes, they would not only be benefiting the people of this country, but would likewise be benefiting themselves for the irrigation programme would lead to growth of revenue. Now, I am somewhat concerned to find on turning over the appendix that there is not a full statement of the case for irrigation. The expenditure on irrigation stands more or less where it did; and the only explanation forthcoming is that the Public Works Department are not quite prepared yet to undertake any further schemes. Now, I think a fuller statement of the case would be required. I should ask the Hon'ble Sir Claude Bell if he could, when making his statement to-morrow, say precisely what were the recommendations of the Irrigation Commission of a few years ago, what were the projects which they recommended, how many of these projects have been undertaken, to what extent have they been carried out and what further projects have the Government in view to redress the balance that has always been tilted against irrigation? A statement of that kind, Sir, if it could be made, would be exceedingly instructive and would help both Government and the people to understand where exactly lies the justice between the competing claims of railways and irrigation."

[SEE BILKON, 1920.]

[Rao Bahadur B. N. Sarma.]

The Hon'ble Rao Bahadur B. N. Sarma:—“Sir, the Hon'ble Mr. Hailey has succeeded to a very troublesome inheritance, and every sympathy must therefore be manifested in dealing with his first budget. But one need not look with that particular idea into the Budget to see very many points for approval and commendation in the statement presented on the 1st of March. I would congratulate him upon the fair estimate of the growth of revenue he has made a departure from previous practice. He has no doubt been cautious in budgetting for a small increase, but, I think, we must congratulate ourselves that he has seen his way to do what he has done, otherwise taxation would have been the result. The 1917-18 accounts showed that the revenue was £112 millions, and yet in 1918-19 the budget estimate was only £109 millions. But the actuals turned out to be 123 or £14 millions better. Then the Budget for 1919-20 was fixed at a low figure, namely 123, and the revised estimate is 129, so there is a growth of 6, and therefore I am perfectly right in stating that the caution has been carried too far during previous years, and we are therefore very thankful for a healthy change.

“There are one or two other points also upon which we can congratulate the Hon'ble the Finance Member. In the first place he has seen his way to allowing the provinces to budget for an increase of about 103 lakhs in Education. We are also thankful to him for the grant of 5 lakhs to the public health funds, 750 lakhs to the All-India Medical Research Institute, for the provision for a metallurgical institute and a small provision for industrial development, and I hope that the expenditure proposed in the Bureau of Commercial Intelligence will be found insufficient in practice and that it will be considerably increased.

“But if I have said this in favour of some of the salient features of the Budget, it would be wrong on my part if I were not to draw the attention of the Council to the fact that the peoples' complaint that very little has been spent upon the tax-payer, upon the poor man, during the last few years when the revenue has grown enormously, is not altogether an unjustified one. If we turn to the total revenue between 1913-14 and the present year, we find that there has been a growth of Rs. 76 crores, from 117 to 193, or about 59 per cent., and yet it must be confessed that on subjects which directly concern the poor man or the State's future growth, namely, Education, Sanitation, Agriculture and so on, I have not been able to see an increase of more than Rs. 6 to 7 crores. 6 or 7 crores as against Rs. 76 crores must be admitted by all Hon'ble Members to be a very small fraction indeed. But I think no good purpose would be served in proceeding to a further analysis of these figures because this is the last year of the old era, and we shall have to look to changed circumstances, and it is from that standpoint that I shall look at the present Budget.

“Well, Sir, turning now to the question of Political Departments, may I ask as to whether the Government of India cannot secure for this country a small reduction in the growth of this political expenditure. Between 1913-14 and now, there has been a growth of about £ 870 thousand. Part of it is due to Persia, part of it to the North-West Frontier Province and so on. I shall not go into the details,—but it seems to me that in view of the changed conditions in Central Asia, in view of the constitution of new Republics or new monarchies, in Arabia, Syria, Mesopotamia, Palestine and so on, in view of the enlarged sphere of the Allied powers in Africa, there seems to be no reason why India should continue to bear the political expenditure in Aden, Persia and so on. She would have to share, certainly, but I see no reason why the whole of it or a large part should be borne by her. If I am wrong I hope to be told so.

“Then, again, there is one small point with regard to civil furlough. I notice that from 302 thousand the budget figure has risen to £800,000. This is rather a large increase. The 1913-14 figure was only 451 thousand. I am aware there are a number of officers who ought in the ordinary course to have gone on leave have been in this country from patriotic motives and otherwise and that some facilities should be given to them, now, but still I think, Sir, that this is too large an estimate, rather too large a provision under that head.

"There are one or two resolutions of mine connected with the propositions arising out of the Budget and I shall not therefore take up the time of the Council by dealing with Currency, Exchange and other matters, but one thing, Sir, I may be permitted to say and it is this. One great principle which I think was unwisely accepted in the beginning of the war and which has led to considerable trouble here, is the principle of accepting payments from the Home Treasury in England for goods—which are delivered here on behalf of His Majesty. It might have been extremely convenient, no doubt, but there is not the slightest doubt that it has led to a sea of troubles, and there appears to be no reason whatsoever why the future Indian policy should not be in favour of payments for whatever goods may have to be contracted for on behalf of His Majesty's Government in India for payment here. I think that so long as the centre of gravity is not shifted to India, we will have these troubles always hanging over us, and there seems to be no reason why even at a loss in the beginning we should not agree to pay only in India for articles which are deliverable in India and receive payment only in India for articles which we supply. If that had been done, I think many of these juggling expedients which the Government had to resort to necessarily would not have been found necessary.

"Then again, Sir, everybody was aware in the early stages of the war that exchange would have gone adversely to Great Britain in America if there had not been an agreement between the two Powers for the purpose of stabilising it for the better prosecution of the war, and every one must have seen—at any rate, financiers must have seen—that with the huge debts that were growing, with the artificial credit that was being given, with the enormous sums which the Banks could manipulate, and having regard to the fact that the future resources of Great Britain were being drawn upon, there would be trouble about exchange after the war.

"And yet I will not blame the Government of India because I take it that they have acted only under the commands of the India Office and in this respect the one reason that I know why the India Office wishes to retain control over financial matters is, that there is not sufficient expert opinion here to assist the Government of India. In England, the Government have from day to day the assistance of financiers of the greatest ability, bankers and other experts, theoretical as well as practical, and it is for that reason that for several years the India Office has overruled the Government of India continuously on different occasions in their financial policy. If that was so, Sir, should not these great financiers have advised the Secretary of State that there would be an inevitable fall after the war, and should they have advised then the Government to invest monies in British Treasury Bills or Securities? Is it not just then that they bear the loss of about 40 crores of rupees in Paper Currency and about 20 crores, I think, in Gold standard reserves? If they are to do justice by India I hope care will be taken by the India Office not to overrule the Government of India readily and not let so much store by the expert advice they possess to run counter to what may possibly turn out to be to the best interests of India. There is one subject, Sir, that is uppermost in my mind and that is the question of Army expenditure, and I will come straight to it at once. I was very sorry to hear that the Hon'ble Mr. Hailey is somewhat pessimistic as to whether he would be able to secure for the people the acceptance of a smaller military expenditure than is budgeted for the coming year. Complaint may legitimately be directed by the people and the Hon'ble Members of this Council to the discourtesy that has been shown to them in keeping from them the details of the military expenditure, as if they were State secrets, the disclosure of which, even after the war, would result in disastrous consequences to the future of the British Empire. I had asked for these figures and I was told that they were sufficiently given in the Financial Statements whereupon we could build up our own theories. Sir, it is absolutely impossible for India to be satisfied with such an attitude. I could understand this reticence during the period of the war when any military secret disclosed might prove disastrous, but surely to urge it in this year of grace 1920, seems to me to be absolutely without any justification. However, I shall try to



[ SIR MAHON, 1920. ] [ Rao Bahadur B. N. Sarna. ]

make what little I can out of the figures that have been furnished. I find that in 1913-14 the expenditure was 12 crores 22 lakhs under regimental pay, etc. There has since been an increase of 828 lakhs the revised figure for 1919-20, additional sums having since the budget date been provided for to the amount of 296 lakhs. The net result is that there is an increase of 68 per cent. over the figure as it stood in 1913.

"Then I come to the question as to why under Supply and Transport there should be such a large increase from 842 to 662 lakhs. It may be due to war conditions possibly, but then it would be only temporary. Then 'Miscellaneous' is the great sink into which all the expenditure which could not be shown under other heads was thrown, and I expected to be shown here only temporary expenditure and that some objection would have been taken to it on behalf of the Government of India. The Miscellaneous expenditure was 27 lakhs in 1913-14, it is 31 crores of rupees in 1919-20 revised. That means to say that every item of expenditure which could not be explained or should not be explained was put under that head.

"I take it that the past year was a year of general peace rudely disturbed by the Afghan war and the trouble on the Frontier. The expenditure on these expeditions was 4½ millions. I deduct 22 crores from 31 under Miscellaneous. May I ask why there was an increase of 9 crores of rupees as against 27 lakhs of rupees in 1913? It can only be temporary in any event.

"Under other heads we had provided increase for Remount, Medical Service, Military Stores, Ordnance, Ecclesiastical, Education, Compensation for food and several other things. Now, Sir, some explanation is necessary here, and my own idea is that these 9 crores could be legitimately cut down from the budget estimates. The provision of 244 lakhs of rupees under the heading of conveyance by rail for the year 1919-20 can only be temporary; well, after all, I suppose it does not matter very much because what we pay under the Army we will receive back under Railways, only a portion of the profits will go to English Companies and the working expenses are increased. Anyhow there is a difference of 200 lakhs of rupees under that head; there does not seem to be the slightest doubt that considerable retrenchments could be made under this and other heads too. But what strikes me as being rather important is that outside assistance would be helpful in scrutinising the expenditure. It is curious that out of 719 lakhs of rupees increase provided for in the revised estimates towards increases in pay and allowances, 659 should have gone to the British element and only 60 to the Indian Forces.

"I am not complaining of that. I am only saying that there must be an increase in the contribution from the rest of the Empire. It is well known that the Army has been maintained partly for the benefit of India and partly to meet the international arrangements and protect the British interests. Is it not just therefore that this British force kept in India should be considered as having been kept here (it may be kept temporarily in British Africa or in other parts of the world) partly for the rest of the British Empire including the Colonies, such as South Africa and possessions, like East Africa, and all the Colonies and possessions of Great Britain should be asked equally to share in that expenditure, and again, Sir, the Reserves are going to be largely increased. Should India have to bear this increase in the reserves? Whatever we may say the military will have their way and there will be an increase in the Army Reserves and most of that increase will be in England. Is it just that we should have to find funds for the purpose? We should arrange for an increase in the Indian officers in the army if it be necessary to do so, so as to keep the Reserves here, but if the Reserves have to be British and are to be located outside India, I do not see any justification for India being asked to pay. This question of increase in the army should be looked at from two standpoints:— Firstly, that the increases, if any, are really due to international engagements of Great Britain, and India should not be asked to bear the charges thereof, and the army should not be increased indefinitely because a poor country like India can never bear the increased expenditure. That leads to the next proposition that the former ratio of 2 to 1 must go if there is to be any safety for

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India, so long as you have that ratio the element of expansion will be very narrow and we will be exposed to the attack of countries like Japan, and we may be told, as we were very nearly in 1917, that there is a great danger of an invasion of India. Every one of us is ready to bear arms for the purpose of defending India.

"And I am sure if only the Territorial Army is expanded and Indians are trained as officers, the expenditure might be reduced, I will not say considerably, but to an appreciable extent. I hope therefore the policy of the Empire in regard to the composition of the Indian Army, its location and the constitution of the reserves will be viewed from a new standpoint.

"Then, Sir, with regard to railways, I have just one word to say. I join the Hon'ble Members who preceded me in their legitimate complaints about over-crowding, about the insufficiency of wagon supply, and the enormous difficulties obtaining in the way of conveyance of foodstuffs. This is an oft-repeated story, but the same oft-repeated answer has been given. The question does not admit, I think, of any very great delay before a satisfactory solution is reached. I hope therefore that the complaints of the people that illegitimate profits are being made, that the supplies are insufficient, that there is over-crowding, will be attended to, and that the system of increasing the wagon supply, etc., of India will be undertaken without the slightest delay."

8-51 P.M.

**The Hon'ble Mr. K. V. Reddi:**—"Sir, I do not know whether the Hon'ble Mr. Hailey will be overwhelmed with the many congratulations that have been so rightly showered upon him, or whether he will be overburdened with the immonuity of the criticisms that necessarily followed those encomiums. His exposition, his lucidity, his theories on exchange and currency are all splendid, and the latter would perhaps form the basis of textbooks in future. His expenditure on railways is too much, his expenditure on the Military side is something which cannot be thought of in this country. But as an administrator, as a minister in charge of the finances, he could not help doing his work. Armies must be maintained, I suppose, if the defence of the country is to be ensured. The elementary duty of a Government, we have always thought, is to protect the citizens thereof, and if a Government is not prepared to protect its own subjects, I do not know what else it exists for.

"There is perhaps a different view, or a different standpoint from which a budget will have to be looked at or the financial conditions of a country will have to be looked at. A few months ago, England was said to be almost on the road to ruin. The tremendous strain of four years of war has driven numerous countries into almost financial crisis. It was said that unless production was increased in England, England would never be able to meet the demands on her. So great indeed was the strain in England that Lord Rothermere once suggested the sale of certain possessions in England to America in order that the debts might be discharged. Coming to our own land, is it not a matter for congratulation that in this country at least we are not perturbed by any such considerations as these? I do not for one moment mean to say that we are richer than England or in fact that we can be called a rich nation at all; but, Sir, a distinction will have to be made between the wealth of a country and its financial capacity to meet the needs of the country. A country, Sir, that within one or two years subscribed to a loan of £100 millions, a country in which 585 companies have been started with a capital of 166 crores, a country too which has gained 30 crores of rupees or is about to gain 30 crores of rupees in a single year, a country in which the balance of trade has been so favourable, I think, must necessarily impress one as having its finances in a state of abounding confidence. I do not therefore view this budget with anything like dismay. It shows that we are prosperous. It may be that we are not rich in the ordinary sense of the term, but financially we have every reason to congratulate ourselves and the series of illustrious Finance Ministers who have placed the finances of this country in the position in which they now are.

"Well, Sir, coming back to the Budget itself, I have got to make one or two observations. But before I do so, there is one statement made by my Hon'ble

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[Mr. K. P. Reddi.]

friend Mr. Sastri, who I am sorry to find is not here, one statement which I cannot leave unchallenged when it was made by him, and that statement, if I have taken him down correctly, runs thus, that in the public service he would deprecate that any distinction should be made between community and community. Sir, coming from the non-Brahmin community of Madras I say I cannot allow that statement to go unchallenged. If that statement is purely one of an academical nature, if that was made in relation to an ideal state, perhaps resembling Plato's republic, I certainly would have had no quarrel with it, but Sir, if in a particular province you find that one particular community monopolises all the places therein, and if other communities who are something like 90 per cent. of the population and who pay the greater part of the taxation of the province and who have produced as many graduates as the services require are sedulously excluded, whether wilfully or not, is another matter, or whether for good or bad reasons is another matter, but if those communities are excluded, is it not the duty of the Government to see that they are properly represented, proportionately to their numbers? Is it not the duty of the Government to see that all communities are properly represented proportionately to their numbers, proportionately to their intelligence, proportionately to their tax-paying capacity? And is this not the right place for me to ask if it is not the right policy that all communities should have their proper share in the administration and in the councils of the country?

"Now Sir, I shall proceed to the points on which I wanted to say a word. The first is the salt question. Sir, salt is a subject with which everybody in the nation is concerned, but perhaps it is the poor man who is more concerned with it than the richer landlords, zamindars and the educated community with whom this assembly is perhaps more directly familiar. Sir, an examination of the figures shows that there has been, ever since the increase of the tax from Re. 1 to Re. 1-4-0 in 1916, a considerable reduction in the consumption of salt. From the year 1903 to 1908 and from 1908 to 1916 there has been a considerable reduction in the tax, and there is a proportionate increase in the consumption, so much so that during the eight years preceding 1916 you will find an increase of as much as 25 per cent. in the consumption. But what do we find after 1916?

"In 1916-17 we have got 51,038,000 maunds, but in 1917-18 we find that the consumption was only 44,803,000 maunds. Now, Sir, last year you budgetted for a consumption of 5 crores and 45 lakhs, but in the revised figures for this year I find that the total consumption would be somewhere near 4 crores and 99 thousands, a reduction of 49 lakhs of maunds, or nearly half a crore in consumption. Sir, the tax that you have got on this is certainly not more than a million, for I find from the figures, excepting the exceptional year of 1917-18, that your income is something over 6 crores and a half and if you reduce the tax by four annas your income will be reduced, I should take it, by a million. When you have taken credit by way of a loan for 10 or 15 crores in the coming year would it not be a sounder policy, would it not be a more humane policy, would it not be a policy which would commend itself to the great bulk of this nation, if you could reduce one million from the salt tax and put it, if needs be, into this loan that you are borrowing?

"Before leaving this question of salt, I have one or two words to say. Sir, I find that during the war, importation of salt into this country from Germany was avoided, but unfortunately enough—and I hope I will be understood in the right sense when I use the word unfortunately there—I find a certain amount of salt still being imported from Liverpool. The value of this salt in the year 1913-14 was 20 lakhs and odd in value (I am omitting the thousands) and in the year 1917-18 it was 16 lakhs and odd. Now, Sir, it occurs to me that it is more or less an irony of fate that a commodity like salt should be imported into this country. It is perhaps the easiest industry known on the face of the earth. A bountiful sun and plenty of sea water are all that are required for making this salt. It does not require any capitalist, it does not require any plant, it does not require any buildings, it does not require any expert; you have only to get the land and take the water of the sea into it. India has of course the largest seacoast of which any country can boast. With

[Mr. K. P. Reddi.] [8TH MARCH, 1920.]

its large seacoast, with its large quantities of sea water, and with its bountiful sun, how is it that we are allowing other countries to import salt to this land? With a little bounty from the Government, say, in the shape of loans on the lines of those which are given to agriculturists under the Agriculturists' Loans Act, I am perfectly certain that a stage can be reached within the course of three, four or five years when India can not only manufacture the salt which is necessary for its own use but when she will also be in a position to export to other countries and thereby this tax deficit will be recouped. I can assure the Government and I am perfectly certain that this tax of four annas which should be remitted would be more than counterbalanced by the output. It will increase the wealth of the nation, not only because it affords work for so many labourers, but also because it increases the production of the country in every way. Therefore, this small reform could easily be effected without in any way interfering with the large programmes of the Government.

"The only other subject on which I wish to say a word, Sir, is one on which you have heard many speakers and many eloquent speeches. That has reference to the military situation. I have already said that it is impossible for any nation to dispense with military expenditure. We are told that we have passed through the greatest war which was intended to end war. Well, Sir, you all know whether war has ended or not. So thought the great statesmen who sat in Vienna in 1816 after the great Napoleonic wars, but not a single decade in the last century passed without one great war or another breaking out and though perhaps it would be heresay for any one to say, after the League of Nations has been formed, that these wars will not be avoided, still, Sir, one cannot delude one-self into the belief that any nation or every nation on the face of the earth will be free from foreign aggression or from wars.

"Therefore, when our Finance Minister provides for a certain amount in his Budget, the only way in which we will have to look at it is not whether there is any necessity for the amount, but to keep a watchful eye and see that the money that is provided is carefully and economically spent. But, Sir, there is one other view which I wish to place before the Council in this connection. Great reforms are about to be ushered into this country; in fact it is felt that India is being placed on the road to self-government and that in the fulness of time and in the wake of proved fitness the goal of self-government or responsible government will be reached. Is it not then the duty of this country to provide for its own defence? And how can it do so unless the young men of the country are employed in the Army and are given greater and higher offices than they are at present given? I will explain my position in another way. In the year 1916, when Commander Olturohill pleaded for the creation of something like 10 or 12 divisions in India he was met with the objection that there were no officers to train our men. Then it was proposed that sick and disabled generals and officers might be employed for that purpose. The next objection at once was put forward that the vernacular difficulty would arise in the case of these officers. Now, Sir, if at that time our young men were trained and we had had Indian officers sufficient to train our young men, certainly this war would have ended much earlier than it did, and perhaps, if I may say so without offence, the boast of America that she won the war would not have been allowed and India, which stemmed the tide of the first German onslaught and saved France from the fate which had befallen Belgium would have had the credit of having assisted the Empire in bringing this war to an earlier close. But, Sir, why was it not able to do so? Was it not because we did not have sufficient trained Indian officers? Sooner or later that stage will have to be reached, and if to-day you have placed this country on the road to self-government or responsible government, you will not be fulfilling your promises fully unless you provide also for her adequate defence. And this question of defence brings me to another question. I do not know, Sir, whether any provision has been made for aeroplanes in this large military budget. I daresay it must have been made. The reason why I press for this is that this frontier trouble and this Afghan trouble is a thing that has been troubling this country for years and years together.

[8TH MARCH, 1920.]

[Mr. K. V. Reddi: The Vice-President; Haji Chaudhuri Muhammad Ismail Khan.]

"From my childhood up to this day I have not come across a single quinquennium in which we have not heard of trouble with the Afghans, the Afridis, the Mahsuds, or some other tribe on the frontier. Is this great nation of 250 millions, protected by the strong arm of the British, to be bullied by the small tribes on the frontier like this for ever? Have you no remedy for it? Can we not make short work of these tribes? The great Indian nation that brought Germany to her feet; can she not subdue these little tribes? What matters it if it costs a little more now? Sir, you may be sure the country will be at your back. Spend as much as you want. Only see that this trouble is not repeated again.

"This brings me to another question, and that is, the question of propagandistic work. I do not know again whether the budget provides sufficiently for propagandistic work. While I was in England at a small party of friends, amongst whom were Americans, Rumanians and men of other nations, everybody was saying that the war was won by the nation to which he belonged, when a young man got up at once and said that the war was won by Lord Northcliffe. We were wondering what that meant, whether it was because the newspapers had reduced their size to much less than usual and we asked him whether that was the reason. 'No', said the young man, 'It is the propagandistic work of Lord Northcliffe that won the war.' Now, Sir, if there is any truth in that I think this is just the time when we might spend profitably some money on propagandistic work, not only in this country, but also in Afghanistan, in Persia and, perhaps, elsewhere. Viewed in these lights, I would not certainly grudge the military expenditure that is budgetted. There is only one other submission that I wish to make and close. A question was put by my friend, the Hon'ble Mr. Patel, whether any attempt would be made to give effect to the suggestion which was made in the House of Lords by Lord Ampthill. Of course we were told, and perhaps rightly, that the creation of merchantmen was a work for private enterprise. I may, however, add, Sir, that it is possible for the Government to take up the work in the sense that merchantmen may now be constructed in such a way that they could be converted into naval ships at a short notice. I do not know whether that is scientifically possible; your engineers may be able to tell you; but I know one thing, namely, when motor cars were imported into this country before the war, we were told that they were so fitted that at a moment's notice they could be converted into armoured cars. Well, if that was possible, I should think it ought to be possible likewise that ships could be constructed which in peace time could be used as simple merchantmen, and if needs be in times of war could be converted into armoured cruisers or dreadnoughts or whatever you may call them.

"Sir, I do not think I have got anything more to say. There is only one word which I would say, and that is with reference to the irrigation expenditure that is to be found in the budget . . . . .

**The Vice-President:**—"I would remind the Hon'ble Member that he has already exceeded his time."

**The Hon'ble Mr. K. V. Reddi:**—"I beg your pardon, Sir. I will sit down, because I am told that there will be a resolution on the point and I hope to be able to speak then."

**The Hon'ble Haji Chaudhuri Muhammad Ismail Khan:**—"Sir, I am afraid there is nothing in the Budget before the Council on which we can congratulate ourselves or the Hon'ble the Finance Member, and not many items on which we need express our condolence. It is a Budget of waste and want. The key-note of the English Budget system now-a-days is retrenchment and re-construction. But here expenditure is on the increase and there is no attempt at re-construction. In almost every department, we find a rise in expenses. In general administration, there is an increase even

[*Haji Chaudhuri Muhammad Ismail Khan.*] [8TH MARCH, 1920.]

in the salary and expenses of the Governor General. From Rs. 10,49,815 in 1916-17 it has come up to Rs. 10,85,000 now. The salary is a small and fixed item, but the expenses are expanding. That is the case with the charges of the Secretariats. In almost all departments, instead of a decrease there is an increase—steady and mounting up. It is so under Law and Justice (Courts of Law). Under medical expenditure, we find the amount for 1916-17 was Rs. 11,79,478. Next year it rose to Rs. 12,89,275. Last year the revised figure stood at Rs. 15,48,000, and this year it is Rs. 17,67,000. Even in Ecclesiastical and Superannuation expenditure there is a rise. We are within measurable distance of the long anticipated Reforms, but every proposal to increase the cost of the services made by the Government of India has been sanctioned by the India Office. I know the vetoing power rests not with the Secretary of State, but with the Council. But the Secretary of State and the Governor General must be held morally responsible for the increase. A policy of retrenchment would have brought no relief.

"The Hon'ble the Finance Member has referred to the suffering of the people due to high prices. But what is sympathy without action worth? What have Government done to alleviate this suffering? Even the amount allotted for Famine Relief has not been fully spent. The other day we found that in England the supplementary estimates included six and a half millions of additional bread subsidy owing to the increasing loss of selling the quarter loaf at nine pence. That was in England. But here nothing has been done to cheapen bread or even to stamp out profiteering by unscrupulous businessmen.

"The Hon'ble the Finance Member has referred to the loss due to Exchange. Three years back, speaking in this Council-room, Sir William Meyer said—'We have taken powers to enable us, instead of earmarking gold for our Paper Currency Reserve against the issue of notes, to hold a portion of the Reserve in British Treasury Bills, which are the next best thing to gold.' But he had built his castle on the quicksands of an unstable exchange. And to-day the Hon'ble the Finance Member deploras the loss of 27½ crores. But worked at the present rate of exchange it comes up to much more and to it must be added the loss on Reverse Councils. And we have been made to suffer for no fault of ours.

"The military expenditure has risen to an appalling height; and, unless a clear case is made out, we must not lend our support to this increase. Many non-official Members of this Council—prominent among whom I should mention the late Mr. Gokhale—have protested against the stupendous nature of this expenditure, but to no purpose. And what is more, Sir, 'while this colossal amount is being spent, the people of India themselves are rigidly kept down to the lowest positions in the Army.'

"I am glad some attention has been paid to Education, and deservedly so. I offer my thanks to the Government for the grant of about Rs. 4 lacs to the Belgachhia Medical Institute in Bengal, the grant of Rs. 6 lacs for a Technical Institution at Calcutta, and the grant of Rs. 28 lacs for contributions to District Boards in the United Provinces for the improvement of secondary Vernacular Education. But, at the same time, I cannot help expressing my regret at the neglect with which technology and primary education have been treated in this the last Budget under the old system.

"The claims of Sanitation have, it is true, not been overlooked. But the health of the people requires more looking after. As Chairman of a District Board, I have gone into the matter carefully. And I quote what His Excellency the Governor of Bengal said about the 'grim tragedy' which his inquiries about Malaria in Bengal disclosed. 'Every year,' said His Excellency, 'there occur in Bengal from 350,000 to 400,000 deaths from this cause alone. But a mere enumeration of the deaths gives but a faint idea of the ravages of the disease.' It has been said that a leading cause of the poverty and of many other diseases in a great part of Bengal is the prevalence of Malaria. Then the plague slays its thousands; and of late, Influenza has come to claim its tens of thousands.

[**8TH MARCH, 1920.**] [*Haji Ohaudhuri Muhammad Ismail Khan; Mr. K. V. Rangaswamy Ayyangar; The Vice-President; Mr. A. P. Muddiman.*]

"In view of the huge profits made on Railways, I hope it will be found possible to reduce passenger fares to the pre-war level and revert to the pre-war arrangements, thus affording relief to the travelling public.

"I will add one word in regard to the railways and it is to request that at least a part—an influential part—of the huge profits made by them may be used for the improvement of the third class travellers. Sir, I strongly support my friends Mr. Banerjee and Sir Ohitnavis' idea for the appointment of a Committee of Inquiry composed of officials and non-officials to investigate the hardships of third class passengers.

"I would also urge the reduction of telegraph rates and hope I do not urge in vain.

"We have been told that 'the burden of high prices has been felt in a special degree by the large number of low paid Government servants.' I hope Government will see their way to improve their pay and prospects—paying special attention to the ministerial officers whose hard case has so often been pleaded by the press and the public.

"In the matter of sanitation, the province which I have the honour to represent deserves especial attention. The plague is decimating the fair province and the poor people lie in constant anxiety and terror. If a tenth part of what happens in Bihar and Orissa had happened in England, a successful crusade against rats would have resulted in their extirpation. I hope more attention and more money should be given for the improvement of sanitation in Bihar and Orissa.

"Sir, there is one other matter on which I would say a word or two. In the military expenditure entries have been provisionally made for the payment of certain portions of India's further contribution towards the cost of the war in pursuance of the Resolution passed in this Council in 1918. That Resolution, as we have been told by the Hon'ble the Finance Member, contained a reservation that the offer would be subject to the condition that the payment would be reconsidered in the event of two contingencies occurring. We have been told by the Hon'ble the Finance Member that the expenditure of about £15 millions involved in the Afghan War and frontier operations 'clearly' makes the first condition operative. I beg to assure the Government that I have given the matter most anxious consideration; and I have come to the conclusion that, considering the expenditure incurred in the war and the loss sustained in reverse Councils, we as representatives of the people must stand on that condition and not agree to waive it. I, therefore, propose that the cost of the Afghan War and the frontier operations amounting to about £15 millions should be deducted from the grant."

**The Hon'ble Mr. Ayyangar** :—"May I ask, Sir, that my speech be taken as read?"

**The Vice-President** :—"The Hon'ble Member asks that his speech which, I understand, has been printed may be taken as read."

**The Hon'ble Mr. A. P. Muddiman** :—"No, Sir. The Hon'ble Member's speech is not in print. The Hon'ble Member never has his speeches printed as he should. I hope that in future he will have his speeches printed if he wishes to have them taken as read."

**The Vice-President** :—"On the assumption that the Hon'ble Member will have his speech printed for distribution as provided by the rules the Council will take it as read."

**The Hon'ble Mr. K. V. Rangaswamy Ayyangar** :—"The day of budget discussion has been called, I think by a Madras official, the Oliver Twist Day of the Council. From the people's point of view, it is a day

[ *Mr. K. P. Rangaswamy Ayyangar.* ] [ 8TH MARCH, 1920. ]

of ineffective cries against unfulfilled undertakings and neglected responsibilities. The provision for education and sanitation, the proposed projects for irrigation and agricultural improvements, the decrease in military expenditure and in the taxation of ordinary articles of consumption, such as foodstuffs, etc.—these are a few of the items we Members of Council generally look to. As the Indian press has already pointed out, this year's budget must be pronounced to be a disappointment from this standpoint, while the frequent references to problems of exchange and courses of trade envelop the whole thing in a cloud of learned mystery.

“Two years have elapsed after the war; but the military expenditure has not abated—rather so far as India is concerned the re-appearance of that eternal bogie in the North-West—the Afghan trouble—has accentuated the strain on the revenues by retaining a heavy expenditure. High prices of an unprecedented kind, unknown even to famine days or war time, continue to reign; and in spite of favourable monsoons, the uniform good behaviour of the seasons, the realised and expected bumper crops, etc., the lower classes are on the verge of starvation.

“Very little has been done to retrieve the oft-repeated promises to non-official Members that proposals for the expansion of education will receive consideration after the war; and what is worse, in many cases, owing mainly to official neglect, there have been lapses of unspent allotments amounting to nearly 33 lakhs under Education; and, as I already pointed out, there was a similar lapse of 30 lakhs last year.

“Railways bulk large in the matter of expenditure to the neglect of other useful branches of work, notably irrigation. Even as regards Railways in actual construction, I am afraid, strategic rather than economic considerations will outweigh and the more productive projects in remote and peaceful areas will be given the go-by in favour of these in frontier tracts. One Finance Member characterised Indian revenues as a gamble in monsoons and a ready measure of protection against its expenditure on productive irrigation schemes. And yet irrigation is more starved in the budget. Some more useful projects, especially in the Cauvery delta, are neglected. While an excuse may perhaps be readily found for the postponement of the Kannambadi Dam project in the yet unsettled dispute between the Mysore and the British Governments, the Mattur Project should have been taken in hand long ago. Even if the award of arbitration of the Kannambadi Dam which has to be reconsidered should be assumed as to go against the Madras Government, it is only a question of constructing the Mattur Project on a minor scale. Minor or major the project should be begun. Delay of this project has cost the Government and deltaic ryots of the Cauvery a great deal, and I would request that the project may not be further postponed.

“Among minor schemes of expenditure, provision for the improvement in the lot of subordinate officials of Government cannot engage the attention of Government too soon in view of the acute sufferings of the men on account of the high prices prevalent in the market. Any scale of increase must be adequate to the increase in the price of foodstuffs. It is gratifying that the pay of the officials in the Postal Department is to be revised on time-scale. Their pay should be brought into line with those in the sister department of Telegraph. The pay of the staff below Rs. 200 also should be enhanced. Similar revisions in the scales of pay of subordinates in other departments must at once be taken in hand if serious discontent is to be averted.

“The Government monopoly of the rice trade in Burma under the name of ‘control’ is causing widespread dissatisfaction as His Excellency is aware from the representations of the Deputation from Ceylon that recently waited on His Excellency. It will be nothing short of scandal if this Government profiteering in the staple food of the country should go on indefinitely to the greatest hardships of the people in spite of favourable monsoons, bumper crops, and slackness in exports owing to exchange difficulties. It is difficult to find excuse for the action of Government in selling rice at



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Rs. 1,000 per 100 baskets (*f. o. b.* Rangoon), when the average price in 1919 in the Burma market did not exceed Rs. 500.

"The absence of a fixed policy in the matter of linking silver to gold has been the cause of a great grievance to us. When in England the silver shilling which was linked to gold should have remained in the same ratio in value, why should there have been in India alone such violent fluctuations? Now that a certain ratio has been fixed, it is but just that the people should demand that there should be a continuity of this policy for a long time to come. All our grievances about the arbitrary fixing of the rate of exchange and the violent fluctuations in the matter of linking Indian silver to gold will disappear if the same coins that are current in England are introduced in India. There can be no better opportunity for doing this than the present time. The rupee which weighs and which is valued exactly double an English shilling may be named a 'rupee' or 'two shillings', while 20 shillings or Rs. 10 may be declared equal to a gold sovereign. In the name of fixing exchange rates, the cultivators' interests are not at all taken into account, and the raw products which should find their way into foreign markets fetch very low prices in rupees as the exchange rate is very high. It is to be regretted that there was no one to represent the cultivators' point of view in the Currency Commission when they fixed the present rate.

"The other day Mr. Sarma asked Government why the Secretary of State should stand as an intermediary for the purchase of gold for selling the same in India. No answer was forthcoming to the question, and so the Government have given cause to strengthen the conviction of the people that the Government have thrust gold into India in order to take away the silver, and then again they are cheapening by an artificial process the price of gold by purchasing gold at Rs. 23 and selling same at Rs. 10, creating a sore that gold has cheapened to make the people part with their gold also as the precious metal they have hoarded may not become still more cheap and they are put to further loss. The people fear that this process may result in the withdrawal of the precious metals and in the inflation of the circulation of paper currency.

"Though we get only 60 per cent. of the value out of depreciated exchange we are thankful to the Government for arranging to transfer the paper currency reserves from England to India, and we hope that, at an early date, the gold standard reserves will also be transferred here.

"It is also a matter for congratulation that the evils of progressive rates of taxation have been minimised in the case of super-tax. The distinction made in the Bill between Joint Stock Companies and Joint families seems to be invidious, and we respectfully urge that this distinction should be done away with.

"When the duty on petrol was first imposed, the member in charge of Commerce and Industry pleaded that war purposes required the Government to impose the duty simply for diverting petrol to the centres of war and that the Government did not contemplate taxing this article; but last year this duty was made permanent and it was said that Government were deriving a good revenue, and that the Government did not want to lose such a big revenue, though this duty was first imposed not for revenue purposes. Why should the sight of a revenue make the Government change a policy of imposing a duty for the purposes of protection to one of getting a revenue out of it?

"The restrictions on exports and imports for another 2½ years, the prohibition of dye-stuffs except through England and the preferential tariff on the export of raw hide and similar attempts at Imperial Preference will, I am afraid, greatly affect not only the revenue of the Government, but also the prosperity of the people. Closing the open market to India which cannot consume all her raw products which should find a market in the outside world will greatly affect the country. Imposing an intermediary to share the prices due for the products when already the rates of exchange will not bring the usual number of rupees will greatly restrict the profits of commerce. It is unfortunate that in the Committee constituted to advise the

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Government on the policy it should take in the matter of Imperial Preference, there is no one to represent the producers, who form no less than 72 per cent. of the entire population.

"The money market has become very tight and it is feared that the largest industrial enterprises undertaken by the people may have to suffer in these trying times. The note of warning sounded by His Excellency and the Finance Member regarding the formation of companies will further enhance the difficulties. I am also afraid that the people will be led to believe that this excess caution of the Government has been occasioned by their anxiety to secure the loans asked for.

"The Indian Members have also to raise their voice of protest against the sale of these reverse council bills, against fixing a very low rate for them and against the allotment of these bills to certain classes of people. I have to bring before the Council how the Indian opinion goes against them and it is well brought to the notice of the public by Mr. B. F. Madan, who writes as follows :—

'Do the Currency authorities seriously want anyone to believe that the £122 million applied for last week represent such *bond fide* accumulations waiting to be remitted Home? Do they themselves believe it? Evidently not, because they themselves say (in paragraph 4) that—

'It is clear that the present exchange situation is being exploited by speculators who are not themselves genuine remitters, but who are taking advantage of the facilities given . . . . to secure a profit on their re-sale.'

This shows that the applications are to the belief of the authorities themselves speculative, and do not therefore show the accumulations awaiting remittance Home.

'Even assuming their very lame defence that there are accumulations of war-profits awaiting remittance Home, what business has the Government to offer these war profiteers this further profiteering chance of 40 per cent. on remittances Home?

'Perhaps the Currency authorities will say that this return of the £ to 10 rupees is problematic. If they do, then they must be thinking that England is bankrupt or on the point of being one. Because unless they believe this which means that England is not likely to resume gold payment, at least in the near future, why do they throw away our sterling resources at these ruinous rates to-day? Is it simply to oblige these war profiteers that we are doing all this? Or, is it something still worse? Is the financial position of the Government so bad here that it is urgent to transfer our funds from London to India as promptly as possible, and at any sacrifice?

'If neither of this is the case, *i.e.*, if England is not bankrupt, and if the Government here is not in a tight corner, what justification have they for selling away our sterling credits at Rs. 6-14-0 per £? We waited five years to suit the convenience of England and the Allies. Was it all in order to be ourselves ruined as soon as their need was over? And to be ruined at whose hands? At the hands of a Government who year in and year out tell us that they were the trustees of the welfare of the people of this country. What would we say of a trustee that auctioned away the assets of his wards at 6,000 knowing full well that by patient and careful realisation he could get 10,000 for the same?'

"I should once again be permitted to bring the question of Dastik or Mohini allowances to the temples and mosques and urge full payment of their dues. These temples were originally endowed with large lands and they were taken by the Government along with the management of these temples. When the Government decided to hand over the management of the temples to indigenous agencies the lands were retained on the understanding that their entire proceeds will be handed over in full to those institutions. But with all our representations in the Councils and the petitions to the authorities by the temple managers, the present income as well as the surpluses of previous years have not yet been handed over to these institutions. Will not the Government remedy this very just and longstanding grievance? The feeling that the Government without discrimination is coveting even the property belonging to religious trusts should be removed from the minds of the people both Hindu and Muhammadan at the earliest possible moment.

"It has been said that exaggerating the situation in the Punjab was one of the reasons for the wars with Afghanistan and the frontier tribes which have cost us no less than 14 millions. Not only this, the Financial

[5TH MARCH, 1920.] [Mr. K. V. Rangaswamy Ayyangar; The Vice-President; Pandit Madan Mohan Malaviya.]

Secretary brings before us that a loss on railway earnings is a great deal due to it. When India is in dire circumstances commercially, the Afghan War has come upon it as a great drain on its resources. As one who voted against the supplementary contribution of 43 millions, I should urge this as an additional reason for withholding the balance of the second contribution. I have also to remind the Council that, as all the vital necessary items—irrigation, education, sanitation, medical aid and the elevation of the depressed classes—are already starved, we should not further encumber ourselves to any extent whatsoever, whatever may be the greatness of the object for which it is utilized. Between self-preservation and cheap name for largeheartedness going with the gift, I can only choose the former. I have to bring before the Council what the Chairman of the Indian Chamber of Commerce of Bombay, Mr. Bomanji Dinshaw Petit, has to say on the subject:—

‘The fact is, that the Government of this country is much too costly and extravagant for its resources. It is top-heavy, and unless it is radically overhauled from top to bottom and the principles which guide it are thoroughly revised, I for one am very apprehensive of the future of our industries. A country so situated and with such scanty resources even for its legitimate means and requirements, with a per-capita income of £2 a year would have hesitated to offer a contribution of a hundred million pounds which until recently would have been equal to a year's income. But the Imperial Council in its wisdom thought otherwise; and voted away that huge sum which has meant additional taxation in the shape of super and other taxes on the already slender resources of the country, for a period of close upon 20 years. That contribution, gentlemen, though well-meant, was a blunder and amounted to the pawning away of the resources of the country for such a long period. But I have no patience with those who asked the Legislative Council for another contribution, which to our shame, I must confess, was blindly voted away by our own representatives in the Council without an adequate sense of their responsibility and without in the remotest degree paying the slightest attention to the urgent needs and requirements of the country, which must in consequence stand indefinitely postponed. The manner in which the onus of that imposition was thrown upon the Indian members and the consequent thrusting of the excess profit tax on this country are events which are too recent and too well known to you to need recapitulation at this stage. But I shall say this that these two contributions and the taxation necessitated by them have so far tied down the resources of this country, that it would be next to impossible for the ministers of the future, be they Indian or English, to find the necessary money for constructive, educational, sanitary and other schemes which are so absolutely necessary in the interest of the country.’

“I am grateful to the Government for allowing us to express our opinion upon this year's budget also. All these years we have expressed what we felt on different occasions about the policy of the Government, and in doing so we might have been at times a little harsh in our expressions. Circumstances and strength of our opinion might have prompted us not to conceal our thoughts, and if anything should have been done to make the Government think that we do not appreciate what they have all done for us, then I have to correct that notion and tell them that we are grateful for the good that they have done, and that it is this conviction that our wishes are responded to and legitimate aspirations are respected that prompts us to ask for other things that remain undone.”

**The Vice-President:—**“As no other Hon'ble Member desires to speak, I will adjourn the Council till 6-30 p.m.”

The Council then adjourned till 6-30 p.m.

**The Hon'ble Pandit Madan Mohan Malaviya:—**“Mr. Vice-President. The Budget before us is full of questions of importance and the pity of it is that we are unable by criticisms to make any change in it. The events that have happened are some of them matters of past history. I should say partly matters of past history but it concerns those who come here; and as this is the only opportunity members of this Council have to offer any criticisms, I feel it my duty to join in with my colleagues against the principles in this budget. The first to which I should like to refer is that of Reverse Councils. 6-30 P.M.”

“I think that attention should again be drawn to this matter from more than one aspect and in the lucid statement on this subject as set out by the

Hon'ble Finance Member the policy which is involved in it requires to be mentioned. I do not think that the bureaucratic system of government which obtains here could expose itself to more just attack by any action as much as it has exposed itself by these sales of Reverse Councils. When the exchange Compensation Allowances were passed there was very severe criticism on it, but here at this time when India has suffered so much during the past five years when the people of India are suffering so much at present from a variety of causes and when the exchange itself has been one of the main causes the trouble which they have had for years past and for which they have had to pay grievously, it seems to me that it is not very wise to yield to the pressure of private individuals by the sale of Reverse Councils. In saying so I do not mean any personal reflection against the Hon'ble the Finance Member, because I have no doubt that he has done the best he could in the circumstances. The Government of course, as a whole, must be responsible for the policy that has been decided upon and Government includes the Secretary of State. But it seems to me that the matter is more important than it appears. At page 125 of the Statement by the Hon'ble the Finance Member in paragraph 17 we find him saying 'in these circumstances the linking of the rupee to gold necessarily caused its exchange value as expressed in sterling to rise by several pence. The much greater amount of sterling that could be purchased by a given number of rupees naturally provided a great incentive to people, with accumulated funds in India, to remit these to England. The demand for Reverse Councils became unprecedentedly great and the exchange markets could have absorbed considerably more than the £11 million of Reverse Councils which we sold during February.

" Now it is possible that the Finance Member has some very satisfactory explanation to give as to why this is so done, but here I have not been able to find any such explanation, and it seems to me, Sir, that it is a very regrettable fact that so much of the public money should have been so sacrificed. The Government has exposed itself to the attack which has been already expressed in the Council in previous speeches in respect to private individuals being allowed to have consideration where they should not have been allowed to have any consideration. I hope this view is incorrect, it may be of course, no one would suggest the object of the Government was that it should be so, but the result is that it has been so. I hope we shall have an explanation which will relieve our feelings in this matter.

" The second point to which I should like to refer is restrictions upon the free import of gold by private individuals. I do not wish at this hour to dilate at any great length upon this policy, but I do not think much argument is needed to lessen the view that there should be restriction any longer upon the free import of gold by private individuals. We all understand that in this matter England and India had no desire to accumulate gold. Every civilised country wants to make themselves financially stronger by attempting to do it. Germany tried to do it before the war. If England is now, after the war, trying to keep herself and strengthen her position, we do not find any fault with her, but it should not be done at the sacrifice of India. That is their concern and we hold the Government of India primarily responsible for the welfare of Indians and to see to it that no such artificial means are provided, and that the country should absorb as much gold as she reasonably can in the ordinary course.

" Passing on to the expenditure side I join with those of my friends who have declared that the growth of expenditure on the civil side is tremendous, and here again is an item to which I think it my duty to draw particular attention, and that is the sanction of the enormous increase in salaries, pensions and allowances which has been sanctioned by the Secretary of State. I think, Sir, that nothing could offer a stronger point of attack than that these elements of growing expenditure should be sanctioned by the Secretary of State. I am aware that this Council has not the power yet of passing the Budget. I am aware that the Secretary of State and the Government of India concurring can sanction these things, but, I think, Sir, in view of the changes which are pending, in view of the new order of things, the matter should have

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been discussed in Council fully and an opportunity given to members of expressing themselves once more before it was actually carried out. I am not aware that any such opportunity was given, but when a huge amount of increase is added to the expenditure of the country there should have been a further opportunity given to the people to discuss it, and what is more, more deference shown to the public opinion of the country.

"But I take it that the salaries have been sanctioned and pensions have been sanctioned, and I would only now say this, that I hope that now that these salaries and pensions have been sanctioned on the civil side, our friends the entire body of the civil servants and all persons engaged in the service of His Majesty will combine earnestly and honestly to endeavour to cut down expenditure in all other directions as much as they can. Expenditure has been growing tremendously. If the average national income had been growing in a proportionate way, there would be no cause to complain; nobody would waste his breath over it, but the average national income has not been growing proportionately. In fact the complaint is that, while sections of the people have benefited by the changes which have come about, there are vast sections who have not benefited. In this state of things it seems to me that the figure at which the salaries have now been placed is entirely out of proportion and unjustified by the conditions of the country. For years past we have been complaining that the salaries paid to the Civil Service were the highest in the world, but instead of any reasonable reduction we find an enormous increase in these salaries. It is a matter for regret and the people of India cannot feel happy that this is so. However, this having been done, there is room for retrenchment in other directions and one of these directions is the Army expenditure. The Army expenditure has been growing and several members have already complained of its growth. Now here at least I hope that all members of the service and all others who have any voice in determining the affairs of Government, the policy of Government, including the military members of the Government, will strive to cut down military expenditure and to bring it within reasonable limits. I am aware, Sir, that military expenditure has to be kept up to a certain standard owing to the exigencies of modern times, but the standard has to be fixed and the Hon'ble Finance Member has himself indicated that the standard ought to be fixed somewhere, though he has pointed out that the time has not yet come, the present is not the time, when it could be done. He has told us that a sub-committee of the Viceroy's Council, by which I take it is meant the Executive Council, has been appointed to examine this question. I have been able to ascertain the names of two members of the Committee, the Hon'ble the Finance Member and the Hon'ble the Home Member: probably there is a third member to the Committee. I think, Sir, that when the Government thought it fit to appoint a committee like that, they should have done us the courtesy of asking a few non-official members of this Council to co-operate with them in this matter. The words of His Majesty the King Emperor, used in his gracious proclamation, are still fresh in our minds. He has advised us, appealed to us, to co-operate, the officers of Government with the people, and the people with the officers of Government. Both are interested in keeping military expenditure down to a reasonable level. Both are sworn by their oath of allegiance to the King to carry on the administration in such a way that it shall be most economical consistently with efficiency. I submit, therefore, that when the Government appointed a sub-committee, they ought to have done this courtesy to the non-official members by asking a few of them to co-operate in examining this expenditure. For long past we have been complaining that we are not let into the secrets of military expenditure. The Hon'ble Mr. Sarma complained to-day that the details which he had asked for have not been supplied. Now, Sir, we pay the taxes, we are, therefore, entitled by right, we have the indefeasible right, that is to say if right is might, we have the right to an account of every pice of expenditure which is incurred out of the taxes which we pay. I cannot conceive why the details of the expenditure which the Hon'ble Mr. Sarma asked for were not given to him. I cannot conceive why non-official members should not be asked to join with official members in scrutinising the expenditure. It may be that the expenditure is thoroughly justified;

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it may be that there is nothing reasonable to complain of against it, but an opportunity should be given to look into these matters, an opportunity should be given to satisfy ourselves that the expenditure is not unreasonable extravagance. Now that is one general point which I would mention with regard to military expenditure. Then there are two other points. Hitherto, ever since 1885, when the first Indian National Congress met in Bombay, educated Indian public opinion has been repeatedly asking that military expenditure should be cut down. They have been urging certain matters, certain departures in policy, by which this could be effected. We have urged that Indians should be appointed as officers in His Majesty's Army. The five years of war are over, happily over. We urged during the war, from the commencement of the war, that a fair number of Indians should be appointed to His Majesty's commissions in the Army. We were not given the satisfaction of finding such a fair number appointed. We now find that at the end of the war when this enormous military budget is put before this Council, there is no announcement accompanying the statement of the Finance Member that a reasonable and just departure from the present policy has been determined on and shall be carried out. I submit, Sir, that the experiences of the war have some lessons for us. They have shown the value of the Indian Army. They have shown that without the Indian Army His Majesty's prestige could not have been maintained in the East, and glory would not have been brought to His Majesty's arms. They have proved up to the hilt the fidelity and the valour of Indian troops, and now after all this that there should not be an announcement, a definite announcement of the change of policy, is a matter for sincere regret to us Indians. I do not hold any individual Member of Government to blame for this not having been done, least of all do I hold the Finance Member to blame for it, but the system is there. Whosoever has to shoulder the blame, the fact remains that it is very blameable, very regrettable that at the end of the war, even when a new budget is presented to the Council, there should be no such announcement as we have been long pressing for. Now, Sir, Indians have proved their valour and their fidelity in the war. All that is needed now is that they should be admitted as equal fellow-subjects of these colleges which have been established to train officers for the Army. It seems to me anomalous, regrettable, a matter of reproach to the Government and a reflection against the people that the college established for military training in Quetta should not admit Indian youths on the same terms to its classes as it admits non-Indian youths, and I hope the Government will take this matter up betimes and remove this reproach.

"The second point is about the future of the Army. There are passages in the speech of the Hon'ble Finance Member which indicate that the matter is under consideration, and I only hope that when the matter is to be seriously considered, and at any rate before the matter is finally disposed of, non-official members of this Council will be given an opportunity to have their say on it. The Army exists, I need hardly say, to preserve order and peace in the country. The Army exists for the people, the people do not exist for the Army, and the expenditure on the Army should bear some reasonable proportion to the national interests. That is the point to be achieved. How can that be achieved without sacrificing efficiency is the problem for consideration before the Government. Suggestions have been made by more than one Member as to how this can be done. A territorial army created on a sound basis ought to prove very helpful in reducing the expenditure on the regular army. I believe that the value of a territorial army has been proved beyond doubt. We have to co-operate, Indians and Europeans, in preserving order in His Majesty's territories. Indians have proved that they have co-operated and will co-operate. Why not then organise a regular territorial army on a basis which will relieve you of any reasonable anxiety on the score of the want of strength in the army, and why not give the people an opportunity to feel that they are responsible as much as the officers of Government or the soldiers of His Majesty for preserving order and peace in the country? If this is done, a very reasonable reduction will be brought about.

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"The third item is the production of those articles which are needed for use in the country. In that direction the Indian Munitions Board has already done splendid work during these several years, and I hope that the new appointment of Sir Thomas Holland is a guarantee that that policy will be promoted and continued and that India will be able to manufacture as many articles that are needed for war purposes as she can. That in itself ought also to bring about a great reduction in the military expenditure of the country. I hope Government Members will picture to themselves the state of feelings which will grow in this country if these matters are not attended to. The Reform Act is going to be put into operation next January. There will be a larger Assembly, much larger than this Council. Matters in which the people feel interest will be talked about more and more, not only in cities and towns but in villages. The whole population will begin to think and to speak on these questions. Is it right, is it wise, is it statesmanlike, that the public sentiment in these matters should be disregarded? Would it not be wiser that the Government should anticipate and should take action in such directions where it is reasonably demanded in order that the public sentiment should be more and more, in an increasing measure, on the side of Government in supporting right measures of reform and in promoting the welfare and prosperity of the country? I believe, Sir, that if the policy is thought out, debated, settled and acted upon, if the right policy is acted upon, there will be a tremendous gain from every possible point of view, financial as well as moral.

"Another item connected with the military expenditure is the war contributions. I join with one of the previous speakers who have referred to it in thinking that, in view of the Afghan war, according to the terms which have been mentioned by Sir William Meyer, the contribution should certainly be reduced if it ought not to be entirely wiped out. Circumstances have changed and those circumstances ought to be given their full effect. The amount is not so inconsiderable a one that it can with due regard to the interests of the people be overlooked, and I support the suggestion made by the Hon'ble Sir Fazulbhoj Currimbhoj that this amount should be, at any rate, reduced by the amount spent on the Afghan War.

"With regard to railway expenditure, no one . . . ."

**The Vice-President:**—"I must ask the Hon'ble Member to bring his remarks to a close as soon as he can. He has already spoken longer than any other Member. The recognised time-limit on these occasions is twenty minutes."

**The Hon'ble Pandit Madan Mohan Malaviya:**—"Thank you, Sir. I was misled by the indulgence shown to-day."

**The Vice-President:**—"I will give you another few minutes."

**The Hon'ble Pandit Madan Mohan Malaviya:**—"Thank you, Sir. I have nothing more to say."

**The Hon'ble Raja of Kanika:**—"I do not wish to take up <sup>6.54 P.M.</sup> the time of the Council at this late hour in the evening and with your permission my speech might be taken as read."

**The Vice-President:**—"The Hon'ble Member's speech will be taken as read."

**The Hon'ble Raja of Kanika:**—"Sir, I offer my cordial compliments to the Hon'ble Mr. Bailey on his first Financial Statement which he presented to this Council on Monday last. This, Sir, is also the last Financial Statement that will be presented to this Council on the combined accounts of the Central and Provincial Governments.

[ *Raja of Kanika ; Mr. P. J. G. Pipon.* ] [ *SIX MARCH, 1920.* ]

Sir, the old era is rapidly passing away and a new era is approaching, and standing as we do in this twilight of history, one cannot but look back to our past financial administration with a feeling of genuine satisfaction and even of pride. For the most efficient administration of Indian Finance over a series of years our best thanks are due to a long succession of very able Finance Ministers which it was India's good luck to get

"Sir, the present Budget has come as a very great relief to the millions of people in this country inasmuch as the Government have not proposed any new method of taxation. We are living, Sir, in days of almost daily surprises, and the people of this country were extremely apprehensive lest the Hon'ble Mr. Hailey would throw a new surprise upon the people on his Budget day. Their anxieties and apprehension have happily proved groundless. With ever-increasing prices and the stress of the modern economic life, the burden which the middle class and the poorer people in India have to bear is much too great already, and no Finance Minister can afford to increase their burden with a light heart. They deserve all sympathy in their struggles, and I am glad the Hon'ble Mr. Hailey has done nothing to add to their burdens.

"Sir, about thirty years ago, the gamble of Exchange totally upset the Government of India by the heavy decline in the gold value of the rupee. But now the boot is on the other leg and with the soaring prices of silver and the sensational rise in the gold value of the rupee, the Government of India have netted about 22 crores of rupees, and have now quite a different set of problems to solve. I am sure the recent Report of the Currency Committee, which we all so much admire, will help the Government to undertake—as they have already undertaken—measures in order to stabilise Exchange. I wish the Government all success in its attempt.

"Sir, the very heavy military expenditure of India cannot fail to excite considerable anxiety in the minds of all sober people, because with military expenditure swallowing up such a large part of our resources annually, quite a large number of other deserving and very important objects of expenditure are more or less starved. That is a matter of very grave anxiety, and though I will admit that military security is absolutely essential, I still hope there will be some control of the ever-increasing tendency of military expenditure to expand, and I still earnestly hope that with the Reforms in hand there will be some real and earnest improvement in this matter. Our little frontier wars are fast becoming an annual exhibition—and costly exhibitions too—as they cost us about £15 millions last year. So much money wasted in repelling a senseless aggression: let us hope, however, that the new Afghan treaty will see an end of it in the future.

"There is another matter with which I would like to deal for a few minutes. The Government of India is naturally anxious to draw out the small investor in the country and with that view it has recently offered some tempting investments in the shape of cash certificates. But, Sir, the Government having had recently to borrow in the open money market at a much higher rate than before, I think it is only fair that the small investor should also get the benefit of the higher rate. I know the holders of Cash Certificates get that benefit, but people who put their money in Post Office Savings Banks do not get any benefit of a higher rate. I think this distinction is unfair to the small investors in the Savings Bank—particularly after the Government had recently increased the rates of interest on various Provident and other Funds in its hands on the very same ground, namely, the recent rise in the rate of interest which the Government have now to pay on its loans in the open market. I do hope the Government will sweep away this distinction and raise the rate of interest in Savings Banks, and I trust the Hon'ble Finance Member will favourably consider my suggestion. This is a question which affects millions of poor people, and I hope I shall have a sympathetic reply from Government to-day."

14. **The Hon'ble Mr. P. J. G. Pipon:**—"Sir, I have listened to many speeches from Hon'ble Members of this Council criticising the military



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[Mr. P. J. G. Phipps.]

expenditure in many and varied ways, and I must confess to a slight feeling of disappointment that one aspect of the case has not received more attention from them.

" My Hon'ble friend Mr. Banerjee said in the course of his remarks ' we cannot minimise the paramount importance of the military defence of the frontier.' With those remarks I think very nearly every Member of this Council would agree. My Hon'ble friend Mr. Reddi in the course of a very eloquent speech, which was extremely interesting, put the case in almost a still stronger manner. I am afraid I cannot subscribe to all his conclusions, but a great deal of what he said was essentially true. The aspect of the case that I would like to put before the Council is this, that the great bulk, that is to say, a very large portion of the military expenditure of last year and the military expenditure estimated for the coming year has for its direct object the protection of the lives and property of the inhabitants of the North-West Frontier Province. They have Sir, as indefeasible a right to that protection as any other tax-payers of the British Empire. I think I may be forgiven for putting their case so strongly, but they have very special claims to the consideration of this Council. To begin with, they are probably the most exposed residents of the whole of the British Empire. They are exposed not only to invasions such as unhappily occurred last year, but they are exposed daily to the attacks of their predatory neighbours, and in a very real sense they do stand between the rest of India and invasion. Historically speaking, the Pathan tribes which inhabit the mountainous country between India and Afghanistan have always made irruptions into India. I do not think we need to be reminded of the fact here in Delhi. The very stones of Delhi are eloquent of it. Now, in happier times, I say happier times for the rest of India, those attacks are being borne by the inhabitants of the North-West Frontier Province. Certain figures were given at the last meeting of the Council by the Hon'ble the Foreign Secretary (in reply to a question by my Hon'ble friend Mr. Sarma) of raids and offences committed by these persons in British territory in the year 1919. Those figures measure the extent to which the inhabitants of the North-West Frontier Province are now bearing the burdens which in former times fell upon the rest of India. I think no one will deny their special claim to consideration in this respect, and may I say that the only way in which they can be adequately protected is by efficient military measures, not only military measures for the actual protection of the frontier, but by operations against their enemies such as are now in progress in Waziristan.

" My Hon'ble friend Sir Fazulbhoj Currimbhoy in his speech remarked that few expected such extensive operations on the frontier with such small results. I do not think that remark ought to pass unchallenged. In the first place, one cannot judge of the results till the operations are concluded. In the next place, the results are not small if they imply in any way a guarantee of the lives and property of British subjects.

" Perhaps I may be allowed just for one moment to draw on my personal experience. In the years 1899, 1900 and 1901 I spent over two years on that particular portion of the frontier where the operations are now in progress. There was then exactly the same phenomenon as there is now, continual raids on the lives and property of Indians. The difference between the conditions then and the conditions now are to be measured, I think, by the relative importance of the war of 1897 and the great war of 1914-18. Government undertook in response to that the blockade of the Mahsud tribe and certain other operations. Those operations were brought to a close before the full fruition, the full advantage of them, could be obtained; unfortunately. I think I may use the word 'unfortunately' without impropriety, as it is now over twenty years ago; but the point is that if the operations are to be successful, if they are to have the result of protecting the lives and property of British subjects, they must be costly operations and they must be carried out to their full conclusion; and I am sure that every member of this Council will support Government in wishing not to stint in any way the expenditure required to bring those operations to a successful close. I know that the general attitude of the non-official members of this Council can be very

[Mr. P. J. G. Pipon; Mr. V. J. Patel; The Vice-President; Rao Bahadur B. N. Sarma.] [8TH MARCH, 1920.]

helpful to the Government or the reverse, and I hope in this case that it will be helpful.

"I am afraid, Sir, that I may be perhaps accused of what Sir William Vincent very happily alluded to the other day as 'provincial patriotism,' though, I think, it was hardly an accusation, it was almost a term of praise; but I am quite sure that Hon'ble Members who have spoken in this Council to-day are actuated by something else, that is to say, by Indian patriotism in its highest sense; and surely the adequate protection of the frontier of the country is the first duty of patriotism. I do not think anyone will deny it."

7.1 P.M.

**The Hon'ble Mr. V. J. Patel:**—"Sir, I will not detain the Council more than a few minutes at this later hour. Before making a few observations on the budget I should like to emphasise one point raised by my Hon'ble friend, Mr. Sarma. It appears from his speech that the policy in the matter of the Gold Standard Reserve and of the Paper Currency Reserve adopted, not by the Government of India, but by the India Office authorities, has involved this country in a loss of Rs. 60 crores . . . ."

**The Vice-President:**—"I thought the Hon'ble Mr. Sarma said Rs. 40 crores."

**The Hon'ble Rao Bahadur B. N. Sarma:**—"It was Rs. 40 crores in the Paper Currency Reserve; it may be Rs. 20 crores in the Gold Standard Reserve; that was what I think I said."

**The Hon'ble Mr. V. J. Patel:**—"I took down the figures when Mr. Sarma was speaking Rs. 40 crores in the Paper Currency Reserve and Rs. 20 crores in the Gold Standard Reserve; and he pointed out that the policy was the result of the advice given to the Secretary of State by the bankers, the financiers and the experts in England. He also suggested that those financiers and experts and bankers ought to be held responsible for that amount. Well, Sir, the loss of Rs. 60 crores—I tremble really when I think of it—to the starving millions of India is a matter of deep concern and great regret and must be so to the Government of India. They should, therefore, consider whether some one should not really be held responsible for that loss. It was pointed out by Mr. Sarma that in years past the Government of India was against such a policy and the people have always protested against it. If that is so, why was that policy pursued, and who really is responsible for this loss of Rs. 60 crores to the people of India? I submit, Sir, that a strong representation should be made by the Government of India whether it is not possible to recoup this enormous loss to the people of India, it may be, from the £100 millions that we have promised, or in some other way; but it is a loss for which the people of India are not in any way responsible; it is a loss for which some others are responsible, and they must be brought to book. We are absolutely innocent, in fact, we have protested and the Government of India also were against the policy. That being so, surely it is unfair that the people of India should be made to suffer that loss, and I do hope that the Government of India will take early steps to represent matters to the Secretary of State."

"Now, coming to the Budget, I find that the total estimated revenue for the year 1920-21 is £134.8 millions. Speaking for myself I always hold the view that any Budget which does not take note of the pressing problems of the day and make necessary provision to meet them can under no circumstances be called a satisfactory budget. Now, what are the pressing problems of the day in India? My Hon'ble friend, Mr. Sarma, has referred to them. The first is Education. We all know very well that in the matter of education only 6 per cent. or 7 per cent. of the people of India are literate; that is the position of literacy in India. Then comes Sanitation. We know that as many as five millions died from influenza in British India during the course of a few months the year before last. We

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were just told by my friend, the Hon'ble Chaudhuri Ismail Khan, that two or three hundred thousand people die every year from malaria in Bengal. Then we have plague, cholera, and other diseases. Sanitation is therefore of vital importance to the people of India. Then you have agriculture. Eighty or more than eighty per cent. of the people live by agriculture and agricultural labour. The people are poor; so poor, indeed, that my Hon'ble friend Mr. Chanda remarked, and very rightly remarked, that more than half the population of India do not know what a full meal in a day means. Agriculture really requires the first attention of the Government. Then my Hon'ble friend, Mr. Sarma, referred to the head of Medical relief, which is of course intimately connected with Sanitation, and also there is the head Scientific and other Miscellaneous Departments.

"Now let us see what is the provision made in the Budget this year out of this £134 millions taken from the tax-payer. I find that under the head Education £5·6 million is allotted, under Medical £1·6 million, under Sanitation £1·3 million, under Agriculture £1·3 million, and under Scientific and other Miscellaneous Departments £·9 million. All these total somewhere between 10 and 11 million pounds. Out of £134 millions of the tax-payer's money, my Hon'ble friend the Finance Member's budget provides that 10 to 11 million pounds shall be spent on the vital needs of the country, that is, one-thirteenth of the total. That being so, so far as I am concerned, I must declare the budget to be entirely disappointing and unsatisfactory.

"Now, Sir, this £134·3 million is divided into two: £92·4 million belong to the Imperial share and £41·7 million belong to the Provincial share. Out of £92·4 millions of the Imperial share, £41 millions go to the Military, £15·2 millions to Railways; then you have got the Political and the Ecclesiastical Departments. You have also certain interest to be paid on debts which comes to about £8 millions, and you have also general administration, etc. So as a matter of fact, very little is spent for the amelioration of the condition of the tax-payer from the Imperial share. Sir, we have been told by several Hon'ble Members that this is the last budget under the old régime, and that probably from next year the Legislative Assembly will have wider opportunities to criticise the Budget. I am sorry I cannot share their view. So far as I could see, next year we will not be allowed the right of criticism which we enjoy to-day. For instance, we have to-day criticised the military expenditure, the political expenditure and several other items of expenditure in the Budget. Now under the new régime, we shall be entirely at the mercy of the Governor General in this respect. As a matter of fact, these items of expenditure will not be open to discussion; I mean the items regarding 'military' expenditure, 'political' and 'ecclesiastical' expenditure and certain fixed salaries of high-paid officers, interest on debt and similar other items. According to my calculation about 70 per cent. of the Imperial expenditure will not be open to discussion or criticism . . .

**The Vice-President:**—"The Hon'ble Member must understand that we are not discussing the Reform Scheme. We are discussing the principles of the Budget."

**The Hon'ble Mr. V. J. Patel:**—"I am much obliged to you, Sir. This is the last occasion, Sir, when we have got this opportunity of criticising the Imperial Budget as a whole.

"Now coming to the military Budget, I join my friends who have protested against the huge expenditure which is proposed. If you will look at the Revised Estimate for 1919-20 you will see that an item of thirty-one crores is put down under the head 'Miscellaneous Services' under the head 'Military'. Now, as my Hon'ble friend Mr. Sarma very rightly pointed out, out of these 31 crores, probably 22 crores are provided for on account of the Afghan War. But what about the remaining 9 crores? My Hon'ble friend asked for details. No details were supplied to him. Why should we not be permitted to scrutinise the various items of expenditure under the head 'Military' and see if it is not possible to bring down the total . . .

[*Rao Bahadur B. N. Sarma; Mr. V. J. Patel; [5TH MARCH, 1920.]*  
*The Vice-President.*]

**The Hon'ble Rao Bahadur B. N. Sarma:**—"May I rise to make a personal explanation, Sir? I do not think I had asked for any particular details of the reserves. I had simply asked for the military estimates for the various years."

**The Hon'ble Mr. V. J. Patel:**—"Thank you. Now, Sir, the Hon'ble the Finance Member in his Narrative refers us to the analogy of Japan. My Hon'ble friend Mr. Banerjee has very rightly remarked that the conditions of Japan differ very materially from those of India. Japan is a rich country; India is a poor country. Japan is self-governing; we are not. But may I ask the Hon'ble the Finance Member what proportion of the total revenue of Japan bears to the military expenditure? Here we see that out of 92 millions of the Imperial Revenue, 41 millions are proposed to be spent on the military. That comes to 44 per cent. of the total Imperial share of the whole revenues of India. Now I should like to know from the Hon'ble the Finance Member when he refers us to the analogy of Japan, whether in Japan they spend as much as that on the military? It is no doubt true that Japan has probably doubled or trebled its military expenditure in the course of the last two or three years. That is all very well. But what proportion does it bear to the total revenue is the real point.

"There are many other matters, Sir, on which I should like to join my friends who have entered their protest. Of course, as regards the contribution question, I have myself given notice of a resolution, and I do not wish at this stage to enter into any discussion regarding it. But I do most strongly protest against the sale of the reverse Council Bills. My Hon'ble friend Sir Fazal-bhoy has referred to it in very strong terms indeed, and the opinion in Bombay is very clear on the point.

"Then there is the question of the amelioration of the condition and the pay and prospects of the Postal clerks. As some member has very rightly remarked. We have been flooded with telegrams and letters during the course of the last one month and a half, and so far as one could see, their grievance seems to be not imaginary but real. I submit that, if nothing else can be done, let a committee of officials and non-officials, as suggested by some of us be appointed, to go into the whole question to see if their pay and status cannot be placed on the same footing as that of the telegraphists. I do not propose to enter into the discussion of the question alluded to by my Hon'ble friend Mr. Sastri regarding the employment of a particular community in the Telegraph Department and the favoured treatment given to them, but I do strongly urge that an immediate inquiry should be made into the whole matter, otherwise I am afraid there will be some trouble.

"Well, the second point that I would like to invite the attention of the Council to has reference to repressive legislation. In order that we might begin the new era with mutual good-will and co-operation, it is absolutely essential that certain repressive measures must disappear from the Statute-book and certain others . . .

**The Vice-President:**—"Will the Hon'ble Member explain what this has to do with the principles of the Budget. References to repressive legislation do not appear to have any bearing on the principles of the Budget."

**The Hon'ble Mr. V. J. Patel:**—"Sir, I propose that a provision should be made for the appointment of a committee to examine all the Statutes of a repressive nature . . .

**The Vice-President:**—"Again, I must ask the Hon'ble Member to say what connection that has got with the principles of the Budget."

**The Hon'ble Mr. V. J. Patel:**—"Because there is no provision made in the Budget. If you will permit me I will speak, otherwise I will

[SEN MARCH, 1920.] [Mr. V. J. Patel; The Vice-President; Mr. W. M. Hailey.]

not What I say is that provision should be made in the budget for the appointment of a committee to go into the question whether certain repressive laws should not be . . . .

**The Vice-President** :—“ I must rule that out of order.”

**The Hon'ble Mr. V. J. Patel** :—“ Very well, Sir. Then, Sir, I next come to the move of the Government of India to Simla. I strongly protest against any expenditure in the Budget on that score, and I protest also against the provision made for building operations in Simla. Public opinion is very strong, Sir, on these questions, and the sooner we dispense with the Simla exodus business the better for the Government of India and the people alike.

“ Similarly, with regard to the huge increases in the pay, pensions and allowances of certain high paid officials, I think we should have been given an opportunity of discussing in this Council the *pros* and *cons* before the Government of India finally settled the question. I do strongly feel that any increment at this juncture is certainly unjustifiable, but now that the provision is made, there it is, it is a settled fact and we can only enter our protest.”

**The Hon'ble Mr. W. M. Hailey** :—“ Sir, the discussion to-day has <sup>7-21 p. x.</sup> taken a wide range and Honourable Members will, perhaps, forgive me if I do not try to follow each and every one of the speeches that have been made on the subject of the Budget. I could not in the time at my disposal deal with subjects so far apart as making the conversion of the Mercantile Marine into Navy Boats; or that hardy annual which the Hon'ble Mr. Ayyangar has again brought before the Council regarding the temple savings in Madras; and I hope I may be excused from dealing with the question of the Simla exodus. But, Sir, if I do not touch on each and every topic, I hope Hon'ble Members will not feel that I do not appreciate highly both the criticisms and the advice which have been given us to-day. I think I may say with perfect justice that the criticisms are often even more helpful than the advice itself. I will, however, endeavour to go through some of the main topics that have been discussed. I think first of all that a complaint was raised against this Budget—not a general complaint, but one which I identify with the names of the Hon'ble Mr. Ohanda, the Hon'ble Pandit Malaviya and Mr. Patel, on the ground that so far from showing a reduction in expenditure, it shows an increase in expenditure, both Civil and Military. Now, Sir, our revenues are growing and I do not think it possible that with revenues growing, with increased demands for the expansion of our services in every direction, we should be able to avoid an increase in civil expenditure. I know it has been represented to-day that a large part of that increased expenditure is due to increases in the pay, pensions and allowances of the Imperial Services. A large part of it, or some part of it at all events, is due to that cause; but a great part of it is also due to the increase in pay of the subordinate services. I think, perhaps, hardly a day passes now when my table is not flooded with cases in which the Local Governments ask urgently and insistently for large sums for the increase of pay of subordinate services. Prices have increased all over in India; the pinch is felt severely, and if we are to avoid discontent and its resultant inefficiency we cannot avoid these increases.

“ Then, Sir, a second criticism was raised that the Budget is a disappointing one—I do not mind the word—because it provides insufficiently for the real needs of the people. With that criticism I identify the names of Mr. Sarma and Mr. Patel. It is said, for instance, that the sums provided for Education and Sanitation are altogether insufficient. Now, Sir, my functions .

**The Hon'ble Rao Bahadur B. N. Sarma** :—“ Sir, I was reviewing the general results since the commencement of the war that only six or seven crores had been spent out of seventy-six crores in increased revenues. I was not referring to the particular Budget of 1920-21.”

[*The Vice-President; Mr. V. J. Patel; Mr. W. M. Hailey.*] [8TH MARCH, 1920.]

**The Vice-President:**—"The Hon'ble Member does not support Mr. Patel."

**The Hon'ble Mr. V. J. Patel:**—"I do not mind standing alone, Sir."

**The Hon'ble Mr. W. M. Hailey:**—"My point is, Sir, that my functions are not the indication or modification of a policy, but the preparation of a Budget. This has two parts, the Imperial and Provincial. I take it the complaint is not against the provision which is made in the Imperial portion of the Budget, but against the Provincial portion of the Budget. Here, of course, we only insert those amounts which the Local Governments themselves propose to spend and, I think, the Hon'ble Mr. Sarma recognises that we have to look forward to a new order of things, in which Local Governments will be responsible for financing the services which they themselves administer. Looking forward to that new order of things we know, I take it that Mr. Patel must know, when he says provision for Education is insufficient, that we cannot place in the Budget large doles to Local Governments for these purposes. I think he must recognise that this would be against the spirit of our new financial arrangements."

"I would like, however, to give the Council a few figures as to what we have done in regard to those two important services to the community, Education and Sanitation. I am not going to argue here the question whether our policy in the past has been sufficiently liberal or not. I am speaking purely on the question as it affects this Budget, and would like to bring the exact figures to the attention of the Council. In 1916-17 the figures for Education (including provision for expenditure under the head of Public Works) were four crores eighty lakhs. In 1917-18, five crores twenty-three lakhs; in 1918-19 six crores seven lakhs. The revised figure for 1919-20 provides for seven crores fifteen lakhs and the Budget for the coming year provides for eight crores eighty-one lakhs. This shows, I think, a very consistent increase."

"The figures in regard to Sanitation for the same period are eighty-one lakhs in 1916-17, ninety-four lakhs in 1917-18, one crore two lakhs in 1918-19. The revised figure for 1919-20 is one crore forty-five lakhs, and for the Budget two crores eleven lakhs. There is, therefore, a progressive increase in the expenditure under this head also."

"The Hon'ble Mr. Sarma further thought that the Budget should have shown some reduction under another head, namely, political expenditure. In this connection I merely wish to afford the information for which he asked in regard to Persia; he thought that we should at all events share the expenditure on Persia. We do so. There is a considerable amount of expenditure in regard to Persia entirely borne by His Majesty's Government: the remainder is shared between us."

"I come now to another question which frequently looms large in these discussions, I mean the claim for reduction of taxation. I think the position as put forward in this Budget has been generally accepted as not unreasonable, and I have but one criticism to notice, that of the Hon'ble Mr. Reddi, who suggested that we should reduce the taxation on salt. I am not clear that the reductions we have previously made in the taxation of salt have always reached the people we intended to benefit; but be that as it may, I think I am right in objecting to his proposition in the particular form in which he put it forward. He suggested that we should reduce the taxation on salt by approximately a crore, and that we should raise our loan by the same amount. Now, Sir, there is a great difference between reducing taxation and raising a loan. I do not think that I need elaborate that point; they are not alternatives in any sense of the word."

[5TH MARCH, 1920.]

[Mr. W. M. Hailey.]

"I come now to a more important head, the head of military expenditure. I am, I think, correct in saying, that the proposals in the Budget received support from the Hon'ble Mir Asad Ali, the Hon'ble Raja Sir Rampal Singh, and from the Hon'ble Mr. Reddi; but they have been criticised, and criticised strongly, in other directions. The Hon'ble Maharaja of Kasim Bazar, Sir Fazulbhoj Ourrumbhoj, Mr. Banerjee, Sir Gangadhar Chitnavis, the Hon'ble Pundit, Mr. Patel, Mr. Sarma, all criticised the provision which we have made under this head. I tried in my Financial Statement to explain, as fully as possible, what were the components of that expenditure. I ventured on a prophecy (and in doing so I seem to have caused a good deal of apprehension to some members of this Council) that it would be, perhaps, impossible for us ever to reduce our expenditure to the pre-war level. I should prefer, however, here merely to deal with the expenditure immediately before us, the expenditure for the coming year. Now, Sir, the coming year is an interim period; we have not yet got clear of the aftermath of the great war itself; and we have not yet finished with war-like operations on the frontier. It has been a work of the greatest difficulty to frame an accurate estimate, or to get any clear sight at all, of the standard of expenditure necessary in the coming twelve months. There are important questions of policy involved which we cannot solve until we have received the report of Lord Escher's Commission; but apart from questions of policy, there has been a baffling and complicated mass of details to consider before we could get to grips with the financial side of the question as represented in figures. I have to acknowledge the very great assistance that we received from the Army in this respect, the whole-hearted endeavours made by the officers under the direction of His Excellency the Commander-in-Chief to explore every source of economy, to reduce personnel wherever it was possible, to make provision in the lowest terms compatible with safety. I have heard criticisms to-day that the method we adopted in drawing up our anticipations of the expenditure for the coming year was the wrong one; that we ought to have invited some of the Hon'ble Members of this Council to join us in our deliberations. Sir, the reason why a sub-committee of the Executive Council was appointed to go into the question of military expenditure was simply this. We were faced some time in October by the necessity for providing large sums of money in excess of the Budget provision. Ordinarily this would have been considered in my Department, and would have then gone as a general question before the Executive Council. Instead of that procedure being adopted, certain Members of the Executive Council were asked to go fully into every detail. It was an administrative matter of great urgency; it was not a question for a committee of inquiry or a commission. It was in these circumstances that that inquiry was undertaken, and I myself would like to feel that the Council appreciated the labours of those members of that sub-committee who undertook that task in addition to their ordinary work at a time of great pressure in other respects. Mr. Sarma, in dealing with military expenditure complained of the lack of information on certain points. I have here in my hand a statement which I have had drawn up this afternoon which will give him the fullest information in regard to the points to which he particularly referred, namely, the increase in the expenditure in the supply of transport (which I find is mainly due to expenditure on free rations to the Indian troops), the components of the item Miscellaneous, (which are very largely the contribution to His Majesty's Government and the expenditure on the Afghan war), and some analysis of the increased cost of conveyance by rail. These figures are entirely at his disposal. He mentioned one point in which I should like to correct him. He suggested that the reserve should be a reserve of Indian officers. The reserve referred to in our figures is a reserve of Indian troops, and does not refer to officers at all. Sir, I do not think we have over-estimated our military expenditure; it is no fault of ours that every item of that expenditure—pay, pensions, equipment, buildings—is infinitely more costly than in the pre-war period. Nor do I think that it was possible at this stage, in dealing with the estimates for the coming year, for us to have taken account of the alternatives which some of the Hon'ble Members have placed before us,

There may be a great future for the employment of Indian territorial troops; there may be a great future for the more extensive use of Indian officers, although I do not myself see that they would be in any way cheaper than British officers. There may be a reduction, perhaps, in the future owing to the operation of the League of Nations. But, Sir, we had to deal with the palpable and insistent needs of the immediate future; we could not await the development of plans for radical alterations in the Army; we certainly could not rely on any supposition that our friends across the frontier would join the League of Nations or would obey its dictates. Let me give, for the information of the Council, a short summary which will show exactly what the increase in our military expenditure has been proportionately to the general income of the country. In 1920-21, the military expenditure is budgetted at 30.6 per cent. of the total expenditure of India, that is to say Imperial and Provincial. In 1890-91 it was 31.8 per cent., in 1895-96 it was 31.3 per cent. I do not think, Sir, that that shows any great or unreasonable increase over the previous proportion of expenditure on the Army.

"I come now to another head, which has evoked criticism to-day; I mean that of railways. There has been, I think, a general recognition that large railway expenditure, perhaps increased railway expenditure, is necessary. As my Hon'ble friend, Mr. Sastri, put it, we now regard the railways of India not as a white elephant, but as an asset.

"There have, however, been criticisms that the heavy expenditure undertaken last year has not resulted in any increase of comfort, and that the improvements which Hon'ble Members had looked for have not so far been effected. I think there is only one cure for that, Sir, and that is more expenditure. But I wish to deal in particular with two points raised by my Hon'ble friend, Mr. Crum. He referred, in the first place, to the special reserve of 20 millions and asked what had become of that special reserve. I have taken the opportunity of looking up the proceedings of Council in regard to that reserve. I find that it was decided to invest 20 millions in Home Treasury Bills in order to provide for the liabilities 'which in one way or another would come upon us shortly after the war is over.' There was, Sir, no guarantee that that would be applied entirely to railways; nor was there any guarantee that that sum would be in addition to the ordinary railway programme. I think at the time, perhaps, some Hon'ble Members hoped that it might be so, but that position was not accepted by the Hon'ble Sir William Meyer either implicitly or explicitly. The 20 millions have now been expended; they went to increase the Secretary of State's ordinary ways and means balances; it was by half of that 20 millions that the large sums which we have been able to devote to railway capital expenditure of the last two years have been financed; and, if that 20 millions had not been available, we should either have had to curtail our programme or to increase our short-term borrowings.

"The Hon'ble Mr. Crum further asked why railways should not enjoy the entire advantage of the profits which they make over and above the interest due the capital on which they are financed. There have, it is true, been of late years profits, substantial profits, after paying for all interest charges; they have varied from 60 in 1914-15 to about 2.86 per cent. in 1918-19. But, Sir, I think that the Hon'ble Mr. Sastri has given a complete answer to the Hon'ble Mr. Crum on that point. Railways were in debit in the past; it is only of recent years that they have for some years been a source of profit to India. It is by no means certain if, owing to the increase in working expenses, owing possibly to the increased prices at which we shall have to raise our capital, they will be an equal source of profit in the future. At all events, I, for one, would at present deprecate setting by any definite sum out of the profits of railways for expenditure on railways. I think the real test is, whether the sum we set by year after year is adequate and can be profitably expended by the Railway Board.

"I fear, Sir, that I am delaying the Council. I will, therefore, omit any reference to some of the other major questions which have been raised, such as the provincial contributions, and will come at once to what is, perhaps, in many ways one of the most important parts of the Budget, namely, the question of exchange. I shall delay Council for a few minutes on this question: I



[ 8TH MARCH, 1920. ]

[ *Mr. W. M. Hattop.* ]

attempted—I do not know with what success—to explain the position of Government fully on this question in my Financial Statement. There have been severe criticisms levied to-day against our exchange policy. Now, I shall separate those criticisms into two parts, because with one part I can deal briefly to-day and with the other part, I think it would be more advantageous if I were to deal subsequently. Criticisms levied against the exchange policy as a whole, the policy that is of the Currency Committee, occupied a smaller part of the discussion to-day than criticisms against the policy of issuing Reverse Councils. I regard the latter largely as part of the mechanism of carrying out the policy of the Currency Committee. We have a Resolution coming on to-morrow on the subject, and, I think, it would be perhaps more convenient in many ways if I made a fuller statement on that subject in dealing with the Resolution. I only desire for the moment to deprecate the suggestion made to-day that our Reverse Council policy has been dictated by consideration for private individuals, and to say that it would be wrong if this Council were to accept the suggestion that India has lost or is now losing 60 crores of rupees on account of that policy. I shall deal with the subject at greater length to-morrow, and I merely return here now to deal very briefly with the criticisms as a whole on our adoption of the policy advocated in the Currency Committee's Report. Sir, that policy involved the linking up of the rupee to gold and it involved the linking up of the rupee to gold at what some critics considered a high figure, namely, two shillings. Now I had hoped that I should receive here from the Council some constructive suggestion as to whether the policy as a whole was likely to prove detrimental to India, whether it was likely to upset the balance of trade, and whether, if it was likely to be detrimental, we could immediately adopt another and more beneficial policy. The Hon'ble Sir Fazulbhoy Currimbhoy believed that the policy of what I may call high exchange is detrimental; he believed that it is detrimental both from the import and the export point of view. But, Sir, on this point my Hon'ble friend Mr. Crum was not prepared to agree with him; on this cardinal point therefore we have had to-day a decided difference of opinion. The Hon'ble Sir Fazulbhoy Currimbhoy believes that a high exchange will kill export trade. The Hon'ble Mr. Crum, if I understand him rightly, thinks that, so far, a high exchange has not proved detrimental to export trade and is in future not likely to prove detrimental in that respect. But what alternative was suggested to us to the policy of the Currency Committee? The Hon'ble Sir Gangadhar Chitnavis would go right back to the times before 1890; he would not link the rupee to gold; he would not, I think, link the rupee to anything; he would simply open the Mints again and leave the rupee to follow its own course. The Hon'ble Sir Fazulbhoy Currimbhoy, if I have his formula aright, would return to the 1s. 4d. rupee, and he would do so by gradual stages without debasing the currency.

"The Hon'ble gentleman is interested in commerce; he is a practical man. It would have assisted us here if he could have explained the steps which he would have taken for that purpose; it would have assisted us if he could have shown how it was possible to have a 1s. 4d. rupee and yet maintain our silver currency; it would have assisted us if he could have shown how it was possible to do that without leading to inconvertibility at a very early date.

"I must conclude, Sir, with a few and a very few general remarks. The Budget has been a difficult one to prepare, because it depends largely on an uncertain factor, the gain from exchange; and it is for that reason that I wish to make it clear that if we do realise our surplus it will only have been realised by the operations of that somewhat indeterminate factor. I wish further to make it clear that if it is so realised, it would not, in my opinion, be available, and should not be regarded as available, for ordinary revenue expenditure. We have overdrawn at the bank, and it is our duty to re-adjust our over-drawing as soon as possible. We can only do that by a gradual process of conserving our resources and expending any surplus we may realise for the purpose of reducing our temporary loans and our floating liabilities.

"It will be ungracious of me, Sir, if I were to conclude without thanking those members of Council who have found some merit in this budget. If I

[ *Mr. W. M. Hailey; The Vice-President.* ] [ 8th March, 1920. ]

accept that appreciation, it is not for myself; it is for those of my friends and colleagues who have worked with me. There are some of them here in Council, and their names are known both to the members of Council and to the public; there are others, not less. I hope my friends and colleagues because they are not in Council and their names are not known to the public. The lot of public servants is not always an easy one, and their path is not always smooth; and if Government servants belonging to any class or grade of our services know that India's public men feel any appreciation of their work and find that it has not been in vain, then such appreciation is indeed welcome to them."

**The Vice-President:**--"The Council will resume the second stage of the discussion at 11 o'clock to-morrow."

The Council then adjourned till Tuesday, the 9th March at 11 o'clock.

A. P. MUDDIMAN,

*Secretary to the Government of India,*

*Legislative Department.*

DELHI:

*The 20th March, 1920.*