

*Friday,  
8th March, 1917*

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

**Vol. LVI**

**April 1917 - March 1918**

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**OF**  
**THE COUNCIL OF THE GOVERNOR GENERAL OF INDIA**  
**ASSEMBLED FOR THE PURPOSE OF MAKING**  
**LAWS AND REGULATIONS,**

**April 1917 - March 1918**

**Vol. LVI**

*Published by Authority of Governor General.*



**& Debates Section**

**Gazette  
Parliament Library Building  
Room No. FB-025  
Block 'G'  
DELHI**

**SUPERINTENDENT GOVERNMENT PRINTING, INDIA.  
1918**



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  
Friday, the 8th March, 1918.

PRESENT :

His Excellency BARON CHELMSFORD, P.C., G.M.S.I., G.M.I.E., G.O.M.G., Viceroy  
and Governor General, *presiding*, and 62 Members, of whom 55 were  
Additional Members.

QUESTIONS AND ANSWERS.

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

1. “(a) Has the attention of Government been drawn to the Resolution regarding the Madras High Court recently moved and lost in the Madras Legislative Council? The Madras High Court.

(b) Will Government be pleased (i) to publish the full correspondence, if any, between them and the Government of Madras over the question of fixing the permanent strength of the Madras High Court; and (ii) to state whether, in view of the increasing arrears of work, they contemplate raising the permanent strength to twelve Judges?”

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

“(a) The Government of India have seen newspaper reports of the proceedings in the Madras Legislative Council.

[*Sir William Vincent; Mir Asad Ali, Khan Bahadur; Sir C. Sankaran Nair; Sir George Barnes.*] [8TH MARCH, 1918.]

(b) (i) It is not customary in such cases to publish correspondence between the Government of India and a Local Government, and it is not proposed to make an exception to the usual practice in the present instance.

(ii) The Government of India are not aware that the arrears in the Court's work are increasing, and there is no present intention of raising the permanent strength of Judges up to 12. A total staff of this number has, however, been sanctioned up to the end of the current year."

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

Moslem  
representa-  
tion in  
certain  
Madras  
Bills.

2. "Will Government be pleased to state—

- (a) whether sanction has been accorded to (i) the Madras City Municipal Bill, (ii) the Madras District Municipalities Bill, and (iii) the Madras Local Boards Bill;
- (b) whether in connection with the Madras City Municipal Bill the question of separate Moslem representation received their due consideration, as in the case of the Calcutta Municipal Bill, and, if so, whether it was one of their suggestions; and
- (c) if no provision has been made in each of these Madras Bills for adequate Moslem representation on the local bodies, as has been done in the United Provinces, whether they intend to suggest its inclusion in the Bills before according their sanction to them?"

**The Hon'ble Sir C. Sankaran Nair replied :—**

"Sanction has not been accorded by the Government of India to the introduction of any of the Bills mentioned. The District Municipalities and the Local Boards Bills have not been referred to the Government of India. The City Municipal Bill has been so referred, but orders will not issue until the opinion of the Corporation has been received by the Local Government. The Bill does not in its present form provide for separate Moslem representation, but a certain number of Councillors are under it to be nominated by Government with the object, among others, of providing for the representation of communities who are in a permanent minority. No suggestion has been made by the Government of India for the provision of special Moslem representation in the Bill, and it is not intended to make such provision unless this is proposed by the Local Government."

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

Local  
Option.

3. "Will Government be pleased to state whether they are prepared to recognise the principle of local option in areas or localities where local option is desired by a substantial majority of the inhabitants?"

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

"The Hon'ble Member, I gather, means by his question to ask whether the Government are prepared to close all drinking shops in areas or localities where such closure is desired by a substantial majority of the inhabitants. What he exactly means by the words 'substantial majority' remains undefined. The Government have always felt the desirability of ascertaining and deferring to reasonable public opinion in excise matters as expressed by Advisory Committees. A few days ago I tried to point out in this Council the great difficulties surrounding the question of total prohibition, the certainty that illicit practices would follow prohibition, if that policy were adopted, and the necessity for considering the legitimate rights of the minority. If, after considering all these difficulties, and after ascertaining the wishes of the inhabitants, a Local Government should in the future recommend the closure of all drinking shops in any particular area, I do not think that the Hon'ble Member will be likely to find the Government of India standing in the way of the recommendation."



[ 8TH MARCH, 1918. ] [ *Sir Dinshaw Wacha; His Excellency the Commander-in-Chief.* ]

**The Hon'ble Sir Dinshaw Wacha asked :—**

4. “ (a) Will Government be pleased to state whether they give any aid to Messrs. Eyres and Company, surgical instrument makers ?—and, if so, whether the aid is in the form of—

Grant of Government aid to Messrs. Eyres and Company.

- (i) free use of buildings and machinery ; or,
- (ii) monthly allowance, and, if so, the amount of such allowance ; or,
- (iii) exclusive purchase by Government of articles manufactured by Messrs. Eyres and Company ?

(b) What are the present and pre-war arrangements for the payment for articles purchased from Messrs. Eyres and Company ?

(c) Are Government aware of the existence, in India, of privately-owned factories manufacturing the same articles as Messrs. Eyres and Company, and, if so, do Government invite public tenders for these articles ? ”

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

“(a) The reply is in the affirmative. The assistance given by Government to Messrs. Eyres and Company takes the form of—

- (i) the free use of buildings and the use of three electric motors. (All other machinery in use in the factory is the property of Messrs. Eyres and Company) ;
- (ii) the payment of a sum of Rs. 500 per mensem, in return for which the firm undertakes to repair all surgical instruments sent to them for this purpose ;
- (iii) an agreement to purchase such manufactured articles, as are required for the Medical Store Depôt, Bombay, exclusively from that firm, provided the articles are made to the satisfaction of the Medical Store-keeper to Government, Bombay.

(b) Messrs. Eyres and Company are now and have been, since the agreement was entered into, paid at the rate of Rs. 13 to £1, based on pre-war catalogue prices of the best known London makers.

(c) Government are not aware of the existence in India of privately-owned factories manufacturing articles similar in *pattern and quality* to those manufactured by Messrs. Eyres and Company. Tenders are not, therefore, invited by Government.”

**The Hon'ble Sir Dinshaw Wacha asked :—**

5. “ Does the Government Medical Stores Department manufacture drugs and other medical preparations which are ordinarily obtainable in the local market ? And do Government supply them to the public, *i.e.*, private individuals, Municipalities and Native States ? ”

The Government Medical Stores Department.

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

“ The reply to the first part of the question is in the affirmative.

With regard to the second part, sanction has been accorded to the supply of stovaine and novocaine, used for the production of certain forms of analgesia, to duly qualified medical practitioners on payment. This course has been adopted owing to the difficulty of obtaining these drugs in a fresh state in the open market ; no other drugs of any kind are supplied to private individuals, but supplies of drugs are made to Municipalities and Native States for the use of hospitals and dispensaries under their whole or partial control, and also to charitable dispensaries.”

**The Hon'ble Sir Dinshaw Wacha asked :—**

6. “ Will Government be pleased to state to what extent the pay of clerks and postmen in the large centres in India has been improved during the last 15 years ? ”

Pay of clerks and postmen in the large centres in India.

[ *Sir George Barnes ; Mr. Kamini Kumar Chanda ;* [ 8TH MARCH, 1918. ]  
*Sir Claude Hill ; Captain Ajab Khan ; His*  
*Excellency the Commander-in-Chief. ]*

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

"Statements \* are laid upon the table which show a consistent rise in each of the three quinquennial periods covered by the Hon'ble Member's question in the pay of every grade of clerk in the Post Office up to Rs. 300 a month, and in the pay of postmen in every part of India. The approximate increase of pay in the large offices during the past 15 years has been 32 per cent. in the case of clerks, and 57 per cent. in the case of postmen."

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

Appoint-  
ments to the  
Imperial  
Agricultural  
Service.

7. "(a) Will Government be pleased to state whether the scientific training, practical ability for research work, and experience in experimental farms of Indian officers in the Agricultural Department are considered and compared and any record kept in the files for facility of selection when making appointments for the Imperial Agricultural Service ?

(b) What were the tests applied when making such selections in Bengal during the past two years ? "

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

"(a) No such records are maintained by the Government of India, and they have no information as to the practice of Local Governments. All appointments of Indians to the Imperial Agricultural Service are made by the Secretary of State on the recommendations of the Government of India. In making these recommendations the Government of India give careful consideration to the scientific attainments of the candidates, and in regard to the practical ability and experience of officers of the Provincial Service, they are largely guided by the opinions of the Local Governments under whom these officers have served.

(b) No Indian officer has been appointed substantively to the Imperial Agricultural Service in Bengal during the past two years. Acting appointments are made by the Local Government, and questions regarding them should be put in the local Council."

**The Hon'ble Captain Ajab Khan** asked :—

The Native  
Indian Land  
Forces.

8. "(a) Will Government be pleased to state the scope and organization of the Native Indian Land Forces ?

(b) Were these forces formed under any order in the Gazette of India or under any specific notification, and, if so, will Government be pleased to lay such order or notification on the table ?

(c) Is the Indian Army a part of the Native Indian Land Forces ?

(d) Are the vacancies caused by the transfer of the nine Indian officers in August last from the Native Indian Land Forces to the Indian Army filled up ? "

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

"As regards (a), (b), and (c) the term 'Native Indian Land Forces' is synonymous with the term Indian Army, as distinguished from that of 'His Majesty's Land Forces' which includes the British Army as well. The 'Native Indian Land Forces' have, therefore, no scope or organisation distinct from those pertaining to the Indian Army, nor were they formed under any special order or notification.

The nine officers concerned were not transferred 'from the Native Indian Land Forces to the Indian Army,' but were granted commissions in His Majesty's Land Forces, similar to those held by British officers, and are employed in the Indian Army in the same manner as other officers holding similar commissions are employed."

[8TH MARCH, 1918.] [Rai Bahadur Krishna Sahay; Sir William Vincent; Maung Bah Too.]

**The Hon'ble Rai Bahadur Krishna Sahay** asked :—

9. " Will Government be pleased to lay on the table a statement showing all orders, circulars or notifications, if any, which Local Governments have promulgated restricting or regulating in any manner the employment of Kayasthas in public offices ? "

Employment of Kayasthas in public offices.

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

" The Government of India are not aware of the promulgation of any such orders."

**The Hon'ble Rai Bahadur Krishna Sahay** asked :—

" Has not the attention of Government been drawn to one such circular at least which came up for discussion before the Council of the United Provinces ? "

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

" The attention of Government has not been drawn to any such circular, but if the Hon'ble Member will kindly give me some indication as to when it was published, the Government will make further inquiries."

## THE FINANCIAL STATEMENT, 1918-19.

### FIRST STAGE.

**The Hon'ble Maung Bah Too** :—" My Lord, I cannot pretend to be in any sense experienced in financial matters, and for me to criticise the details of a Budget prepared by such a great financier as our respected Finance Minister would be an impertinence. But I do desire to say a few words in regard to the financial needs of my own Province, and I hope the Council will listen to me patiently and forgive any deficiencies in my arguments. The matter I have to bring before the Council is one of the greatest importance, and I regret that it may suffer from my feeble exposition. 11-9 A. M.

" My Lord, Burma although it is a part of the Indian Empire, is in many respects entirely different from the remainder of that Empire. It stands economically and financially much in the position of a company that has recently been floated, while the rest of India may be regarded as an old established undertaking. In India, you have roads and railways, while, in Burma, we have some railways, but hardly any roads. The reason is that in India the roads were built before the railways, while, in Burma, some railways were built, but the roads are still to be built. I think it is generally admitted that the condition of my Province in regard to communications of both kinds needs very great improvement if the best is to be got out of it.

" Again, my Lord, our resources in Burma of all kinds are naturally very great. We have great mineral wealth and great agricultural resources. Our country is fertile, and our revenue is increasing even under the present conditions to a considerable extent. But to get much more revenue it is essential that money in large quantities should be spent to develop the wealth which lies there dormant. I recognise that in a time like this of financial stress owing to the terrible war which is now being carried on, it is very difficult to find that money, nor do I press the Hon'ble the Finance Member to do so in his present Budget. What I do ask for, is recognition even in that Budget, however small it may be, that the conditions of Burma being special, a special financial policy in regard to Burma should form part of the general financial policy of the Government. Capital expenditure on Burma is not only necessary in the interests of the country, but will be an excellent investment from the point of view of the Indian exchequer. I know too little of finance to

[*Maung Bah Too ; Sir Gangadhar Chitnavis.*] [8TH MARCH, 1918.]

say how this may best be effected, whether it should be by a special loan or by special grants, or what is the most appropriate way of marking and carrying out this policy.

"Sir William Meyer in his speech indicated the possibility of greater powers in financial matters being given to the Provinces after the war. That may help us, but we shall want greater and more definite assistance than other parts of India—assistance which we shall repay in every way.

"There are, however, three principal directions in which our development is possible, and which I venture to urge require special treatment from the policy which is adopted as regards the rest of India. They are, in the first place, the development of our means of communication, and in this connection I would commend to the favourable notice of Government the Report of the Roads and Communications Committee which was constituted by the Government of Burma. In the second place, the encouragement of industry and agriculture, more particularly by the award of State scholarships in order that Burmans may have a chance of showing that they are not the lazy people they are so wrongly assumed to be. I say give us a chance so that my young countrymen may have an opportunity of taking their part in the development of their own country. Thirdly, we want funds for the scientific examination and exploitation of the very great mineral resources of Burma which may be of the greatest possible assistance to the whole of the Empire in the future.

"My Lord, we in Burma have two minerals which are of the highest importance, I believe, for military purposes. The first is wolfram, which is found in the Tavoy District, and the second is lead, which is found in the Shan States where we have one of the richest mines in the whole world. Again, there is the Pottery industry which is indigenous to the country, and which is to be found in every township of my Province. We have good clay, but we have neither the knowledge nor the plant necessary to make the best use of it.

"Our Forests are an unrivalled store-house of riches, and we might hope to supply even more of the timber of the world than we do, but here again we are handicapped by lack of facilities of communication.

"There are also other resources which need to be tapped. We have oil which can supply the needs of the Empire, and there is no reason to doubt that, with careful examination, other sources of mineral wealth will be discovered.

"I cannot refrain from saying that, after examining the Budgets for the last five years which were so carefully reviewed by the Hon'ble the Finance Member in his speech on the 1st of March, I regret I cannot find any trace of the special financial treatment of Burma which I wish to advocate not merely in the selfish interests of my Province, but because I am convinced that it will result in the development of one of the greatest assets in India and indeed of the British Empire."

11-14 A. M.

**The Hon'ble Sir Gangadhar Chitnavis:**—"My Lord, in examining the Financial Statement before us, I must at once say that there will be no disposition among the general public to cavil at financial arrangements, the central object of which has been to render on behalf of India all possible help to His Majesty's Government in the vigorous prosecution of the war without weakening the internal administration and the financial credit of the country. It is only just that we should express our appreciation of the tact and judgment with which the Hon'ble Sir William Meyer has discharged his difficult task in these critical times. The Financial Statement shows how sound our position is. But what should be specially gratifying to the Indian public is that we all have the satisfaction of feeling that India has done her duty by the Empire in this great war. The Government of India and the Hon'ble Sir William Meyer have helped us to hold up our heads before the civilised world with the consciousness of having rendered to the Empire and the Allies no mean assistance in men and money.

[8TH MARCH, 1918.] [Sir Gangadhar Ohitnavis.]

"My Lord, the war is responsible for numerous changes all over the world, but not the least striking among them is the sudden elevation of India from the humble position of a debtor country to the proud one of a creditor country. In pre-war days we had to run to the London market for our small annual borrowings for capital expenditure; but during the past three-and-a-half years we have raised loans on an unprecedented scale within the country—a scale which would have caused a strain even on the London market in normal times—not only for our current needs, but also for the purposes of a special gift of £100 million to His Majesty's Government. We have besides lent out of our Reserves £67 million to the Home Government, and propose to increase our investments by £16 million in the coming year. Thus our current expenditure and our share of the extraordinary expenditure and the heavy expenditure both in India and the different theatres of the war on behalf of His Majesty's Government is fully met. On an adjustment of accounts after the war, a heavy amount will be due to us from the Home Government. A novel experiment has likewise been made to finance the Federal Government of America on however humble a scale. This is a record of which any Indian may feel proud, but we owe it all to the Hon'ble Sir William Meyer whose approaching retirement we all regret. That these results have been attained without further and heavier taxation is to some extent due to the magnificent returns of the Department over which Sir Robert Gillan presides with such ability. But the patriotism of the people has been the dominating factor. It is a matter for satisfaction that peoples' ideas have been given a new direction, so potent for the good of the country. Their savings have been diverted into safe, sound and fructifying channels. The methods adopted for raising the loans have taught them lessons of economy. It is hoped that the constitutional changes will so popularise and strengthen the administration that it will command in a larger and ever-increasing measure the capital within the country for useful and remunerative employment and attract cheap capital for the industrial development of India.

"But while so much is said about the loans already floated, a word of caution appears to be necessary in regard to the proposed War Loan of 1918-19. It is clear Government will depend more largely upon War Bonds for necessary funds than upon long-term notes. These Bonds, suited as they are to the needs of the commercial and professional classes, will of course be taken up largely by them. It is a question, however, if the masses will go in for them year after year. Renewed efforts on the part of Provincial Governors and local committees are unnecessary for popularising War Bonds among the classes that need them, whereas they will not have the desired effect among the agriculturists of moderate means. The people have been approached frequently of late for contributions to these War Loans and special funds connected with the war, and they have cheerfully responded from patriotic motives. A repetition of the call, will neutralise the moral effect of the absence of taxation even in a year of stress and difficulty. The wise restraint in the matter of fresh taxation has created confidence among the people and leaves for Government a reserve of resources to be utilised in case of absolute necessity. Nothing should be done which will even remotely shake this public confidence or trench upon this reserve.

"My Lord, two other points connected with the Financial Statement should arrest our attention. Reference has been made to the transport of rails from India to Mesopotamia and other countries. There is no intention to criticise the policy of dismantling lines with its attendant problems in these war times, but a full statement on the subject with details would help a better appreciation among the public of the issues of compensation and replacement.

"The abnormal rise in prices alluded to in the Financial Statement is a matter of the gravest import to the people. The spirit of sacrifice is therefore, a certainty, but even in this matter, there is a point beyond which humanity cannot go. And it is the duty of the Administration to prevent all avoidable distress. That Government is alive to its responsibilities is proved beyond doubt by its action regulating the supply of salt. I have no doubt that similar action will be taken as regards other commodities as occasion arises. But both

[ *Sir Gangadhar Chitnavis; Sir Fazulbhoy* [ 8TH MARCH, 1918. ]  
*Currimbhoy.* ]

Government and the people will have a better grip of the problems connected with food supply, if the average annual income per head of population is periodically calculated and shown in the Financial Statement. Such a calculation would also simplify the problem of taxation, in so far as it would help to dispel many illusions. There is no question of additional taxation in the immediate future, it is true, but the uncertainties of the present situation may have many a surprise in store for us."

11-20-A.M.

**The Hon'ble Sir Fazulbhoy Currimbhoy :—**" My Lord, the Financial Statement has been well received throughout the country and for the best of reasons. Indian Commerce at Bombay has welcomed it. The Hon'ble Sir William Meyer deserves all the praise that has been bestowed on him. He has not only carried us safely through an extraordinarily difficult position without putting any extra strain upon the resources of the people; but, taking advantage of the new conditions introduced by the war, he has revealed to the world the possibilities of the Indian market, and has tapped a new source of supply. The wise forbearance he observed in the first stages of the war in not taxing the people when they were more or less in a state of panic, and when there was a sudden dislocation of business, has been amply justified by the financial results of his subsequent policy. It is only through the conservation of resources then that he has been able to raise such large amounts of late both by taxation and borrowing. His loan operations will have their lessons for our future Finance Members. The prospect of freeing India, to a large extent at least, from financial dependence upon London for our Railways and Irrigation works has for the first time appeared realisable. Indians have maintained, for some time past, as the Proceedings of this Council will show, that the Indian money-market is capable of supplying to Government the funds necessary for our annual capital expenditure; but it was reserved for Sir William Meyer to act upon the suggestion, and to initiate the bold policy which is fraught with such immense possibilities for the future and is calculated to do such permanent good to the country.

" My Lord, the small investor has reason to be grateful to Government. He has never had his chance before; but he is now provided with the best alternative to hoarding. The economic results of the new policy are incalculable. The common people have now the greatest incentive to thrift, and Indian capital, which may be lying idle, has been given wider scope for remunerative employment.

" The extraordinary expansion of the note circulation, wisely limited by the two conditions of public readiness to accept the notes and the maintenance of a sufficient metallic backing, is another prominent feature of the excellent financial administration, which, to our deep regret, is drawing to a close. It indicates unmistakably how high the credit of Government stands. And more than that: The increase in circulation brings as a substantial gain to the extent that it relieves Government of undertaking indefinitely additional coinage. It is doubtful if the world prices of silver would recede to their former level for many years to come. Anything, therefore, which renders the necessity of fresh coinage less acute must be a gain to the country.

" Yet another departure in policy, for which the Hon'ble Sir William Meyer's administration of our public finances and Your Excellency's Government will be distinguished, is the employment of the Government balances through the Presidency Banks for financing trade. With normal development the policy is bound to do good to the commercial interests of the country.

" My Lord, the new Paper Currency Depreciation Fund will command universal approval. It is a wise policy that Your Excellency's Government has adopted in view of the heavy depreciation in the value of the investments.

" The Financial Statement shows a loss of £400,000 on account of stores lost in transit between England and India. Greater details on the subject would have been welcome. The public would like to know, for instance, if the loss was due to the stores being shipped uninsured or insufficiently insured, or to the higher prices paid in replacing the goods.

[ 8TH MARCH, 1918. ] [ *Sir Fazulbhoy Currimbhoy ; Sir William Meyer.* ]

" My Lord, it is only just to the Council that the Hon'ble Finance Member should make a full statement with regard to the expenditure in Persia, Mesopotamia, and other foreign countries which falls to the share of India. Under the Rules Hon'ble Members are not free to elicit information on such points of vital importance to the people by interpellation, and Resolutions are out of the question. Yet when expenditure is incurred by this Government beyond the natural frontiers of India the public have a right to know how it is justified by the circumstances. Government undoubtedly has a satisfactory explanation to offer, and it is here suggested that any such explanation should find a place in the Finance Member's speech dealing with the Financial Statement. Not that India grudges any war expenditure, but a clear appreciation of the position is necessary.

" Reference, again, has been made in the Financial Statement to the future adjustment of accounts between His Majesty's Government and this Government regarding Military expenditure undertaken by this Government outside India. But no idea can be formed of the principle on which this adjustment will be made. For instance, in regard to expenditure in a country like Mesopotamia, we do not know where we stand. A complete statement on the whole subject is certainly necessary, and this statement should be made while the annual financial arrangements are under review.

" My Lord, the latent possibilities of our Railways as an elastic source of revenue have been well disclosed in the current year, and the financial results have agreeably surprised us all, though discounted by the fact that a considerable portion of the income is due to the transport of troops and materials. But in this connection Sir William Meyer has rightly emphasised the urgent need of renewals, especially in view of the present exceptionally heavy traffic. And it is satisfactory that provision has been made in the next year's budget for improvements on open lines which must be regarded as ample, regard being had to the difficulties in the supply of materials. The whole problem must, however, be seriously tackled by Government immediately after the war. And it would appear *prima facie* desirable to create a Renewal Reserve out of the present large profits. The railway income now helps to swell the annual surplus. Surpluses are, indeed, necessary as provisions against the contingencies of the present uncertain position, but a real surplus can only be had after expenditure, which is certain, is amply provided for.

" My Lord, the investment of £20 million in Home Treasury Bills entails an annual loss of £300,000 in interest charges. If, on the contrary, £20 million is paid to His Majesty's Government as a part of our special war contribution of £100 millions sterling, the loss can be avoided. Borrowing money here at 5 per cent., while we earn only  $\frac{1}{4}$  per cent. upon our fresh investment, is surely not desirable. Besides, we can raise the requisite capital in India after the war. But if, in the light of the fuller knowledge, Government possesses, it appears necessary to have £20 million in England as a sort of reserve, the proposed investment in Home Treasury Bills will not be objected to. India is ready to make the sacrifice . . . . "

**The Hon'ble Sir William Meyer:**—" May I ask if the Hon'ble Member supposes that we pay interest on the Home Treasury Bills ? "

**The Hon'ble Sir Fazulbhoy Currimbhoy:**—" No, we get interest.

" Again, the attempt to maintain the sterling exchange at 1s. 5d. to the rupee, with the price of silver in the American market at one dollar for an ounce, may not succeed. The tendency of the market is distinctly upwards, but since the Hon'ble Finance Member hopes to keep down the rate, we must suspend our judgment at present.

" My Lord, the Hon'ble Sir William Meyer's conclusions about premium bonds will be fully endorsed by the Indian public. The incentive of prizes is not necessary for people swayed by feelings of patriotism unique in history. The response to the War Loan of this year has, indeed, been splendid, more from

[ *Sir Fazulbhoj Ourrimbhoj ; Mir Asad Ali, Khan Bahadur.* ] [ 8TH MARCH, 1918. ]

patriotic motives than anything else. The hope is justified that the cautious estimate of the Finance Member will be exceeded next year. The public sentiment is one of whole-hearted co-operation with the British Empire in the prosecution of the war; the people are determined to do all in their power to help in the success of the Allied cause. No sacrifice is too great for them. The circumstances are, indeed, favourable and another loan may be floated with some degree of assurance of success. The people of Bombay, numerically fewer though they are, compared to the populations of the larger Provinces, under the wise guidance of our popular Governor, will not, it is hoped, allow the lead in this matter of subscriptions to the loan to be taken by others, and the Presidency Banks will be ever ready to co-operate cordially with Government in all possible ways. Were it not for our patriotism, the legislation announced by the Finance Member, placing restrictions on the issue of capital by companies, would have been severely criticised. We are aware that such restrictions have been already provided for in England and the Colonies. The operation of our Port Trusts and Municipal Corporations have likewise been restricted. But, notwithstanding all this, the facts connected with the formation of the recent joint-stock companies, which must be known to Government, demonstrate the undesirability of the proposed restrictions. The war has helped a number of men to make exceptionally large profits, and, on the Bombay side at least, it has been our object to see a good portion of this money employed for the industrial development of India, the clamant need for which cannot be disputed. The new companies have succeeded in attracting some of this capital which would otherwise have, in all probability, gone to force up the prices of existing stocks and real property. Capital has been subscribed even by the subjects of Feudatory States. This is beneficial to Government also. During the war no new factory or business can be started for want of men and materials, and the money called by the companies would find a natural outlet into sound temporary investments such as India Treasury Bills and War Bonds provide. Besides the amount of capital, which may be put into joint stock concerns, is inconsiderable, compared to the heavy borrowings of Government, and cannot, therefore, affect them. It is difficult to believe that in such circumstances this Government would proceed to place restrictions upon the issue of capital but for the fact that the other parts of the Empire have them. And we, on our part, submit to the restrictions out of regard for the sentiment of the British public. At the same time it is hoped that provision will be made in the Bill for the floatation of companies for the promotion of industries that are of national importance and also of what are known as small industries.

"My Lord, the present situation has brought into relief the necessity of developing salt manufacture in India, if only for its productiveness as a source of revenue. With a vast seaboard such as it has this country should be self-contained in this matter of salt supply. And it is pertinent to inquire what this Government propose to do to develop its manufacture. It would be wrong to throw the whole work on the Provincial Governments. Not only should the policy be laid down by this Government, but the efforts of the Provincial Governments should be seconded by them.

"My Lord, the Financial Statement exposes the groundlessness of the charge of apathy towards the war so lightly brought against Indians. The Hon'ble Sir William Meyer deserves the thanks of the community for such a clear and convincing exposition of the whole situation. The figures speak for themselves, and, however strict the scrutiny, it is undeniable that India has rendered to the Empire solid and substantial help at the present crisis."

11-31 A.M.

**The Hon'ble Mir Asad Ali, Khan Bahadur:**—"My Lord, the remarkable Financial Statement for 1918-19 reveals an excellent revenue position, a revenue surplus, and a cautious war budget without the imposition of fresh taxation. I take this opportunity to congratulate most heartily the Hon'ble Finance Member on his presenting an eminently satisfactory budget once again. On the eve of laying down the reins of high office the Hon'ble Sir William Meyer may look back with pride and satisfaction upon his career in the Financial Department, and rejoice to find that his valuable service to



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India and the Empire at a most critical period of her history is fully recognised and appreciated by his non-official colleagues in the Imperial Legislative Council.

"The Financial Statement assumes for budget purposes that the war is likely to continue for yet another year. The end of the gigantic world-struggle does not yet seem to be within sight. How to win the war is the one mighty resolve of the whole Empire. India, too, my Lord, is determined to continue to render the Empire every loyal assistance in the successful prosecution of the war. At such a time any criticism of the war budget ought to recognise at once the urgent needs of the British Empire. Neither is it possible for me to criticise the budget without a fair knowledge of the present military needs, nor is it advisable to press vigorously, as in normal times, the claims of India in matters of internal progress and reform. Nor is a week's time hardly sufficient to go through and digest a mass of statistics in the able memorandum prepared by the Financial Secretary.

"I should, however, like to place a few facts before the Council, as may suggest thoughts for future guidance. Until the year when war broke out education and sanitation, my Lord, continued to receive sufficient encouragement during your predecessor's régime. Since then war-conditions have naturally prevented your Excellency's Government from making large and substantial grants towards their expenditure. But it is to be regretted that even the grants since made to Local Governments could not fully be utilised. While the accumulation of non-recurring grants, made to education between 1911-12 and 1918-19, represents a fair sum of nearly £2½ millions, the unspent balance on the 1st of April 1919 is expected to be £854,000, or less than a third of the total expenditure of non-recurring grants. Further, the Financial Statement expresses that in view of war conditions they have to ask Local Governments to restrict drawings on their balances. Hence no appreciable progress could be made in education. Moreover, a special recurring grant of thirty lakhs, allotted in the budget, for the development of primary education, is too small to be of practical value over a large area. In view of the growing importance of primary education this grant needs to be doubled, so as to be of real benefit to the cause of primary education. The Financial Member, I daresay, will see his way to make a grant of at least £400,000 instead of £200,000, without materially altering any budget item. Though substantial amounts are not available for improving education efforts should be made to divert a good portion of the money spent on University or higher education to the more pressing needs of primary and secondary education. The need for trained teachers in Primary Schools is increasingly felt, especially in aided and unaided institutions. In Government Vernacular Primary Schools half the number of teachers are untrained men, and in Board and Municipal Schools far more than half the number are untrained men, while in aided and unaided Vernacular Primary Schools, the trained men form only about a seventh of the total number of teachers. The position is better in the Anglo-Vernacular Primary Schools under Government, Board, or Municipal management, where two-thirds of the teachers are trained men. But in aided and unaided Anglo-Vernacular Schools less than a fourth of the teachers are trained men. These figures clearly show that, if primary education is to make headway, more trained teachers are needed, and, consequently, more training schools in select centres. Whether in normal or abnormal times, adequate provision should be made to meet the growing needs of primary education. Also, I should like to suggest that a portion of the Imperial grants, both recurring and non-recurring, should be earmarked for Moslem education. Fairly satisfactory as the progress of Moslem education has been in recent years I believe there is need for an increased number of scholarships to Moslem youths who desire to pursue scientific or industrial education. For they have a better aptitude for such education than those of the sister community. Special Imperial grants, too, should be earmarked for scientific and commercial education. A sum of about Rs. 34,000 is all that Provincial revenues could find for promoting higher commercial education in 1916-17, and a sum of about Rs. 24,400 only for commercial schools.

[ *Mir Asad Ali, Khan Bahadur ; Raja of Kanika* ] [ 8TH MARCH, 1918. ]

"Nor can sanitation be neglected. Steeped as the masses have been for years past in ignorance and poverty, any amount expended on the improvement of rural sanitation so as to minimise the evils of preventible diseases is money well spent. Even there one finds that nearly half the total expenditure of the non-recurring grants is shown as the unspent balance expected to be available on the 1st of April 1919. I wish, my Lord, that Local Governments are permitted to spend more of these non-recurring grants so as to leave little unspent balance, except where it is absolutely necessary.

"Under the revenue heads the rapid growth of the excise revenue cannot be contemplated with equanimity. It has nearly doubled itself within the last fifteen years. Within the last four years, it has increased by about 17 per cent. Nearly half the total revenue is shared between Madras and Bombay, the former alone contributing more than a fourth of the total revenue. While an increased revenue does not necessarily indicate a corresponding growth in the consumption of liquor, it represents, however, a large amount of money of the drinking classes, the vast bulk of whom are the poor masses of India. The money they now waste on liquor may profitably be spent in securing for them increased comfort and better living. The Government, my Lord, I respectfully submit, is not morally entitled to raise revenue from the cursed liquor traffic.

"Under the expenditure items, the military item, as is indispensable and inevitable, tops the list. While I do not feel competent to criticise that item, I feel bound to say that a considerable decrease in expenditure should be looked forward to when normal times return. Within the last five years the expenditure has increased by about 40 per cent. Next in importance to military expenditure comes police expenditure. The expenditure, too, has shown a very rapid rise from £3·81 millions in 1907-08 to over £5½ millions in 1917-18, and the budgeted figure for 1918-19 rises to £5·86 millions. Within the last ten years it has increased by about 74 per cent. A large increase, I daresay, must have occurred in the Criminal Investigation Department, whose expenditure alone has nearly trebled itself during the same period. If increased expenditure leads to efficiency I shall not grudge it. But I have reason to believe there is need for effective retrenchment in police expenditure.

"In view to the impending reforms, public expenditure is likely to grow. The question of retrenchment is even more important than that of reform. I should like to suggest the appointment of a mixed committee of officials and non-officials to scrutinise our public expenditure and suggest ways of economy. Again, the post-war trade problems have to engage our serious attention, as the future financial strength of India will have to depend upon her economic prosperity. Without feeling any necessity for imposing fresh taxation the Government should consider the revenues of the country have to be augmented by a well-thought-out plan of Indian industrial expansion. Let me hope, my Lord, that, as soon as the war is over, greater encouragement will be given to scientific and commercial education, and that your Excellency's régime will mark the beginning of a new industrial era in this country."

11-40 A.M.

**The Hon'ble the Raja of Kanika:**—"My Lord, this is the fourth War Budget which has been presented to this Council, and I must take the earliest opportunity of congratulating the Hon'ble Sir William Meyer on the Financial Statement which he presented on Friday last. The bold and statesman-like manner in which he has managed our finances during a period of extreme difficulty ever since the war broke out must excite the admiration and gratitude of all—not only of those who are inside this Council, but also of the larger public who are outside it. My Lord, it was Sir William Meyer's misfortune that circumstances over which none had any control had so shaped themselves as to compel him to impose a number of additional taxes within the last few years. My Lord, so far as extra burdens were the inevitable result of the present war, there never had been any desire to find fault with Sir William Meyer. Rather, there was a good deal of sympathy for him in the difficult task, with which he was faced, of making the two ends meet. This is the last Financial Statement which Sir William Meyer will deal with in this Council, and I

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take this opportunity of expressing our wide appreciation of his work here as the Finance Member of the Government of India.

"The current year, my Lord, is expected to close with a surplus of about six million pounds and the budget for the coming year is expected to yield a surplus of about £2½ millions. My Lord, Sir William Meyer has very wisely declined on the one hand to impose any fresh burdens this year by way of new taxation, and on the other he has also very prudently declined to remove any taxation which was imposed during the last few years. My Lord, nobody would like to quarrel with the Finance Minister in the extreme caution with which he frames his financial policies. 'Prudence' one of Sir William's distinguished predecessors remarked, 'is to a Finance Minister what modesty is to a woman.' Sir William Meyer, if I may venture to say so, is both prudent and modest. But, my Lord, while we must agree with Sir William Meyer in the cautious and prudent policy which he now lays down, may I express a fervent hope that the whole scheme of war taxes imposed during the last few years will be liberally reconsidered as soon as the war ends? The extreme necessity of the situation, perhaps, justifies all that Sir William has done by way of imposing fresh taxation; but, though necessity justifies them, they are an onerous and a very heavy burden no doubt, and the one hope with which the country is bearing with them all at the present time, with prices of almost all commodities soaring and the purchasing power of money continually going down, is the hope of their temporary nature and of their ultimate removal after the war. Sir William Meyer's work, I thoroughly agree, has been very difficult. The task of a Finance Minister is the most thankless of all tasks. No Finance Minister ever was a popular hero. No public statue is ever voted to him. It seems that Burke's famous dictum 'It is as difficult to tax and to please as it is to love and be wise' will remain true for all ages to come. But in spite of it all, I again repeat my fervent hope and prayer that the Government will be pleased to reconsider the whole scheme of war taxation as soon as the present war ends, and that, with good surpluses in hand just now, no further increase of taxation—whether directly or indirectly—will be demanded.

"I also hope, my Lord, that the end of the war will see a renewed attempt to re-vitalise our schemes of education and sanitation. The war has necessarily restricted to a great extent any large expenditure on these lines, and as these are the things absolutely essential for a minimum of civilised life, I hope the Government will not fail to make increased allotments for these services as soon as conditions permit.

"The experimental issue of short-term Treasury Bills made necessary by the excessive drain on the resources of the Government of India due to the very heavy military charges which the Government of India are incurring on behalf of the Home Government has proved a very great success, and I beg to offer my congratulations to the Hon'ble the Finance Member for having taken, what practically amounts to a new departure in our Indian Finance system. I am sure this new issue, modelled on the British Treasury Bill system, will be found equally advantageous to both the Government and the public. It has afforded a great relief to the money-markets of India and as a war measure, it does indirectly, though in a very great way, help His Majesty's Government in the vigorous prosecution of the war. The absence of a three months' Treasury Bill at the beginning was felt to be a great handicap, as, to the business man who wanted a temporary short-term investment of his idle money, the long period bills failed to be attractive. Of course, I quite realise that the Government had very good reasons not to offer the three months' term when they issued the Treasury Bills in October last, because even in normal times a heavy financial liability maturing in the middle of the month of January was a thing quite difficult to handle. I am glad, however, to find from the Hon'ble the Finance Member's statement that from January last even the three months' bills are being issued. This, I am sure, is highly welcome in business and commercial circles, and, as this is only another way of helping to win the war, I have no doubt there will be a big response to it.

" My Lord, the issue of a big war loan in India on the premium bond principle has long been suggested in some influential quarters. Several Indian Chambers of Commerce also strongly recommended this plan of raising money. The main idea of the premium bond is of course to cater for the millions of small investors to whom a loan on the premium bond principle is bound to be specially attractive. Certain classes of people who are not regular investors are no doubt attracted by this means as they are by no others. Apart from the large number of thriftless people, who will not save even if they can, there are a large number—I should say, a very large number—of other people who do not care to save simply because the amount that they can save at any one time is much too small. They feel that their total savings are too small to be useful for any important necessity, and therefore they give up all ideas of saving as not being worth their while. To these classes, no doubt, a premium bond loan would appeal immensely, the chance of winning a prize would attract all classes and gild the ordinary invitation to subscribe to a war loan with a touch of romance.

" But, my Lord, in spite of all these advantages the premium bond principle has been severely condemned on high moral grounds. It is like running on an inclined plane and once it is adopted there will be no practical limit to the continual application of its principles in other cases; it will supply the artificial excitement of a gamble in place of duty, loyalty and patriotism, and thereby it will greatly undermine them all; it will give the great weight of Government influence to gambling; it will land the Government in the curious position of encouraging gambling on the one hand and repressing it on the other.

" It is a great relief, my Lord, that Sir William Meyer has rejected the principle of premium bonds, though, I am sorry to find, not on ethical but on financial considerations. I do trust and pray, my Lord, that if ever the Government of India reconsider the question of introducing the premium bond principle here, it will think carefully of all the sides of this important question before it takes a final decision.

" My Lord, when the Indian war loan was floated last year, many were the misgivings with which its progress was watched. Sir William Meyer and his expert advisers did not hope to get more than £10 millions or 15 crores of rupees. But the progress of the loan within a few days of its issue proved to the hilt how utterly futile all the misgivings were as to its ultimate success. My Lord, when the people of India undertook to make a total war contribution of £100 millions to His Majesty's Government to be used towards the prosecution of the war they knew what they were about, and they proved their mind and word by the subsequent success of the war loan. To get £86 million where only 10 millions were expected is a very great thing, and it speaks very highly of a poor country like India. The response to the war loan last year was universal—all classes of the community freely took part in its accumulating total. My Lord, the war loan was a part, it was only a part, of our great national effort to mobilise and marshal into line all the forces at our disposal for the supreme task of winning the war. The present war is India's war quite as much as it is England's war. We are in it, heart and soul, and the whole country from end to end is supremely thankful that India has been allowed to pull her weight and to take her legitimate part in this titanic war of civilisation against the forces of a savage and despotic militarism. My Lord, in this matter of the Indian War Loan, India and the Indians were on trial. It is a supreme satisfaction to all concerned to find how very creditably India has come out of it. The people of India, my Lord, realise what this greatest of the world's war is being fought for, and there is nothing, my Lord, that could excite their imagination and ignite their zeal more than the sight of this appalling sacrifice of the most precious human blood and this colossal expenditure of money—all for the sanctity of a 'scrap of paper.' The people of India, my Lord, have entered into this war with a mind incandescent with loyalty and melting with zeal, and they would, I am sure, see to it that so far as men and money are concerned, India will give

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all—all that she can possibly give. Sir William Meyer hopes to get £20 millions next year as the result of the war loan. I do sincerely hope and trust that the response to this year's war loan will be as gratifying as the response last year. I have not the least doubt, my Lord, that India will nobly respond to this fresh call of duty."

**The Hon'ble Rai Bahadur Krishna Sahay :—**"My Lord, may 11-52 A.M.  
I be permitted to join in the congratulations which have been offered to the Hon'ble the Finance Member on the budget he has presented to the Council this year. The task of a Finance Minister of India always is difficult, was never perhaps so full of dangerous pit-falls as has been the case in Sir William Meyer's term of office, and it is no ordinary achievement even for a man of his ability to have come triumphant out of it. Every weapon that he designed during the last few years to combat the difficulties, in his way have fallen with soft hands on the people—and the fact that there is no provision for fresh taxation in his final budget will be received with unmixed satisfaction throughout India. They all bear the imprint of his remarkable skill, his resourcefulness and a broad-minded sympathy with the people of this country which will ever be remembered by them with a sense of gratitude. He lays down the reins of his great office to the regret of us all.

"The decision of your Excellency's Government to float the war loan again this year is most welcome as it will give us a further opportunity of redeeming in cash as far as possible the debt of honour for which we have made ourselves responsible. We, the people of India, are thankful, my Lord, that we have been permitted to shoulder to some extent the burden of the almost Herculean task of 'making the world safe for democracy' and of saving human liberty and human civilisation from the wounds of a savage and despotic militarism. The war loan last year was our supreme test, and it is a matter of unfeigned satisfaction that by her ready response India has proved her fitness to be a real partner in the Empire. May this comradeship in arms grow into a real Imperial and inter-Imperial partnership, will be the devout prayer of every sincere well-wisher of the Empire !

"I have absolutely no doubt, my Lord, that the estimate of £20 millions which Sir William Meyer expects as the results of the war loan in the ensuing year will be easily reached. The people of India are suffering with all other countries of the world by the long continuance of this present terrible struggle, and they realise only too well that a big and successful war loan will, in the words of Mr. Lloyd George, 'shorten the war, it will help to save life, it will help to save the British Empire, it will save Europe and it will save civilisation.' What a glorious opportunity for us to have a share in the noblest of tasks which man ever set before himself to achieve in this world, what a fine opportunity to have a hand and a share in the making of the world's history ! I believe, with all my heart, my Lord, I do believe, that India's response to this fresh call in the name of liberty, humanity and justice, will be as noble and as magnificent in the coming year as it has been in the past.

"But, my Lord, in this connection may I be permitted to utter a word of caution ? I pray that the war loan in rural areas this year may be pushed on very cautiously so that poor people—who, it is just possible, have invested their all in the war loan last year—may not find any pressure brought to bear upon them to subscribe again in sums much beyond their means. Cases of such undue pressure have unfortunately actually occurred in some places last year, else I would not have referred to it at all. I fervently hope that the work of pushing on the war loan will be entrusted to careful and judicious persons so that people might voluntarily subscribe the utmost that they want to. The moral value of such free and voluntary contributions is much greater than in any other case. If the Government will fully explain the situation to the people and trust them, the people in their turn will trust the Government freely with their money.

"My Lord, the Railways of India have broken all records and have given the Government of India an unexpected windfall. The net profit on Railways in

1917-18 is expected to be £10·1 millions as against £5·6 millions in the budget estimate. Such a large increase of revenue is always welcome, and no one is more glad to get them than the Finance Member himself. That the Railways will treat the Finance Minister so nobly in spite of the restrictions referred to by Sir William Meyer is indeed a matter of great satisfaction, but it does seem to me that the estimates of revenue for the current year under the Railways had been framed rather too cautiously. Be that as it may, may I draw your Lordship's attention to one serious public inconvenience in connection with our railway services? Railway facilities, my Lord, have been seriously curtailed throughout India recently, on account of the unusual conditions prevailing at the present time. The supreme necessity of moving military supplies and other goods vital to the successful prosecution of the war, the grave difficulty with regard to the supplies of good coal, the continued deterioration of the permanent-way and the rolling stock, including in some cases the actual dismantling of certain railway lines to provide for railway materials for Mesopotamia—all these, my Lord, have combined to create an almost unparalleled situation with regard to our railway facilities and have resulted in a very serious restriction of railway services throughout India. I have no desire, my Lord, to manufacture grievances, but I feel it my duty to represent to your Excellency's Government the very great hardships felt throughout the country by the serious curtailment of railway facilities. I know we are living in abnormal times, and therefore we have no choice but to put up with abnormal conditions. But, in spite of it all, I do hope that at the earliest possible opportunity the Government will kindly reconsider the question of provision of increased railway facilities in the country. I do not suggest that the pre-war facilities ought to be immediately re-established, because nobody is foolish enough to imagine even for a moment that that is possible. What I do suggest is, that, considering what a fine asset the Railways have proved themselves to be, the Railway Board might just reconsider the question of providing, at the earliest possible opportunity, improved railway facilities—however slight they might be, because I am convinced that any relief, however slight, would be highly welcome in the present state of railway traffic in the country.

"There is another matter, my Lord, on which I beg to thank your Excellency's Government—I refer to the recently-issued Royal Proclamation which constitutes a branch of the Royal Mint at Bombay for the purpose of the local minting of sovereigns. We have been asking for this privilege, my Lord, for a long time, and we have got it at last. The measure now taken only completes the steps recommended by the Indian Currency Committee of 1898. In paragraph 54 of their Report the Committee reported that they were 'in favour of making the British sovereign a legal tender and a current coin in India. 'We also consider,' they remarked, 'that, at the same time, the Indian Mints should be thrown open to the unrestricted coinage of gold on terms and conditions such as govern the three Australian branches of the Royal Mint. The result will be that under identical conditions the sovereign would be coined and would circulate both in England and in India.'

"My Lord, the first part of the Committee's recommendations, namely, that the British sovereign should be made a legal tender was carried out almost immediately in 1899, but the latter part took a very long time to be accomplished. By 1900, it almost seemed as if matters had progressed favourably when Sir Clinton Dawkins actually announced that it had been decided to constitute a branch of the Mint at Bombay for this purpose; but those proposals were never carried out, a number of technical and other difficulties were raised by the Royal Mint, and the project was dropped in 1902. The whole question was, however, revived in 1911, and since then the Government of India have again fought for this privilege being granted to India. The country, my Lord, is deeply thankful to the Government in having finally succeeded in securing for India this valued privilege.

"With reference to the figures given in Tables XVI and XVII of the Financial Statement I cannot help expressing my regret for the increase of

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expenditure in my Province of Bihar and Orissa under the heads of 'Police' and 'Law and Justice' due to the unfortunate riots in the district of Shahabad.

"But I hope, my Lord, that it is only a passing phase of the Provincial budget and no undue importance need be attached to the occurrences themselves which have necessitated it. The people of the disturbed area have by this time realised that the arm of law is long enough—and strong enough—to reach any offender even in remote and obscure villages, and it is disastrous to court the advent of military camp, additional police force or special tribunals. I also venture to think that your Excellency's appeal to the leaders of the communities of Hindus and Mussalmans and to the communities themselves has not and will not go in vain, and permit me to assure your Excellency that genuine efforts are being made by both to prevent a recurrence of such deplorable incidents."

**The Hon'ble Rai Bahadur Bishan Dutt Shukul:—**"My 12 P. M.

Lord, I join hands with my colleagues in congratulating the Hon'ble Member, Sir William Meyer, on the remarkable lucidity which characterizes the Financial Statement which he has placed in our hands this year, and which has already been accorded a warm reception by the whole country.

"My Lord, when we met here in this Council Chamber last year about this time, we prayed that the outlook already so sad and dismal then should soon disappear and an era of universal peace and order dawn upon us, but that was not to be. The war still continues with its unabated fury, and the end is not yet in sight. The war is writ large in every page of the Finance Member's speech. Under these circumstances, we cannot but admire him for the tact and fore-thought with which he has not only been able to make both ends meet, but has maintained the financial stability of the Government intact, without imposing any additional taxation upon the people of the country during the next year. This is indeed a most happy feature of the present budget.

"My Lord, the revised estimate for the current year shows a surplus of £5,825,100. Such a large surplus coming as it does in the train of a series of similar surpluses during the immediately preceding years especially at this juncture, when the whole country is passing through an unprecedented crisis, would lead one to pause and think as to how far such a large surplus is really a matter to be congratulated upon. Our Hon'ble friend the Finance Member refers to caution in the opening part of his speech, as a matter for congratulation. I quite agree with him. Caution is no doubt an element of statesmanship, especially during these war times, but excess of it is not a very wholesome feature, and one need not be disappointed, if, at times, it fails to receive an enthusiastic response. It is with reference to these surpluses that the Finance Commission observed in their report that 'in preparing their estimate of revenue, the Government of India erred on the side of caution'. The principle of maintaining a fair equilibrium between the estimated revenue and expenditure of the State, providing at the same time for a moderate and reasonable surplus, is indeed a sound financial policy, but to evolve large, continuous and progressive surpluses, year after year, is a policy which, I submit, is hardly defensible. For after all, what do these large surpluses indicate? They are apt to indicate nothing else than an attempt, a deliberate attempt on the part of the Government, to squeeze more money out of the pockets of the people than what is fairly needed for the requirements of the State. In normal times this would have been the most objectionable feature of the budget, and an immediate demand for the remission of taxation would have been raised by the whole country, but in view of the present embarrassed position of the Government due to war, I refrain from making any such demand, although the necessity for the reduction of certain taxes, such as the salt tax and the increased Railway rates, is being most strongly felt.

"My Lord, though the remission of taxation is out of question at present, yet the Government, in my humble opinion, are bound to return a substantial

portion of the surpluses to the people, by applying it to purposes which will immediately tend to ameliorate their material and moral conditions. Since, who are the principal contributors to these large surpluses? They are no other than the cultivators of the soil. The Hon'ble Finance Member has attributed the large surpluses to the excellent agricultural prospects of the present year. Surely, it is upon the agricultural prosperity of the country that the stability of the financial position of the Government of India mainly depends. One year's bad harvest shakes the very foundation of the whole financial edifice, and are not then the cultivators, the teeming millions, toiling at the well and at the plough, the real custodians of the agricultural prosperity of the land, entitled to receive their just share of the surplus to which they have so largely contributed? I wish the rosy figures as indicated in the budget should have really represented a prosperous India. I wish there should have been a real correspondence between the conditions of the finances of the State and the condition of the people, but, my Lord, unfortunately it is not so, while, on the one hand, we have to congratulate the Government on their 'excellent revenue position' and fat surpluses, on the other hand, we feel the painful necessity of drawing the attention of the Government to the actual condition of the people which is far from being satisfactory. My Lord, the question which demands the most serious attention of the Government at this moment, is the gradual deterioration that is taking place in the economic condition of the agriculturists, and I think I shall be lacking in my duty if I do not urge upon the attention of the Government the necessity of providing larger funds for the purpose of agriculture, education, medical relief and sanitation, etc.

" My Lord, agricultural industry is the mainstay of the Indian nation, of 80 per cent. of the population of the whole country, yet no other industry is in a worst plight. While in the countries of the West the farmers have begun to grow wheat yielding 30 to 45 bushels per acre, the poor tenantry of India can never expect a better yield than 10 to 12 bushels per acre and this in spite of the agricultural department having been established here all these 30 years or more. My Hon'ble friend the Finance Member congratulates the Government upon the increase of '3 per cent. in the cultivated area of the year. My Lord, this increase is insignificant and any felicitations expressed on this account are bound to be coupled with expressions of regret that the alleged expansion of area under cultivation is hardly keeping pace with the corresponding increase in population. The inadequacy of food-supply to meet the growing demand in India, both external and internal, is being seriously reflected in the inflated prices of the necessities of life, which have been pushed up to the high standard of famine rates in several parts of the country and are causing acute hardship and distress to the people. Unless immediate steps are taken to copiously increase the productivity of the soil, the farmers of India will not be able to stand competition in the markets of the world, and the sufferings of the people will know no end. In view of these remarks, it will be observed that the allotment under the head of agriculture is wholly inadequate. More money should be placed at the disposal of the agricultural department to enable it to provide for more agricultural schools, more trained men, more machines and more cattle-breeding and demonstration farms, with a view to accelerate the pace of progress in the matter of agricultural improvements.

" My Lord, I have to make a few more observations on two items of expenditure in which I am particularly interested, and they are no other than those of education and sanitation which are the prime needs of the country. In the matter of education I have to thank the Government for their putting aside a sum of Rs. 30 lakhs for the development of primary education. Although this may not be quite up to the expectations of the people, yet it furnishes a striking testimony to the high regard in which the Government holds the cause of primary education in this country. While congratulating the Government upon this, I cannot help confessing to a feeling of disappointment that overtook me when I did not find any provision in the budget under this head for the establishment of the Nagpur



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University in the Central Provinces. My Lord, the whole Province feels keenly about this, and the Council may take it from me that this omission will be very much resented. I therefore beseech the Government and especially request the Finance and Education Members to see their way to provide some money at least by reducing the surplus, and curtailing expenditure under the head of Civil Works, to enable the Local Government to make at least a beginning towards the establishment of the Nagpur University.

"As for sanitation, I have personal grievance. I notice in page 69 of the memorandum under head Sanitation an allotment of Rs. 6,31,000 only for the Central Provinces. This is less than the sum shown in the revised estimate by Rs. 1 lakh. The reason for this decrease has nowhere been given, and an explanation is due from my Hon'ble friend the Finance Member for the same. The Central Provinces are still far behind the other sister Provinces in the matter of sanitary improvements. The rate of mortality still continues to be high. It was only last year that the infant mortality reached the record figure of 265 per 1,000 births which was the highest in the whole of India, if I am not mistaken. Besides, the condition of rural sanitation 'is most disappointing'. Village houses are still ill-ventilated. The village sites are dirty, crowded with cattle, choked with rank vegetable and poisoned with stagnant pools. It may not be out of place here to give public expression to the general feeling of disappointment prevailing in the rural areas that all that is talked of and all that is done for sanitary reforms, the least attention is paid to village sanitation. While 1-14th only of the population of British India resides in the Municipal areas, yet more money is spent on urban areas than rurals, and this is a matter which I wish the attention of your Lordship especially drawn to, and I hope that a more lively interest will henceforth be taken in the improvement of the village sanitation and so far as the Central Provinces are concerned, the provisions instead of being curtailed would rather be increased.

"My Lord, I quite realize the difficulties of the present situation, and if I have been encouraged to demand more money, it is because of the tantalizing surpluses accruing year after year. Moreover I strongly feel that, as far as possible, the progress of the internal reforms in the country should not be stayed. In my humble opinion the Government should have a definite determined policy with regard to financing education, sanitation and agriculture. It is high time that the Government should lay down a distinct financial policy which would assure, or at any rate convince, the people at large that the desired goal, aimed at by these departments, will be reached within a definite period of time. As the whole question relating to reforms is under consideration of the Government of India and the Secretary of State, as indicated by the Hon'ble Finance Member in paragraph 95 of his speech, it is expected that this aspect of the question will not be overlooked, and we all hope and believe that the time is not distant when your Excellency will earn the further gratitude of the people by ensuring fiscal independence to India, accompanied by provincial autonomy and a substantial measure of responsible government, so essential to her industrial, social, economical and political development and without which she can never expect to secure her proper place in the civilized world.

"Just a parting word to my Hon'ble friend the Finance Member who is on the eve of retirement and I have done. We are all thankful to him for the paternal care and solioitude with which he has managed the financial affairs of the State during these most anxious war times, and we deeply regret that at this juncture we are to lose in him not only an able financier, but a sympathetic heart so loyal to India. He carries with him the good wishes of the whole country, and we hope that in the midst of his new surroundings he will not forget India, but will continue to exert his beneficial influence in the cause of her interests to which he has been so ardently devoted."

**The Hon'ble Mr. Malcolm Hogg :—**"The Financial Statement which was presented by the Hon'ble the Finance Member last week affords

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that I am paying it a very high compliment. With regard to the Revenue and Expenditure side the position is extremely satisfactory, and it only remains for me to tender my hearty congratulations to the Hon'ble Member on being able to present a statement, which must be very gratifying to the country in general. But as the Hon'ble Member has said it is the ways and means problem which has been and is the cause of most of his anxieties, and I should like to make a few remarks on certain points which arise in connection with that problem. In the course of his speech the Hon'ble Member stated that it had been his consistent policy to promote co-operation between Government and the Presidency Banks and made a warm acknowledgment of the response with which his efforts had met from those institutions. As I have this year the honour to be President of the Bank of Bombay it would, I think, be ungracious if I did not thank Sir William Meyer on behalf of that bank for the terms in which he has referred to the assistance which the Bank has been able to give. In doing so, I do not wish it to be thought that I am appropriating to myself and my colleagues on the board the credit, which was intended, and rightly intended, for our Secretary and Treasurer, Mr. Aitken. That is far from my intention. I merely regard myself as the mouth-piece of Mr. Aitken and of my co-directors, and feel that it would be their wish not only that I should acknowledge the Hon'ble Member's remarks, but that I should state definitely that it is our wish at all times to afford the maximum possible assistance to Government and more particularly in the difficult times through which we are at present passing.

"About the desirability of close co-operation between Government and the Presidency Banks, I do not think there can be two opinions, but there may on particular occasions be two opinions as to the best method of co-operation. The Presidency Banks have certain definite and important functions to perform in financing the commerce and industry of India, and when considering how best to assist Government, they have to be careful that the assistance is not given in such a way as will or may subsequently hinder them from adequately performing their primary functions. For to ignore this aspect of the question would be a very short sighted policy and would entail consequences as detrimental to the interests of Government as to those of the commercial and financial communities. If then there have at any time been or should be in the future differences of opinion between the Hon'ble Member and the Bank of Bombay, I am sure that he recognises that such differences of opinion are not due to any diversity in the object aimed at, but to an honest difference of opinion as to the best way of achieving that object.

"While I am speaking of co-operation I may perhaps refer briefly to another passage in the Hon'ble Member's speech where in paragraph 53 he referred to the possibility that Government might have to call to a still larger extent for the co-operation of merchants and others who have homeward remittances to make with the view of applying those remittances more largely than in the past to the financing of exports of essential national importance. Now, I feel sure that if the necessity for such a call arises, Government will receive a ready response from those to whom it will be addressed. But I would just like to say this. Government restrictions on and interference with the ordinary channels of trade are not in themselves desirable, and are only acceptable in so far as they are necessitated under war conditions by paramount national interests. I hope, therefore, that before making any such further call Government will thoroughly investigate this rather complicated question and, if possible, take into their confidence those who will be affected by it in order that there may be no doubt of its necessity. For it does seem to me that the present complete control, which is exercised by Government over the utilisation of freight space, already effects the object which Government have in view, or if it does not already effect it can very easily be made to do so. As far as I am aware very little except exports of national importance are being or can be shipped at present, and if that is so it is difficult to see how those who have homeward remittances to make can use them for any other purpose except the financing of such exports.

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"The next subject on which I wish to make a few remarks is the proposed War Loan of 1918-19. Compared with the results of the last War Loan the Hon'ble Member may appear to have taken a rather conservative figure in estimating the minimum proceeds of the forthcoming Loan at £20 millions, but while I cordially join with him in hoping that this minimum figure will be largely surpassed, I think that he has good reasons for his caution. As he has said the very magnitude of last year's effort is in itself a reason, and then there is the fact that the present very high prices of cotton and other raw materials will make it more difficult for industrial concerns, in spite of the large profits which many of them have made, to release their funds for lending to Government. Any steps therefore which Government can take towards reducing these high prices, and I am glad to see that the matter is receiving careful consideration in my own Province, will tend to pave the way for the success of the loan. Government are aware that a good deal of inconvenience has been felt by investors in the last War Loan owing to the delay in the issue of scrip and other cognate matters, and I welcome the Hon'ble Member's assurance that steps have been taken to prevent any such complaint in respect of the coming loan by simplifying and decentralizing arrangements. May I suggest to the Hon'ble Member that the greatest possible emphasis should be laid upon and publicity given to this fact when the new loan is floated? Dissatisfaction with the previous arrangements undoubtedly exists in many quarters, and it is essential that, that feeling should be removed if the new Loan is to have the best possible chance. This can only be done by widespread advertisement couched in the simplest and plainest language of the new arrangements which have been made. One other point I should like to emphasise, although I have no doubt that Government are fully alive to it, is this. The success of last year's loan was very largely due to the vigorous publicity campaign initiated by the heads of Local Governments and carried on by unofficial War Loan Committees. A similar campaign and one no less vigorous is essential this year also if last year's success is to be repeated. The Hon'ble Member has foreshadowed the placing of restrictions upon the withdrawal of capital from the money-market by companies in order to prevent competition with the Government loan, and I see that he is shortly to introduce a Bill for this purpose. With the object of this proposed legislation I certainly have no quarrel, nor do I suppose that it will evoke opposition from any quarter, but I wish to place one or two considerations of a practical nature before Government with regard to the method to be adopted. Mere prohibition of the floating of companies might, I think, fail of its object, for it is certain that much of the money thus prevented from being invested in new companies would not find its ways to Government, but would be diverted to speculation in house property, in shares of existing companies, and in other directions where it would be lost to Government. I would suggest, therefore, that in many cases a form of conditional floatation might be more efficacious than mere prohibition. What I mean is this. Under present conditions there is likely to be considerable delay in the full utilisation of their capital funds by many new companies, and such companies are likely to have large funds at their disposal for temporary investment for varying but considerable periods. I am inclined to think that Government might get more money by allowing companies, which are likely to prove attractive to the investing public, to raise funds on condition of lending a certain proportion of the funds so raised to Government for certain periods than by excluding them altogether from the money-market. The exact conditions as to the proportion of capital to be lent and the period for which it is to be lent would have to be settled to suit the circumstances of each individual case. Of course, it may be objected that a company, which did not expect to be able to utilise its whole capital for some time, would ordinarily call up only a small portion of that capital at the outset. That is true enough, but I think that such a company, rather than be excluded altogether from the money-market, would prefer to call up rather more capital than it immediately needed and lend the surplus for a time to Government, as it would after all be earning a very fair rate of interest on that surplus. I hope, therefore, that the Bill to be introduced will provide for conditional floatation on the lines I have suggested, as well as for prohibition in

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case of need. I hope that the Hon'ble Member will not suspect me of having any axe to grind in this matter. I assure him I have none, and that my only object in urging this suggestion on the attention of Government is the furtherance of the object which they themselves have in view, namely, the success of the War Loan.

"I cannot refrain from some reference to the question of premium or bonus bonds. I have always been and am still of the opinion that this is an expedient which is well worth a trial. I have never supposed that these bonds would be a suitable form of investment for banks or other large investors, obviously they would not, nor have I thought that they would immediately produce many crores of rupees to Government, and so provide a panacea for all their difficulties. But I do believe that an issue of bonds bearing interest at, say, 2 per cent. less than the ordinary war bonds and having that 2 per cent. distributed in prizes by half-yearly or quarterly drawings, would, if properly advertised, gradually attract a number of investors, who would otherwise not invest in Government securities, and would after a few years and after the distribution of several prize-drawings attain a very wide measure of popularity. In view of the fact that Government for years to come will have to depend for their requirements on the Indian money-market in a far greater degree than before, it has seemed to me that any form of security likely to attract a new class of investors to Government issues was well worth a trial, and to that opinion I still hold. I must, however, admit that there is a considerable body of commercial and financial opinion which is opposed to this experiment, and I recognise that it is an experiment upon which Government can scarcely be expected to embark unless supported by a strong preponderance of such opinion. I can therefore at present only regret the present division of opinion on the subject.

"The future position of the Railways in India is a subject which I do not think anyone can view without a great deal of anxiety. They are being and have been for the last three years worked to their utmost capacity, while repairs to existing rolling stock and provision of new rolling stock are of necessity reduced to a minimum. There will, as the Hon'ble Member has said, be a great deal of leeway to be made up after the war, and I therefore welcome the reserve fund of £20 millions which has been set aside against this and other future liabilities, and I hope that it may be possible to increase this reserve fund. I also welcome the announcement which I recently saw in the Press of the measures which Government are taking to promote the manufacture of railway wagons in this country, and I hope that these measures will meet with a large degree of success.

"There is just one other point I should like to refer to. The rise which has taken place in the rate of exchange involves a considerable potential depreciation in the value of the Government of India's investments of the paper currency reserve in Home securities. It would be interesting to know whether the Hon'ble Member considers it necessary to make provision against this depreciation or regards it as too temporary to require provision.

"Before I sit down, my Lord, I desire, as this is the last Financial Statement which Sir William Meyer will present to this Council, to congratulate him upon the successful manner in which he has steered the craft of India's finances through the troubled waters of the last few years. It may not fall to his lot to complete the voyage into the harbour of peace, but at least he hands over to his successor the rudder of a vessel which has so far successfully weathered all storms and which is in good fettle to meet the further buffets which may be in store for her. With that he may well rest content and for that India undoubtedly owes him a great debt."

**The Hon'ble Mr. K. K. Chanda:**—"My Lord, the budget has come as an agreeable surprise to the over-burdened tax-payer who finds that there is no new taxation, and I hasten to join the Council in offering my sincerest congratulations to the Hon'ble the Finance Member on his being able to bring out a prosperity budget under adverse circumstances.

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"Looking at the surplus which he has been able to budget for one cannot help regretting that an over-cautious spirit, if I may say so, should have influenced the judgment of the Finance Member in 1915-16 in adding to the poor man's burden in the shape of an increase to the duty on salt—small as it was. But for this his budgets could, on the whole, be described as the poor man's budgets.

"Judging by an experience of the past two years one cannot say that the fears of those who demurred to the proposal to enhance the salt duties were groundless. There was no need to have enhanced the tax to inflate the surplus, and no justification has up to now been disclosed. It was a fallacy to think that the addition was negligible being about a pie per seer. In theory it is so, but in experience otherwise, and it is a well-known fact that consumption of salt always varies conversely to any alteration in the tax. In this view, and in view of the surpluses, the poor man has certainly a right to demand the removal of this extra tax on salt which, being a necessary of life, should in the words of Professor Fawcett be as 'free as the air we breathe and the water we drink.' Perhaps, taking everything into consideration, it may not be very sound to take off this additional tax at this moment. But there can be no question that sanitation, education and medical relief have a special and even an indefeasible claim to a considerable portion of this surplus at any rate. A reference to paragraph 94 of the Hon'ble Finance Member's speech reveals the fact that the surplus is made up in a large part of the savings from special grants for education, sanitation, medical relief, and agriculture which amount to £883,000. How were these savings effected? It is obvious that you cannot spend too much on these objects—their demands are imperative and unlimited unlike other matters. Why are there these savings? It cannot be claimed that the grants erred on the side of lavishness. It is simply due to the fact that the Government of India restrained the Local Governments from using up these special grants. We regret this decision of the Government, and cannot make out why a project like the Delhi scheme, for instance, was allowed to be worked up to the full, while grants for education, sanitation, and medical relief were practically partially withheld. I submit, therefore, that even if no fresh special grant can be made for these objects beyond what is provided for in the budget, Local Governments should be permitted to spend these artificial surpluses to prevent their surplus being spent for the objects for which the grants were made will practically be giving with one hand and taking away with the other.

"It is difficult to name one object more urgent than sanitation, education, and medical relief. The ravages of plague, of malaria, and other diseases are frightful and well known indeed, and may almost stand comparison with the decimation caused by the world-war, and one need not apologise for urging their claims even in a war budget when we find that the provision made for sanitation is only about 2 annas of what is allowed for the police charges. We are grateful for small mercies, for the sum of rupees thirty lakhs provided for primary education. Something is better than nothing, but it must be apparent that it is a mere drop in the ocean. If a similar grant were made yearly during the last ten years or so, during which the Indian Members, headed by the late Mr. Gokhale, started the campaign for free elementary education, something substantial by now would have resulted. But the sins in the past of omission—in fact more than omission—of actual refusal to admit the claim of primary education—can hardly be wiped away by a dole of thirty lakhs granted in 1918. Infinitely more will have to be done, and we trust that the relative importance of police and education will be recognized in the framing of future budgets.

"My Lord, the Finance Member estimates the gain we shall have made during the current year at £1 million net by exchange, but he would not take credit for it as it would be gambling, and has no desire to see it maintained: not only this he says in paragraph 52 'if exchange had been left to find its own level under the normal laws of supply and demand, the rupee would long ago have reached a far higher level than it has actually.'

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I confess to a feeling akin almost to bewilderment at this. One can appreciate the anxiety of the Hon'ble Member not to do anything to disturb the money-market by attempting to raise the exchange value of the rupee: but why should we not only not desire that the rupee should attain a higher exchange value but prevent its doing so. Why should we get alarmed at the prospect if, due to natural laws, its value is enhanced? Is it not a consummation to be desired from the standpoint of Indian Finance that the rupee should have a higher value in the gold-using countries? The Hon'ble Member says that if natural laws had full and unrestricted play the rupee would automatically go much higher up resulting in a considerable gain—much greater than £1 million—to India. Where is the magic in 16*d.* which is the statutory exchange value of the rupee? Does not the Government itself ignore it when furlough allowances of English officials are calculated at 18 pence to the rupee? The history of how the rupee came to be fixed at 16*d.* is well known? Is it not due to the merest chance that it came to be so fixed? Supposing the rupee was able to retrace its step up grade from 13*d.* to which it had sunk to something more than 16*d.* by the time the Government issued the notification in 1893 when the mints were closed to coining of rupees offering to give rupees at the Calcutta or Bombay mints or to issue notes at the paper currency offices against gold tendered to them at a rate of exchange of 15 rupees for £1 sterling or supposing the exchange value of the rupee touched a point higher than 1*s.* 4*d.* in 1899 when Act XXII of that year was passed making the sovereign and half-sovereign legal tender at R15 to the £ can it be doubted that the rupee may have had an upward march? So long as the offer of the Government of India to give rupees in exchange for gold at 1*s.* 4*d.* per rupee remained in force, and the Government were prepared to maintain a supply of rupees sufficient for this purpose, there was obviously no possibility of exchange rising above 1*s.* 4*d.* by more than the cost of shipping gold to India. Now that natural causes are tending to push up the rupee upwards towards—let us hope—the two shilling position, it once occupied, why should we get nervous or do anything to obstruct its easy passage? What will not be the gain to India—in meeting the Home charges alone or say the contribution of one hundred million pounds which we have made to the British treasury when the rupee has a higher value? My humble and earnest submission would be to respectfully invite a reconsideration of the matter.

“My Lord, the Hon'ble Finance Member has spoken of railway lines being pulled up to provide railway materials for Mesopotamia. A layman like myself would be grateful for further elucidation of the subject. What is the total length and value of the lines dismantled, the value thereof to India, that is, the cost that will have to be incurred in replacing them; whether any repairs or reconstruction of the permanent-way will be needed, if so, what the cost thereof would be; whether any rolling stock has been taken away or rendered idle by reason of sections of the line being closed; what would be the value of the same; whether any compensation would have to be paid? these are matters which one would have expected to find dealt with in the budget; but, while the Hon'ble Member speaks of his successor having to be faced with ‘the consideration of the way to find money for making up the necessary lee-way under railways, more specially in view of the strain to which our present equipment has been exposed by the heavy traffic demands and the impossibilities of regular and thorough renewal of lines and rolling stock,’ he says nothing as to how the dismantled lines are to be re-built, as to who has to pay for them, whether the British treasury will restore the *status quo* both as regards the lines, the permanent-way and rolling stock, if any, carried away—whether we are not equitably entitled to some compensation for loss of revenue by having so many lines closed to traffic—whether the monetary value of all this cannot be set off against the unliquidated portion of our hundred million pounds contribution. I submit, my Lord, this matter deserves some consideration at the hands of the Finance Member.

“In this connection I beg to mention the grievances of railway passengers, specially of third class, which are at this moment pressing very hard. We

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know that the exigencies caused by the war and requirements connected with the prosecution thereof have compelled the Railway Board and the different Railway administrations to place handicaps upon railway travelling. Not only have train services been reduced to the minimum, but fares have been raised up to the maxima which render them almost prohibitive in the case of the poorer classes. Nobody can surely grudge that concessions which were admissible in the higher classes only, that some of their privileges have been withdrawn, but it is a very great hardship upon the poorer people to pay the present rates charged, and the reduction of trains have made these passengers absolutely helpless and miserable. Where overcrowding was the case on special occasions formerly, it is now the normal condition of things. I would earnestly ask the Hon'ble Sir Robert Gillan to let the matter have his indulgent consideration to see whether some relief could not be given both in the railway fares now charged and in train accommodation.

"My Lord, the Coronation Durbar Despatch estimated that £4 millions sterling would be enough for the cost of the transfer to Delhi, and that would, according to Lord Crewe's Durbar Despatch, be the outside figure of cost. What is the real fact now? The amount spent up to the end of 1916-17 is 2 crores 25 lakhs 44 thousands, and adding the figure Rs. 37,60,000 according to the revised estimate for 1917-18, we get the total amount spent up to now as 2,63,04—two crores sixty-three lakhs and four thousand—that is, very nearly half the amount estimated for the whole thing, and another 40 lakhs is estimated for 1918-19. What is the net result of this, nearly 3 crores expenditure? We are told that a 'moderate rate of progress has been maintained in the cost of Government House, the Secretariat Buildings, the Viceroy's Court, and the Great Place'. The fact is, I believe, about as many feet of the plinth level have been raised as we spent crores. Is it not time to seriously consider whether this could not for the present be suspended? What is the urgency when the work is proceeding so leisurely in spending this large sum annually simply to 'carry on' the work. Why should brick and mortar and dressed or undressed stones be supposed to deteriorate if not immediately utilised? Going on at this rate nobody can tell when the new Dewan-i-am and Dewan-i-khas are likely to be ready for the reception of His Excellency the Viceroy and the reformed Council that is to be. Under these circumstances; I would submit that further proceedings should be stayed till better times return and the money thus set free utilised on more pressing projects.

"My Lord, the Coronation Durbar Despatch of 1911 suggested or rather laid it down that my province Assam was to be under the direct control of the Government of India—to be a sort of Khas-mahal under it. We naturally concluded and everybody thought that we were to have special indulgence shown to us: that at any rate we would have no reason to complain that our ordinary needs even were not supplied. I regret to notice in the budget, my Lord, the treatment that has been accorded to us—the very reverse of what we could reasonably expect. We have not got anything in the shape of any special grant beyond the mere adjusting grant of Rs. 6,48,000. I submit, my Lord, it is not only unfair and unjust but unbusiness-like, regard being had to the immense potentialities of my Province which require development. The Province is rich in minerals, in forest produce. Capital outlay judiciously made for the development of the Province is bound to yield a return in no time many times over. It will, in fact, be a profitable investment that is bound to benefit not only the Province itself, but the whole country. Moreover, it being at present a frontier Province requires special measures. My respectful submission would, therefore, be that there ought to be a substantial special grant for the Province.

"I would like to say a word with regard to the suggestion made to the Local Governments for the success of the war loan next year. There were some complaints in some of the Provinces—my Province, I am glad to say, was free from this—that here and there an over-zealous officer misconceived his duty in the matter and now and again went beyond the line in using persuasion

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to people to subscribe. Such injudicious proceedings were extremely unfortunate and did more harm than good, and were likely to detract from the otherwise popularity of the loan. I trust that Local Governments would be on their guard and authorize only selected officers to work for the success of the loan next year.

"The Hon'ble Sir William Meyer wound up his speech introducing the Financial Statement with the following words :

'But I have done my best to serve India in these troublous times and I think I can claim that her interests have not suffered at my hands.'

The people of India will gratefully and unhesitatingly endorse this and fully admit his very modest claim. We feel and shall ever remember that he has manfully guarded our financial interests under trying circumstances against attempted inroads by all powerful parties and resisted the incessant pressure that was brought to bear upon him now and again. We shall always bear in mind that he resolutely set his face against fanciful proposals made to bring more money out of the Indian tax-payer, that he most effectively answered and repelled the mischievous suggestion that India had not done her 'bit'—had not made enough sacrifice in sufficient contribution to the war to the fullest extent it was possible for her to do. We shall remember that he faced the obloquy that was sought to fasten upon him by his countrymen who ought to have known better and that he evolved a sagacious scheme of Indian War Finance that has not only stood the test well but has removed a sore point in the Indian fiscal policy. The enhanced import duties on cotton goods without a corresponding increase in the countervailing excise duty on Indian goods, a graduated income-tax, the popularising of the War, Securities and the Indian Paper Currency are measures which will have an important bearing on our finances."

12-44 P. M.

**The Hon'ble Mr. Muhammad Shafi :—**"My Lord, it must be a source of real gratification to the Hon'ble the Finance Member to have been able to present to this Council a highly satisfactory Financial Statement in spite of the prolonged continuance of extraordinary conditions brought into existence by an unparalleled world-conflagration. The increase in the estimated Imperial surplus, the conversion of expected Provincial deficit into a Provincial balance, the remarkable success of the Indian War Loan, the excess of our exports and imports resulting in the importation of gold into India, the avoidance of further taxation and the prospect of a surplus at the end of the ensuing year constitute some of the most pleasing features of India's financial stability upon which your Excellency's Government as well as the Indian people have every reason to congratulate themselves. And the significance of the great success of our War Loan, floated in this country in connection with India's spontaneous contribution of £100 million towards the expenses of this terrible war, is considerably enhanced when we remember that, during the same period, His Imperial Majesty's loyal Indian subjects have voluntarily subscribed huge sums to 'Our Day,' 'Imperial Relief,' 'Red Cross,' 'Blue Cross,' 'Prisoners of War Bread,' and scores of other War Funds started for the provision of comforts to our soldiers and alleviation of human suffering resulting from the greatest of all wars known to history.

"My Lord, the Revised Financial Statement for the current year shows an increased Imperial surplus of £5,825,000 instead of £130,000 estimated in the budget presented to us last year, in spite of our having had to spend as much as £66 million in this country on behalf of His Majesty's Government. There is, in this happy result, ample reason for satisfaction. I find myself in complete agreement with the Hon'ble Sir William Meyer in thinking that, in framing our estimates in the abnormal circumstances we have to face, we must proceed with the caution and if, acting on this salutary



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principle, we find the ultimate results more satisfactory than originally anticipated, the matter is one for congratulation and not for criticism. In the extraordinary circumstances whatever may be said of normal condition, international as well as local, produced by the world war, it would, to my mind, be contrary to sound principles to be over-sanguine in our financial forecasts, for the consequences of being over-optimistic may possibly give rise to disappointment leading to dissatisfaction.

"My Lord, our agricultural population constitutes the backbone of the British Indian Empire, and their prosperity is very naturally one of the foremost concerns of your Excellency's Government. It is from them that our Indian armies are drawn, and it is upon them mainly that the heavy burdens as well as grievous sufferings of this catastrophic war have fallen. It is most gratifying, therefore, to note that our satisfactory revenue position, as revealed in the Revised Financial Statement for the current year, is 'largely due to favourable agricultural conditions.' Increased revenues from agricultural sources mean cultivation of larger areas, resulting very naturally in larger harvests and, in consequence, greater prosperity for our sturdy agricultural population, and the record figure of £54 million, representing the excess of our exports over imports, in spite of a considerable reduction of tonnage, constitutes clear indication of improved trade conditions and the consequent prosperity of our commercial classes. The increase of revenue, during the current year, under the heads 'Railways,' 'Custom,' 'Posts and Telegraphs,' and 'Income-tax' must undoubtedly be regarded as highly satisfactory from every point of view. It is, however, difficult to look at the increase of £1,80,000 in our excise revenue with the same feeling of satisfaction. A State monopoly in the manufacture of alcoholic liquor is justifiable mainly on the ground that in this manner alone the State is in a position to exercise restrictive influence over the consumption of liquor and thereby promote the cause of temperance and social reform. An enhanced excise revenue may, of course, mean larger profits in the manufacture and sale of liquor without increase of the quantity sold by reason of enhanced prices intended specifically to make the drinking of liquor somewhat expensive for the poorer sections of our population. Such a result is undoubtedly calculated to promote temperance among the lower strata of Indian society. But it may, on the other hand, represent merely the natural consequence of increased sale of alcoholic liquor with all its concomitant evils. The resulting evils of such a deplorable state of things are self-evident. The general excise policy of the Government of India, as enunciated by the Hon'ble Sir George Barnes in the interesting debate on my Hon'ble friend Mr. Sarma's Resolution the other day, is undoubtedly based on sound principles. What is needed is greater vigilance on the part of those who are charged with the carrying out of that policy. May I, in this connection, urge upon your Excellency's Government the extreme desirability of directing resort to local option wherever possible, in the matter, not only of opening new drink shops, but also of renewal of existing licenses. It seems to me that by the adoption of this principle, the work of temperance reform will be made really effective to the incalculable benefit of those of our lower classes who are unfortunately addicted to the drink evil.

"My Lord, of the various items in what may be called our Revised Provincial Statement, relating to the reduction of Provincial expenditure, there is one to which it is necessary to invite attention. In paragraph 19 of his speech the Hon'ble the Finance Member tells us that the decrease of about £1 million under Provincial expenditure is due to anticipated lapses in budget grants in respect, among others, of education. This, to my mind, constitutes a highly unsatisfactory feature in the Revised Financial Statement for the current year. The appalling ignorance of the rest of Indian masses which makes them easy victims of the unrighteous exactions as well as trickeries of the professional money-lender and of the subordinate ministerial officials of Government and on account of which they succumb so easily to superstition as well as to

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clap-trap of all kind, can be eradicated only by means of a wide expansion of elementary education throughout the length and breadth of the Indian Continent. A universal diffusion of primary education among the illiterate millions of His Imperial Majesty's Indian subjects ought, therefore, to be the principal aim of our educational policy. Ever since the adoption by Government of the policy laid down by the Education Commission of 1892 and more particularly in recent years, the Government of India have very rightly devoted particular attention to the solution of this vital problem. There is ample scope for expenditure in the faithful discharge of this all-important obligation in the various Indian provinces, and the lapsing of educational grants, therefore, is in the highest degree deplorable. The Government of India should, therefore, impress upon the Provincial Governments the urgent need of greater efforts towards the expansion of elementary education among our masses by utilizing educational grants to their fullest extent. And when that destroyer of all civilized traditions and laws of humanity, *i.e.*, German militarism, is wholly crushed, as we all trust it soon shall be, the Imperial and Provincial Governments should be able to spend larger and still larger sums towards the realization of this greatest of all the needs of our country.

"My Lord, the somewhat heavy increase in the military charges during the current year was obviously unavoidable, and no one who is alive to the deplorable necessities of the existing situation can take any exception to it. There is one aspect of this increase, however, with reference to which I desire to say a few words on this occasion. According to the figures given by the Hon'ble the Finance Member, a sum of £520,000 have been spent in 'grant of increased pay to British Troops.' May I, in this connection, venture to appeal to your Excellency's Government on behalf of our Indian soldiers who have right nobly borne the burdens of the Empire and upheld the honour and glory of England on the battlefield of three Continents to the everlasting fame of India's martial races. In these days of high prices the pay of Indian soldiers is utterly inadequate to meet even ordinary requirements, and I earnestly hope and trust that this urgent problem will receive early attention from His Excellency the Commander-in-Chief.

"My Lord, the time at my disposal being limited, it is impossible for me to deal with any of the other items in the Financial Statement on which one would otherwise feel tempted to address the Council. I will, therefore, conclude by offering my sincere congratulations to the Hon'ble the Finance Member on the remarkable skill displayed in the preparation of a highly satisfactory statement of our financial affairs under circumstances the most difficult and complicated India has ever had to face, and, in view of this being the last year of the tenure of his high office, I venture to add a few words to the eloquent testimony borne by the Hon'ble Members who have preceded me, to the exceptional sagacity and statesmanship with which Sir William Meyer has presided over the financial administration of our country through a period of storm and stress. During the last four years India has had to face, in common with the rest of the Empire, financial difficulties unparalleled in her past history. Under his wise guidance, and with the benefit of his ripe experience, she has successfully weathered the mighty storm. We, the non-official Members of this Council, have special cause for being deeply grateful to him. He has always been ready and willing to give us the information and advice which, from time to time, we have been in need of: his hospitable doors have been open to us both at Simla and Delhi in an unstinted measure. It is, indeed, with the deepest regret that we shall part from him when, in a few months, he will hand over the reins of his high office to his successor, and our best wishes for a long and happy life will accompany him in his well-earned rest."

**The Hon'ble Mr. Surendra Nath Bannerjea:**—"My Lord, my first words on this occasion would be words of congratulation offered to the

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Hon'ble the Finance Minister on the Financial Statement which he has submitted to this Council. It is a war budget, but a war budget that does not impose additional burdens upon the people, and as such it is an achievement of which any financier might well be proud. The Hon'ble Finance Minister will soon be leaving us and he has presented to this Council an account of his work. Looking to that work, I will say this, that in the annals of our financial administration the Hon'ble Sir William Meyer will take a place among the most distinguished of his predecessors. We are beholden to him in a special degree and for one particular matter. There have been critics who have been persistent in their efforts to minimise the measure of our co-operation with the Empire in the struggle, and that sort of criticism has even been heard within the walls of this Council Chamber.

"The Hon'ble the Finance Minister has always stood forth as a stout champion in vindication of the efforts of the people of India to aid the Empire in the present crisis, and no more convincing proof of the justice of that vindication could be afforded than by the testimony of the cold and colourless facts which are furnished by the Financial Statement, and which will, I am sure, silence even the venomous tongue of calumny. Look at that Financial Statement for a moment. Apart from our contribution of £100 millions, apart from the contributions of the Indian Princes, apart from our own subscriptions in aid of war charities, we have helped the Empire in various and indirect ways. The Hon'ble Sir William Meyer computes that for the three years and-a-half during which the war has lasted, our expenditure in India in aid of the Home Government comes up to £128 millions. My Lord, speaking on behalf of my countrymen, I will say this, that we do not grudge the expenditure. We are proud of it. The Empire is engaged in one of the noblest wars that ever stirred the heart of humanity, a war of justice and freedom, a war for the protection of minor nationalities and the vindication of the sanctity of treaty obligations. My Lord, we have freely contributed all we could in respect of men and money, and we are prepared to do so as long as the war lasts. And this patriotic resolve on our part has been deepened and strengthened by the gracious message of the 20th of August which promises responsible government, a promise which India hopes will in its fulfilment eventually place her among the free self-governing communities of a great and federated Empire.

"My Lord, the budget is a budget which imposes no taxation. That is its salient feature. This is due to our surpluses. I cannot help thinking that there has been an under-estimate in this matter. But, my Lord, perhaps it will be said that this is, after all, a failing that leans to virtue's side. It has the effect at least of saving us from taxation this year.

"My Lord, the Financial Statement makes a notable announcement. I will read that announcement in the words of the Statement itself. It runs as follows:—

'We have under consideration, for application after the war is over and in connection with the scheme of Constitutional Reforms, a material advance in the direction of separating Provincial and Imperial finance, which will give the Provinces larger and more independent resources, with further power of supplementing these by taxation when such may be found necessary.'

"My Lord, here we have sounded for the first time in this Legislative Council, in clear and distinct notes, the beginnings of a policy which in its fruition will confer upon the Provinces the inestimable boon of fiscal independence. My Lord, when three years ago I ventured from my place in this Council to urge that fiscal independence for the Provinces had been promised by the despatch of the 25th of August 1911—for provincial autonomy necessarily involves fiscal autonomy—my Hon'ble friend the Finance Minister rose up and challenged that statement—he said no such pledge had been given. My Lord, I was overborne by the weight of official testimony. That has always been our lot, that was my lot that day. I said nothing; I could say nothing.

But the hour has at last sounded for the vindication of that part of the despatch, and to me it is a matter of the sincerest personal gratification—it may be the bitter irony of fate—that my Hon'ble friend should himself stand forth as the defender of that despatch and the high priest of this function. We are moving on; the world is changing, Sir William Meyer has also changed. May we hope that the process will continue until he appears before the world as the stalwart champion of the constitutional reforms now pending.

"My Lord, I take it that under the scheme thus outlined there will be no heads of divided revenue; that the Provincial revenues will belong to the Provinces, that the Imperial revenues will belong to the Government of India, and that the Provinces will have sufficient heads of revenue given to them to meet their growing requirements. For, my Lord, the fact cannot be disputed that, as soon as the scheme of constitutional reforms is carried out, the Provincial Governments will assume a measure of importance which they do not possess now, and it will be their duty to develop those sources of revenue upon which the wealth, the prosperity and the happiness, of the people so largely depend in a special measure—I refer to the expenditure under the heads of Local Self-Government, Education, and Sanitation.

"My Lord, I find no mention is made of any power being given to the Provincial Governments for contracting loans. That is an anomaly to which I desire to call the attention of the Hon'ble the Finance Minister. In Bengal, the Corporation and the Port Trust of Calcutta have the power of contracting loans, subject to the sanction of the Government of India. The Government of Bengal, which is a superior body, does not possess this power. I hope and trust that, when our institutions are liberalised, when popular government is installed, the Provincial Governments will have the power of floating loans.

"My Lord, the Financial Statement says that the trade conditions were favourable and observes that this was largely due to the absence of competition. My Lord, I take it that that is an argument in favour of protection, for protection blunts the edge of all competition. My Lord, we educated Indians are all protectionists—I hope no dissentient voice will be raised in this Council with regard to this matter—not wholesale, irrational, extremist protectionists, but protectionists in regard to those articles which can be produced and developed in our own country. The war afforded an automatic protection to our industries, if indeed we had any. But, unfortunately, we had few or none, so that we were not able to take advantage of that golden opportunity which presented itself. My Lord, I hope that the Industries Commission which is now at work will make recommendations, the acceptance of which will help forward the development of our industries; I hope that it will be your Excellency's high privilege to lay, broad and deep, the foundations of our future industrial greatness. Too long—far too long—has the State held aloof from participation in the industrial movement. The time has come when it must change its policy, place itself at the head of the industrial movement, and make India self-contained, self-reliant, the store-house of the Empire, holding her own against the enemies of India and of the Empire.

"My Lord, I pass on to the question of Railways. There has been a steady growth in railway receipts, a steady decline in the comfort of the travelling public. My Hon'ble friend Mr. Chanda has sounded this note. We are all railway travellers and have to do it almost every day of our lives. We are put to serious inconvenience by reason of the discontinuance of so many passenger trains. We are told that it is due to the absence of materials and the impossibility of renewals in consequence. Here again, my Lord, I refer to my old proposition. Let us have waggons, let us have materials, let us have the means of making railway waggons, steel rails, and things of that kind in India. Again I say—make India self-contained and self-reliant—the store-house of the Empire, as Mr. Chamberlain said, and I am sure India will be a source of incalculable strength to the Empire.

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"My Lord, I should like to say a word or two with regard to the loan operations of Government. They were a splendid success last year. I hope they will be a great success this year, too. I do not say we shall be able to repeat our last performance this year, but at any rate the conditions are favourable; the people are with you, they will co-operate with you if you go in the right direction. Sometimes you did not do that on the last occasion. Complaints were heard in the newspapers of official pressure being brought to bear on poor investors in order to make them subscribe. There was no need for it. The superior authorities never suggested a thing of that kind. It is over-zealous officers who must have done it. Their zeal must be restrained, because if the feeling were to go forth that official pressure would be used for the purpose of helping forward the loan operations it would react upon public confidence and interfere with the success of the loan. My Lord, the Post Office certificates made a marvellous revelation of the wonderful financial credit of the Government and the hold which the Government has over small investors. It is a revelation of which the Government ought to take the fullest advantage and let nothing be done which would in the smallest degree interfere with this feeling of confidence which the small investor has in the Government. At the same time, my Lord, with your Excellency's permission, I desire to sound a warning note. The price of Government papers, of securities, has been steadily going down. Let me recall to mind one or two facts in this connection. In 1894, when the mints were closed, 3½ per cent. Government paper went up to 109. That was due to the operation of the enclosed papers in London. Perhaps it was a matter of speculation, and the price in a short time came down to 104. Before the war it remained at 99; to-day it is 68. The 4 per cent paper when it was issued was at par; the price of it now is 80. Your 5 per cent. paper which was issued at 95 is now valued at 90½. I think my Hon'ble friend the Finance Minister should take note of these facts. We are with the Government. We want to co-operate with the Government. We want that the next loan should be successful—if not in the same measure as the last loan, at any rate that a substantial part of the 20 millions we want should be raised. But, I think, we ought fully to realise the difficulties that lie in our way in order that we should be in a position to overcome them.

"My Lord, I desire for a moment to refer to a matter which my Hon'ble friend Mr. Shafi has discussed. Pay concessions have been made to British soldiers. I have not the slightest objection to that; but no such concessions have been made to Indian soldiers. I think the answer will be that they get their rations free. I say that is not enough. Rupees 11 a month, which is their pay and free rations in these days of high prices are not sufficient to be attractive. I say so without any fear of challenge or contradiction. My Lord, I have had some experience of recruiting. I am not quite a recruiting sergeant, but last year I addressed about 25 recruiting meetings in connection with the Bengali Battalion which was then being formed. We have been able to get together a battalion and more recruits are coming in steadily, but very slowly. There was one difficulty which we could never overcome. The difficulty which confronted us was this,—that the pay was Rs. 11 *plus* rations, and that pay and those rations were not sufficiently attractive to the ordinary Bengali recruit. The prices of things have gone up, and you must take note of that fact at once. The moments are precious. You want men—thousands, hundreds of thousands, millions. We have an inexhaustible reservoir of men in India. We are prepared to place them at the disposal of the Empire at this supreme crisis of the Empire. Give us the facilities, give us the opportunities, give us the power and the means, and we shall do it with the devotion which belongs to our Oriental nature. But here are considerations, monetary considerations of pounds, shillings and pence, which stand in the way. You must rise above them. The Empire is in danger. Money is no consideration. It ought to be forthcoming, my Lord. I say so with the utmost emphasis, money ought to be forthcoming in order that our soldiers might be placed absolutely above want and the pressure of want. I make a personal appeal to your Excellency in this connection.

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"My Lord, I want to say a word or two about Sanitation and Education. These are hackneyed subjects, it may be said, but they are subjects which may be taken as a test for judging a budget, and if you apply that test to this budget I am afraid the result is disappointing. The expenditure on Education has not made any appreciable advance since 1914-15. For the coming year my Hon'ble friend has added 759 thousand pounds to the expenditure assigned to Education. And further you have given only 30 lakhs to Primary Education. Compulsory primary education will soon be general in Bombay. A Bill has passed the Bombay Legislative Council and a similar Bill is now pending in the Bengal Council. Under these circumstances, I say the grant for primary education ought to be much more than it is. His Majesty announced at the Great Durbar in 1911 50 lakhs for primary education. You have given us only 30. And then your Provincial Governments will not spend the money. They have got unspent balances. My Lord, we are in a difficult position. When we come to you, you say 'go to the Provinces: there are the unspent balances.' When we go to them, they say 'We cannot spend without the orders of the Government of India.' What are we to do? Here are the unspent balances and they want your help in the matter; and when we come to you to ask your help you say 'Go to them.' I think that is hardly fair to those who are interested in this great problem of education and especially of primary education.

"In regard to Sanitation, the position is even worse. It has made no appreciable progress. On the contrary, there has been a decrease of expenditure since 1914-15. You have, indeed, given us 135 thousand pounds next year in excess of the expenditure of this year; but then the whole excess grant comes up to only 714 thousand pounds, which is a paltry advance in the case of such a vast population as that of India. And, my Lord, the sanitary problem in Bengal looms large and is menacing. We have got malarial fever there, and thousands of people are being carried off by it every year. Our Governor, Lord Ronaldshay, with praiseworthy enthusiasm, has addressed himself to the task of grappling with this terrible scourge, but he needs money, and you must give him the money.

"One word more and I have done. It is with reference to reserves. Our reserves are not in India in our hands; they are in England and in a somewhat unsatisfactory condition. The whole of our gold standard reserve practically has been invested; and the metallic portion of our paper currency reserve which stood at 96 per cent. in 1914 to-day stands at 53 per cent. I ask my Hon'ble friend the Finance Member to say whether this is safe. He is compelled to admit that we are going far beyond the recommendations of the Chamberlain Commission. It was the success of the war loan and the Treasury bills which saved the situation. My Lord, we ought not to trust to luck. 'Lakshmi, the goddess of wealth,' says the Hindu proverb, 'is fickle and capricious.' We must rely upon our statesmanship, upon our counsels of prudence and wisdom rather than upon the chapter of accidents, in framing our financial policy.

"My Lord, I do not wish to detain the Council any longer. I will close my observations with the earnest hope that what I have said and what other Hon'ble Members have said or may say will be sympathetically considered by your Excellency's Government, and so far as possible included in the Financial Statement that will be presented on the 22nd of this month. Then, my Lord, and then only will the inane debates of former years have given place to fruitful discussions resulting in budgets that will command the approval and commendation of the people of India."

1-15 P. M.

**The Hon'ble Mr. K. V. Rangaswamy Ayyangar ;—**"My Lord, under head 'Expenditure 3' I have to say that the items in the table at page 21 represent the cost of survey mostly for administrative purposes. It is a matter of great complaint for landholders that the cost of their survey operations are recovered partly from the landholders. I need not point out to the

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non-landed classes in this Council how strong their feelings would be if such a special tax should be imposed over and above the income-tax for maintaining the establishment and records for the collection of the latter tax. Then under the same head I should request the Government to issue strict injunctions to village officials to keep correct accounts of the collections made over and above the dues to the Government, and after the 'jamabandi' of every year to make a refund to the parties concerned of all over-collections. Beyond the host of cesses and the penalties there seems to be a very large amount of over-collections, the exact amount of which I shall give to the Council later on. These should, in justice, be returned to the parties concerned.

"Then as regards Revenue item III Salt several members of this Council through a number of questions have already drawn attention to the high prices of salt prevailing throughout India. Considering the fact that there is an increase of nearly 219 lakhs between the budget and revised estimates of 1917-18 we have to fear that the action of the Government is greatly responsible for these increases in the price of salt. The system by the Madras Government in selling by auction certain salt factories in which stocks were low is very unsatisfactory, and there seems to be an attempt to repeat in the case of salt what has been done with such lamentable success in the matter of auctioning liquor shops.

"In the matter of Revenue heading VIII between the budget and the revised estimates there seems to be an increase of nearly 142 lakhs, the increase no doubt 'arising from favourable trade conditions and the creation of additional establishments mainly military,' and evidently also—the memorandum supplied to us fails to add—from additional over-zeal of income-tax officers like the Collector of Ohakwal whose extraordinary judgments over income-tax petitions were reported by the 'Tribune' in its issue of the 8th ultimo. The three typical judgments run thus:—

(1) 'He the objector has three sons and will not enlist one of these. He has also not subscribed to any War Fund or War Loan, although he could easily do so.'

(2) 'Up to date he has not helped even by a single pice in the War or Red Cross Funds.'

(3) 'He is a miser and has not helped with a single pice in any War Fund or Loan.'

These judgments speak volumes of the mind and methods of certain officers.

"As regards 13 and 14 'expenditure,' I have to say with regret that in spite of my drawing the attention of the Government last year as to how they should have treated the surpluses that have accrued from the lands dedicated to temples and vested with the Government for management as debts due to the various temples, I see in this year's budget that no such inclusion of these items has been made under the head 'debt,' permanent or temporary. What became of these funds could not be ascertained either here or in the local Councils. When I interpellated on that subject here Sir Reginald Craddock was kind enough to refer me to the Local Governments concerned for the information regarding the accumulated amounts due to the various temples; but when a friend of mine sitting in the local Council interpellated the Madras Government on the same subject they very courteously referred the Hon'ble gentleman to the Imperial Government. So again this year I have to point out for the serious consideration of the Government that these are trust funds and should be restored to the temples concerned or treated as debts incurred by the Government. It is highly undesirable that the temple authorities should be driven to have recourse to legal remedies in respect of these funds.

"Under head 'expenditure 15' considering the fact that the increase in revenue under 'Posts and Telegraphs' from 1914-15 accounts to the budget of this year is nearly 1½ crores it would be proper to spend some more amount for the better pay and prospects of the subordinate staff and for better provision of postal services in the villages. The matter is so important that its consideration should not be deferred on account of the war. Then in the higher services had there been no supersessions by young European officers over

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veterans in the field the expenditure under head 15 should have been considerably less. Specific instances of undue supersessions could be easily given if required. Then the telegraph rates are not reduced. For an interpellation of mine to reduce the rates if there is no reduction in the number of telegrams, for which alone the increase of rates was contemplated, the Commerce Member replied that that is the very reason why the rates have to be increased still further. But the Government should resort to some other means for providing the staff required, and I may point out that whenever they are in need of other commodities for any purpose they do not increase the rates but increase the staff and output.

"*Head 'Expenditure 19-A. (b).'*"—In this item I should suggest that there will be a great saving if, instead of establishing special tribunals, an increase in the number of temporary judges is made in the High Court. It will also infuse confidence in the minds of the people that all cases are tried in the usual way to mete out justice rather than suggest a desire to punish those that are tried. Besides the opinion on the point whether the Governor General has got the power to constitute special tribunals is divided.

"*'Expenditure 19-B.'*"—An additional cost for saving in the Punjab jails has been said to be due to the transfer of convicts for the formation of Labour Corps in Mesopotamia. While rejoicing that they are made use of in the best interests of the Empire I have to protest against taking them against their will to countries outside India and exposing them to risks of life.

"*'Expenditure 20.'*"—I note a punitive police has been established at Bihar. The Hon'ble Mr. Abdur Rahim rightly had put a question if those hordes of ordinary Police and Criminal Intelligence Department did not scent a riot of that serious nature and did not report the matter to the Government. Owing to that gentleman not being at the meeting that day the question was withdrawn, yet a satisfactory reply to that interpellation is due from the Government. If they had failed to report, the expenses incurred upon such a staff may well be utilised in other ways.

"Then as regards Education, Sanitation, and Irrigation the Government gives grants with a miserly hand, and yet even the whole of these grants are not spent and they 'lapse' and the Government issues strict orders to the Local Governments not to lay hands on surpluses. It is with greatest regard for economy that grants are given during each year and what is the meaning of giving injunctions to the Local Governments not to spend the surpluses? When we Members see the grants in budgets against these items we are satisfied and congratulate the Members concerned for providing so much for the pressing needs. But what happens next year? There are lapses and the money is not spent and there is the injunction that these surpluses should not be touched. What they give with one hand they take away with the other. When education received so much as thirty lakhs more last year all were really rejoiced and thought that to be the redeeming feature of the last year's budget, but this year we see that 36 lakhs have not been spent. That is the case with Sanitation and Irrigation. This is really unsatisfactory."

"*'Expenditure 23.'*"—This is a really heart-burning subject and many have pointed this out time and again to the injustice of this item. Though the expenses are only 20½ lakhs, this item transgresses the solemn pledges and proclamations made every now and then by the Sovereign. To take from the different religionists and even fanatics of other creeds and to pay for the maintenance of the sectarian Church of England is un-British. The argument that it is useful for the military loses ground as another branch under military department is created and 1·09 lakhs are charged to the Military Accounts. When there are soldiers composed of all religionists, it does not look well if only one section should be provided for. Justice requires that this item should be met by a separate taxation levied on only those who subscribe to the creed of the Church of England.

"*'Expenditure 24-B.'*" Our thanks are due to the Government for providing a lakh of rupees for the Badrinath route. I may say that the broken



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toes and bleeding knees to which the poor pilgrims were subjected to will be relieved by the good state of repair the road will be kept in with the money provided for. I have also to bring before the Council that other great pilgrim centres in the South like Srirangam deserve their inclusion in the Imperial grants and if the Government do not see the feasibility of allotting to these places from the 3·53 lakhs of the reserve, for the improvement of drainage works, assistance should at least be given as loans to these struggling municipalities for the completion of their drainage projects.

“‘Expenditure 46.’—I do not touch upon any of the huge expenditures incurred. Anyhow, all our resources should be diverted to this one question of the hour. I have only to point out that when we are thankful for substituting the word ‘Indians’ for ‘Natives’ and for placing us in due status we see an additional expense of 78 lakhs for increased pay to British soldiers while no proportional increase is granted to the Indian soldiers who are equally subjecting themselves to sacrifices.

“I cannot sit down without saying a few words about paragraph 25 of the Hon’ble Financial Member’s speech. He was complaining of Madras—his and my Presidency—for going behind some of the backward provinces of India in the matter of the War Loan. Having a full knowledge of the economic condition of Madras it is surprising that he should not have appreciated what was scored by Madras. With no industries and with few rich houses and these all divided into small estates (due to the non-existence of a law of primogeniture even in the case of big and ancient families) and with the crushing temporary ryotwari settlements Madras could not possibly do more.

“Then in the matter of issuing another loan this year, I should say that it would be more advisable to issue it next year. The rate of interest has already become very high, and the flotation of another loan will jeopardise the interests of land-owners and other industrial people wanting capital or otherwise indebted.

“There is also an ominous indication in paragraph 74 of the Finance Member’s speech that Government is going to enact for the curtailment of the issue of private capital. Already the Railway Board has issued a Circular that it does not allow any company to be floated in India during the war. Railway should be considered as one of the developments of national concerns. Any restriction on borrowing or formation of companies would certainly go to endanger the small attempts at industries that are stimulated by the war. If in the heat of the moment they are not allowed to form the companies, there will be no use in stimulating their growth when fervour has subsided and the matter has become cold.

“One word more and that is our expression of sorrow at the parting of friends. Our Finance Minister has combined in himself a straight forward and clear policy—though socialistic and so not quite approved of by some of us—with a large measure of ready wit and piercing criticism and a remarkable ability and India had not compromised her interests in him; and it is only now that India will be a loser as the experiences of such an officer will not go to benefit her hereafter, as he goes Home. This is not his home!”

The Council adjourned for Lunch till 2-30 P.M.

**The Hon’ble the Raja of Mahmudabad:**—“My Lord, 2-32 P.M. it has fallen to the lot of my Hon’ble friend Sir William Meyer to prepare and present war budgets in succession; that in itself is an achievement out of the ordinary but to present to the country a surplus during these abnormal times is a feat of which my Hon’ble friend may well be proud.

“The budget that we are discussing contains another remarkable and unlooked-for feature, inasmuch as no fresh taxation has directly been resorted to; I say ‘directly’ advisedly; because by the provisions of the new Income-tax Amendment Bill agriculture has indirectly been subjected to fresh taxation. Under whatever guise it may be put forward, the fact remains that agricul-

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ture, against which a threat was held out last year, has been taxed. This is a serious departure from the established policy of the Government, for admittedly agriculture is already meeting the heaviest demand of the Government compared to other industries, and, as my friend the Hon'ble Mr. Shukul has shown in this Council, heaviest also as compared with other countries. This is not the occasion to enter into a detailed examination of the proposal, but I have made this passing reference only to invite attention to it in connection with the claim of the absence of any fresh taxation in the budget of the coming year.

"But, on the whole, it is a budget which shows that my friend the Finance Member has made a close and a very sympathetic study of the financial problems of this country, and, on the approaching relinquishment of his high office, I join my colleagues in paying the tribute which he is so deservedly getting for his great talents and services.

"My Lord, as I said in this Council on a previous occasion, I prefer that the unprecedentedly abnormal financial requirements of the Government be satisfied by means of a loan rather than by an increase in taxation or fresh impositions. The enthusiastic response of India to the invitation to participate in the War Loan is a fresh proof not only of the realisation of the responsibilities which as a component part of the British Empire devolve on her in this fateful period of the world's history, but also of this system being better suited for India at least. The new method which has been employed of getting short term loans by the issue of Treasury Bills is a happy idea, and I hope that it will be increasingly made use of.

"But, my Lord, I look with misgivings to the expansion of the paper currency, and the coinage of new money at the rate at which it has been done. I agree with Mr. Webb of Karachi, and I wish that the Finance authorities of your Government would constantly keep in mind the danger which large issues of money—whether paper or metallic—possess in them in a latent form through the inter-relation of the inflation of prices and depreciation of the purchasing power of money—a contingency which is by no means a remote possibility, but which has unfortunately manifested itself in a more or less acute form in all parts of the country. I realise that these are not the only factors which have brought about this state of things. Many other causes remote as well as immediate have contributed to it. But the causes to which I have particularly referred are at least those which it should be our aim to keep under constant vigilance. In the beginning of war every reform was held in abeyance; and it was natural that it should be so. All energies and all resources were directed in one channel alone, the channel that is of the prosecution of the war with the greatest vigour. Much as we hoped each year that that year would be the final year of the war the hope has so far turned into bitter disappointment. However, the end of the war is not yet measurably in sight; the need for carrying on the war with the same grim determination is as urgent to-day as it was when we entered the struggle; but at the same time it is evident that the longer the war lasts, our own problems, social, political and economic, to single out a few among many, are accumulating. Can we brush them aside and say that they can wait? But the longer they are deferred they are gathering greater force and momentum in their insistence for solution. We cannot arrest time and make it stand still or so arrange our national affairs that they will step aside and come to us when we want them at our leisure.

"I, therefore, submit, my Lord, that we should make up our mind to begin to grapple with those problems without slackening our efforts to reach a successful issue of the life and death struggle in which we are engaged. My Lord, education is one of those questions, perhaps the most vital question; and it should no longer be treated in a perfunctory or leisurely manner. Free and compulsory education by a consensus of opinion is overdue; obstacles to its adoption there may be, but they are not such as could not be overcome. The grant of 30 lakhs provided for primary education is satisfactory as far as it goes, but it cannot by any stretch of words be called adequate, or even anything like it. And, my Lord, it was not pleasing to read in the Financial Statement of my Hon'ble friend the Finance Member the remark with regard to the

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special grants on education, sanitation and medical relief that, in view of the war conditions, Local Governments had again been asked to restrict drawings on their balances, which include the unspent remainder of their special grants. I would wish that they would be instructed to utilise them to the full, for in all conscience neither education nor sanitation nor medical relief are things which can or ought to be garnered and hoarded and then distributed as and when we like. The need for them is with us from day to day, even hour to hour.

"My Hon'ble friend, Sir William Meyer, has foreshadowed a measure of far-reaching consequences; he says that restrictions will be imposed in the coming year on the issue of Capital for enterprises which may not be considered of national importance.

"Now, my Lord, the silver lining in the dark cloud of the war for industrially backward countries like India was the removal of the incubus of foreign competition; now was the time that industrial India should have discarded her swaddling clothes, and tried to stand on her own legs. Who can say that India has made, or been permitted or encouraged to make, full use of her opportunities? It is a crying shame that countries like America and Japan should capture the trade of India, while India, from what cause or combination of causes soever, should still be dependent for articles of everyday use on Japan. The nascent industries required careful and tender nursing at the hands of the Government. Where are the bounties and the subsidies of which we hear so much in other countries, and with which countries which are engaged in the war are even now stimulating and strengthening their trade and their industries?

"My Lord, in the face of these deplorable conditions, I may be pardoned if I do not look with equanimity at the prospect of restrictions on the free expansion of industries in India."

**The Hon'ble Nawab Saiyed Nawab Ali Chaudhri :—**"My Lord, if the Hon'ble Sir William Meyer has the misfortune to handle our finance at a time of exceptional difficulty and stress, he has the singular good luck of an extremely favourable monsoon and a bumper crop which has resulted in producing a surplus of £5,825,000. I wish to join hands with others in congratulating the Hon'ble Member on his well-balanced Financial Statement. Before proceeding further I beg to remark that it is a matter of great gratification to find that the budget under discussion does not impose any fresh tax. 2-44 P.M.

"My Lord, we find no sufficient provision in the present budget for secondary education, though last year some money was sanctioned which was unfortunately not fully utilised. My Lord, the question of secondary education has not received that amount of consideration which the subject deserves. The condition of secondary education in Bengal, indeed I may be so bold as to include the whole of India, is far from satisfactory.

"We have had several Commissions appointed on different occasions to inquire into the conditions of education, but the Commissioners have addressed themselves mainly to the problem of college education. The question of secondary education did not seize their imagination in the way that the subject so urgently demanded.

"My Lord, the root of all our trouble lies in the system of our secondary education. We can go on appointing Commissions and spending enormous sums of money for the improvement of our higher education without any appreciable advance so long as the conditions of our schools remain stationary. It is not advisable to make the superstructure top-heavy without ensuring the foundation. A vast majority of our young men who seek admission to University courses and other professional, scientific, and technical institutions are ill-equipped and unfit to assimilate advanced teaching required for a course of higher training.

[ *Nawab Saiyed Nawab Ali Ohaudhri.* ] [ 8TH MARCH, 1918. ]

"Mr. Hornell describes the condition of secondary education in Bengal as bad. The condition of the schools he says 'is undoubtedly prejudicing the development of the Presidency and is by no means a negligible feature in the existing state of general disturbance. It is in the high schools with their underpaid and discontented teachers, their crowded, dark and ill-ventilated class-rooms and their soul-destroying process of unceasing' cram that the seeds of fanaticism are sown.'

"Mr. Hornell very correctly regards their remedy as mainly a matter of funds remarking that the secondary education system is being run at a figure at which the genuine article or anything approaching it cannot be delivered. Other Directors are also faced with the same difficulty of securing permanent teachers. The Central Provinces report complains of the dead level of mediocrity and sameness in the methods of teaching, mainly attributable to lack of general knowledge and attainment in the staff. There are two other contributing causes—the dominance of the matriculation examination and the absence of any effective control over the organisation of the system.

"My Lord, I am not an advocate of building palatial houses and elaborate class-rooms for our schools. My claim is that enough money should be spent to improve the lot of teachers. The causes of a high percentage of failures in certain Provinces may be traced to inefficient teaching imparted by untrained and unqualified teachers. The percentage of trained teachers in schools is still very low, and it is no wonder, considering the poor pay and prospects held out by the profession, that men of the right stamp are not available.

"It is a matter of extreme gratification to us to hear the Finance Member's statement on War Loan operations. His estimate of the total amount expected has been more than trebled, and the result has far exceeded the anticipations of the most sanguine expert. This splendid success is a clear proof of the whole-hearted support and loyalty of the people of India in whom a great trust had been reposed and who were not found wanting, and I hope they will rise to the occasion to help the cause for future exigencies.

"My Lord, under the heading 'Police' the increase of expenditure by Rs. 1,68,904—for the budget of 1917-1918 in the Province of Bihar and Orissa might have justified the expectation of a corresponding efficiency on their part in the discharge of their duties, but the recent events in that Province have proved the desirability of a further increase in the strength and efficiency of that Department. The special grant of 2½ lakhs for additional armed police and for a Military Camp will to some extent, I hope, re-establish the confidence of my unfortunate community. I desire to convey to your Excellency and the Government the grateful thanks of my fellow-Muslims for the kind words of sympathy expressed for the unhappy sufferers in the recent outrage in Bihar in your Excellency's opening speech.

"It is needless to impress upon the Council how strongly we feel on the subject, and I trust the Government is alive to the danger to which certain communities are exposed by reason of their numerical inferiority in certain Provinces. I hope in future precautionary measures of such a character will be taken as to render the repetition of such incidents impossible.

"Lastly, I desire to bring to the notice of this Council the insufficient provision made in the budget for the pressing need of works of sanitary improvement. I do not desire to press the Government on this subject at a time when their energies and resources should be otherwise occupied. But I would like to point out the defective results of the present system of distribution of resources and responsibilities between local bodies and Local Government on the one hand and the Central Government on the other. It displays the picture of the Exchequer of the Government of India overflowing with money, while these local bodies have been in a state verging on bankruptcy and Local Governments though they may have considerable balances at their disposal are not allowed to use them.

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"It is high time that the Government should announce a definite policy in the matter.

"In conclusion, my Lord, I desire to join my Hon'ble colleagues to convey our tribute of admiration to Sir William Meyer who is about to leave us, and we shall ever cherish a kind memory of him as one of the most able and sympathetic members who have had charge of the financial portfolio."

**The Hon'ble Sardar Bahadur Sundar Singh Majithia :—** 2-52 P.M.

"My Lord, in going through the Financial Statement the first thing that strikes one is that Land-revenue, apparently, is the backbone of the financial resources of the Government of India. Very nearly 45·5 per cent. of the whole income is derived from that source. This income depends to a greater extent on weather conditions being favourable. No doubt the policy of the extension of canals is helping to make the position securer, but even this security, in its turn, depends upon favourable monsoon conditions. It is, therefore, a matter of congratulation that Irrigation has had its share of the Government resources. In this connection, I would strongly urge the sinking of tube wells in parts where the facilities for canal irrigation are not available. In the Punjab, Messrs. Ashford and Brownlie have rendered valuable services in providing improved tube wells, which not only supply an abundant supply of water, but in places where, for sanitary purposes, the need for lowering the water level is desirable these tube wells have been found to be very useful. In Amritsar, the Canal Department is working their tube wells by means of electric motors. They utilise their canal for the production of necessary electrical energy and pump water from these tube wells, thus releasing canal water for its useful service elsewhere where it is much needed. The hydro-electric scheme is a success in Amritsar, and in India it has, before it, great possibilities. In the United Provinces, there is a very great field for its introduction. I would strongly urge that Government help be extended to owners of estates by way of loans to introduce the scheme in their estates, thereby securing them from fear of drought.

"This brings me, my Lord, to the question of the speedy means of transporting the produce of land to trade centres. Railways have come in very handy to meet this necessity, and, though the gigantic war has curtailed the programme of extension in this direction and naturally it should have been so, as all our energies must be directed to the speedy and successful termination of this gigantic struggle. We must have as feeders to the Railway a system of good *pucca* roads to link up important towns and villages to railway stations.

"Though this great war is dislocating many things, but the necessity of increased facilities of rolling stock is keenly being felt. A railway journey brings one across railway stations with platforms and goods-sheds overcrowded with goods awaiting to be railed, and in many cases exposing the traders to loss and a good deal of damage. This demonstrates without contradiction that the demand of goods wagons is very great and their supply comparatively far short of the necessity. This state of affairs must naturally affect the railway earnings. The levy of higher rates has brought in better revenue, but a good deal of this must have been contributed by the debit entries from one department to the credit of the Railway. I refer to the expenditure incurred in the transport of military stores and troops, thereby adding to the railway earnings. The service of the railway for transport of troops, etc., was rightly demanded by the unique exigencies of the State, but if the demands of the trade could have also been met with, the railway earnings would have been still higher. On the other hand, the industrial enterprises of the country have suffered for want of fuel. The price of coal has more than quadrupled and, on the top of this, difficulties of the supply of wagons has to be faced. It is therefore gratifying to see in the Financial Statement that provision has been made for the increased supply of the rolling stock. I wish something more had been allotted than what is provided under this head, but perhaps the want of the necessary material for their construction is responsible for this, and during this great war one must put up with these inconveniences.

[ *Sardar Bahadur Sundar Singh Majithia; Mr. Khaparde.* ] [ 8TH MARCH, 1918. ]

"The Right Hon'ble the Secretary of State for India has been in our midst for close upon three months, and has received many representations concerning the administrative reforms needed in India, and these must be receiving the necessary attention at the hands of the Government, but before any real step could be taken in this direction, the necessity of educating the would-be futuro electorates is a very real one. The generality of the masses of India are to a great extent illiterate, and steps to remove this illiteracy of the people have to be taken. We must teach the people the rudiments of the three 'R's' and for this the primary education of the country must demand the urgent attention of the Government. I am glad to find that 30 lakhs have been provided for this purpose, but the provision to my mind does not seem to be adequate and requires to be supplemented. I would strongly urge upon your Excellency's Government the necessity of giving larger grants for education to remove the general illiteracy of the people.

"We Sikhs are tackling this problem amongst our community and are doing what our limited resources would permit, and I would beg your Excellency's Government to give greater help to the community which, in services to the Empire, is not in any way behind its sister communities. The community, owing to its endeavours in this direction, deserves encouragement to a greater extent to ameliorate its backward educational condition. I quite understand, on the other hand, that it is necessary for us to conserve our resources for the needs of the Empire as a whole, but the education of the masses is a matter which demands your Excellency's kind consideration.

"The Hon'ble Sir William Meyer has referred to the approaching close of his career as a Finance Member. One really sympathises with him in the stupendous task that he has had to face during the term of his office. Uneasy lies the head that wears a crown, but I would say that the case of the Finance Minister is still harder. He has to use all his ingenuity to make two ends meet, and touch as lightly as he can the pockets of the people and keep all sides satisfied. It is therefore a matter of very great congratulation for Sir William Meyer that, in the difficult times that have confronted him during his tenure of office, he has steered the financial bark of the Government of India most skilfully and with thorough success. He has not added, to any great extent, to the taxation of the country, and with the means at his disposal has placed on behalf of India not an insignificant amount of £100 millions at the disposal of the Empire. I am glad that with all the pressure on the financial resources of the country he has left the land income free as it has hitherto been. The land, my Lord, is bearing the largest share of the Government demands, and it would be unwise to add to the burdens that the land-owners have to bear.

"We are sensible to the good qualities of head and heart of our Finance Member, and India owes him a debt of gratitude for the most able and sympathetic administration of the department under his control, and I can say, and say it with confidence, that Sir William Meyer will always be remembered by the peoples of India with feelings of deep respect and gratitude for his able management of the most important department of the Government of India. We may have differed from him in some respects, but all the same our regard for him is in no way diminished, for he possesses the qualities of head and heart which are essential for a good administrator. In wishing Sir William Meyer our heartiest good wishes one does not help feeling with regret at the short span of the official tenure of these high offices. On behalf of my Province I offer the retiring Finance Member our heartiest congratulations for the most able discharge of his high responsibilities, and wish him all the happiness in his well-earned rest."

3-1 P.M.

**The Hon'ble Mr. Khaparde:**—"My Lord, the Financial Statement that we have been discussing is, really speaking, a War Statement. We read about the war from almost the first page to the last, and I may without exaggeration say that in almost every paragraph something is said about the

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[ *Mr. Khaparde.* ]

war which has influenced us either adversely or for the better. For the 'better.' I use this word with some deliberation. For the better I say in that some principles have been carried out for which we have been fighting for a long time. One of these principles, which has eventually been put in paragraph 68 of the statement of the Finance Minister, is that balances derived from loans, etc., have been allowed to remain in the Banks as long as possible, in fact, until they were actually required or until the Banks themselves requested that they might be withdrawn. This has for a long time been felt to be necessary, and in that view what are called independent treasuries were always condemned. I always thought that maintaining a treasury where money was brought and locked up for a long time and kept from better use was a mistake, and I am glad that the Hon'ble the Finance Minister has availed himself of this balance and let it become useful for the trade of the country until actually required. I trust that these independent treasuries will gradually diminish and finally disappear and eventually, if the Government has balances, they will be lodged in the banks and will be always available both for trade and for the purposes of the administration as they are required.

"This brings me, from my point of view, to another subject which is of great importance also, namely, that the large balances that are maintained in England on account of India, all our savings and whatever we could keep back here, have always travelled to England, and I am very glad in this respect that the necessities of the war have compelled us to keep our money here and arrange, as well as we can, to pay off our obligations in England by Treasury Bills or by drawing cheques or by any other arrangements without actually sending the cash out of the country. Fortunately for us also this year the money at the disposal of the Secretary of State has been so much that he has not had to sell Council Bills, not at least for the purpose of meeting his establishment charges or his necessities. More money has been there with him, and for the first time, I believe, this has prevented him from doing a thing which always used to be looked upon as a sort of standing joke. I am told that at Aden Arab boys come close to the steamers and when you try to throw them a rupee they say 'rupee no good, throw us a shilling.' This bad reputation of the rupee has definitely disappeared, and it is now not only worth 16 annas but a little more. To such an extent is this so, that it has caused the consideration of a problem which has never arisen before and which has arisen now for the first time, especially when silver sells really for more than it did, whether the coin is to be maintained or what is to be done. As a remedy I am glad that the Mint has been established and this Mint, when it comes into full working order, will operate, I think, very strongly in solving all those problems of exchange which have been agitating the public mind for a long time. If our currency here is gold and Government mint gold, then the difficulty of sending for it across the seas entirely disappears, and India will buy in gold and will be paid in gold also, and this troublesome problem of exchange, which has been weighing on the public mind for a long time will, I think, in course of time disappear. Another good that has come out of it is that to which I referred in the beginning of my remarks, namely, that Indian balances and monies raised by us here should be kept in the country and not sent out to another country. That has also been solved by this question of the opening of the Mint. For the purposes of this Mint we will necessarily have to buy gold; silver necessarily will occupy a secondary place, and the charge which has been levelled against us before that India hoarded gold and that we are very fond of getting hold of gold coin and burying it will lose its force. Somebody said that in Australia they are digging gold out of the ground, and that in India we are burying gold in the ground as a sort of counterbalancing measure for the numerous mining operations that are going on elsewhere. Like all countries India absorbs a certain amount of gold and Indians, in common with all other members of humanity, store a little gold as a provision for a rainy day, but they do not possess a particular passion for burying it. That fallacy has been exposed, and I believe will be exploded entirely when this Mint will be working in Bombay for some time.

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"Whilst I am speaking of these balances in the hands of the Secretary of State, I wish to submit that the reserves on account of the Paper Currency that are now kept in England should be transferred to India. One advantage of that would be that they would be lodged in the Banks here, so that the money will be useful for trade, and the difficulty about the condition of markets and about the shortage of money and so on will disappear. It is true that we require money only during particular seasons and security at other seasons. That is so, I believe, all the world over to a certain extent, though more so in India because we are all agricultural people, and at one particular time of the year we have got to pay our land-revenue, meet the demands of moneylenders, meet all our liabilities and also make provision for the rest of the year. So money is required at one time very urgently, and as a result of this shortage of money, we have to sell cheaper than we otherwise would if all our resources were here. If all our resources were available here then they would give it so much use and this periodical difficulty of our having to sell cheaper than we otherwise would, would disappear, and Government as well as the banks would have more money to give.

"There is a further matter on which my friends have been congratulating, and rightly congratulating, the Hon'ble the Finance Minister, and that is the provision he has made for Education. I congratulate him also, though I submit that the provision is very small. It need not have been small on account of the war, because I look upon Education as really a war measure. The more people are educated, the better soldiers they will make, and in respect of this I would submit that we should spend a little more money in making the military service more attractive. A complaint has been made here that soldiers only get Rs. 11, and that is not sufficient. Of course it is not sufficient, and I think if we want to make it worth while for the best kind of people to go in for military service, we should raise their pay and status. And in order to afford facilities for their higher training in military knowledge, something like an Indian Sandhurst might be established where officers could be trained. In that way this will be not only an educational measure but also a measure of protection against war.

"My Lord, whilst thanking the Hon'ble the Finance Minister for providing for Education, I humbly submit that the provision he has made does not go far enough. I should like to have seen 4, 5, 6, 8 or 10 times the money set apart even in these days of war and stress.

"I have no further observations to offer. In conclusion, I also very heartily desire to be associated in congratulating the Hon'ble the Finance Minister upon the nice budget which he has presented. Usually the budget makes dry reading, but in this year's budget I find something to linger over, something to read and something to understand. Though my acquaintance with the Hon'ble the Finance Minister has been a short one, still I regret quite as much as anybody else in this Council that his connection with India will be severed soon. I trust he will retain his interest in us in his retirement and continue to give us the same advice and the same care that he has given us here."

3-12 P.M.

**The Hon'ble Rao Bahadur B. N. Sarma :—**"My Lord, it is with great pleasure that I rise to congratulate the Hon'ble the Finance Member upon his rare good fortune in earning the good-will and the hearty good wishes of the people of India under exceptionally trying circumstances ; and it is with peculiar pride that I rise to do so because I recognise that it is a Madras officer who has earned such distinction and his title to be considered one of the ablest financiers of our times. He has truly earned the gratitude of the people of India in that he has withstood all temptation to win a cheap popularity in certain quarters and stood by the country and defended the country's interests against obloquy, slander and malicious statements. We can never therefore forget what he has done for us, and we hope that when he severs his connection with us, he will still continue to take an interest in the affairs of India and try to promote its financial and economic prosperity.



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[ *Rao Bahadur B. N. Sarma.* ]

" My Lord, there are so many good features in this budget that it would take a very long time to deal at any length with all of them. For two reasons I shall only allude to the more prominent of them. One is the time-limit and the other is that it is perhaps needless to remind the Government of India of the excellences of their schemes and the critical attitude that is generally forced upon us involves us in a discussion of what may perhaps be said against the schemes that may be proposed by the Government. The features upon which the Government is to be congratulated have been dealt with at some length by the Hon'ble Members who preceded me. One of those features is, that we are not going to be taxed further. Another is that we have made a new departure in undertaking to provide money by treasury bills. A third I would put as the departure to undertake raising loans in India for the purpose of discharging British liabilities and British debts. A fourth feature, which is an even more important one, is the recognition of the need for the differentiation of Provincial from Imperial finance. And last but not least is the recognition and partial introduction, owing to the pressure of war, of democratic methods in financial administration. The higher functions of Government have not been confined solely to the keeping of peace and order in any country. So much being said, I only hope that the departure which has been rightly undertaken this year in bringing on the discussion of the Financial Statement at an earlier stage will result in some fruit. I hope that the united wisdom or unwisdom of the non-official Members—official Members cannot help us because rigid discipline prevents them from taking part in the discussion—I hope, I say, that the united wisdom or unwisdom of all the non-official Members will induce the Finance Member—for after all the Finance Member is the Government of India in this particular matter—to change in some slight degree what I suppose he conceives to be the only possible Financial Statement that can be presented by the Government of India in the present year.

" My Lord, I may characterise the present Financial Statement as the usual orthodox statement modified by the pressure of War—a Service Budget, a War Budget—a tradesman's old East India Company's Budget and not a People's Budget. Travelling back over the history of finance during the past many years one noticeable feature has been that no Government of India, no Finance Minister, has ever come forward with any proposals before the Legislative Council for raising money, either in the shape of taxation or otherwise, for education, sanitation, or what may be called the social reforming side of governmental activities. It is a question always of throwing the crumbs for the above purposes. Money may be raised for service needs or for army needs; if it is a surplus budget, some little money may be forthcoming for the needs of education and sanitation and such services are thus satisfied from time to time. But there has been no definite policy of asking the people to associate themselves with the Government saying to them ' We will raise so much money for the definite purpose of improving and organising your resources, intellectual or economic: will you agree to our proposals? ' I hope that a departure will be made in this direction. I understand the difficulties of the Government. All foreign Governments are generally afraid to tax the people except to keep peace and order and do only so much as is absolutely necessary for the improvement of the condition of the people consistently with the security of their position. I hope that the new Councils will enable a departure to be made; and apart from that I hope the Government will take the sense of the country. The reformed Councils which will necessarily be larger in numbers will be able to cope with these large questions and to decide whether the people are willing to tax themselves for general purposes of the kind that I have referred to.

" Then, my Lord, I said this was an orthodox Budget. I need hardly refer to the various vicissitudes which the finances of the country have had to undergo owing to the Government embarking on a policy of purchases outside India and in India for the Imperial Government. That was accentuated by the war and nobody complains and nobody has a right to complain about it, except to draw the attention of the Government to its abnormal

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character, for it may be that that precedent will be pursued unless it is carefully safeguarded.

"Then one other point, I would like to draw the attention of the Council to in this connection is, that the Government does not choose to depart from its customary policy of always budgetting for a surplus by under-estimating the revenue. I appreciate the difficulties during a time of war, but my criticism is a real point, because during the last 20 years, except during three years, from 1898 to 1918-19, we have always budgetted for a surplus. The surplus amounted to as much as 52 millions. There were only three years in which there was a deficit, and one was 1908-09 when there was a worldwide monetary crisis, and the others were 1914-15 and 1915-16 when this war overtook us. That shows, therefore, that it was not merely the vicissitudes of the season that were responsible for these surpluses, but the fear that a deficit might land the Government in very great difficulties. I hope that the new Treasury Bill system which has been introduced and which has to be safeguarded from abuse (I shall allude to this later) will obviate the necessity for budgetting for large surpluses thereby avoiding the need for taxation until it is demonstrably proved that taxation is the only alternative open to the country and to the Government. Another point to which I would invite the attention of Council is one which has already been referred to by speakers on previous budgets, and it is that revenue is being utilised in this poor country towards capital expenditure. Of course in a particular year when the money cannot be otherwise raised or when the surplus revenue cannot be usefully employed, it may be that revenue should be spent over capital expenses, but I hope even then that there will be a separate account, a loan account, with or without interest; because, my Lord, unless that is done we shall not know how much taxation proper has been utilised for capital purposes which should come really under a different heading altogether and not under revenue.

"One thing which makes one somewhat sceptical with regard to the general currency policy of the Government is certain disclosures made during the course of the war. England is a very wealthy country. She has asked her people during these years to produce as much as possible for export, to reserve and conserve the resources of the country by reducing the imports; but our Government found it necessary to discourage exports and regretted that the imports have not been heavy because their financial equilibrium was rudely disturbed in undertaking the continuous solution of the exchange problem on an artificial basis. I quite appreciate the difficulties but still this is to be said, that though money has been intercepted the result of this policy is that currency has been inflated. The net excess of exports of merchandise in 1915-16 and 1916-17 was 40 millions and 54 millions, as against 55 millions and 53 millions in 1911-12 and 1912-13, so that that is not an abnormal feature. A foreign trade of 431 crores of rupees was managed in 1913-14 with a currency of 183 crores metallic and 69 crores paper, whereas a trade of 410 crores, or 21 crores less, found a difficulty in being managed even with a currency of 250 crores metallic, an addition of 67 crores in two years and 35 crores additional paper. The object was to minimise the imports of gold and silver as far as possible, but has the Government succeeded in that policy? In the years 1911-12 and 1912-13, as I have said there was a net excess of exports of merchandise of 55 and 53 millions. The total import of gold and silver did not then exceed 45 million pounds, whereas in the two years 1916-17 and 1917-18 you had to import for currency purposes exactly the same amount, 45 million pounds, or 67 crores of rupees; and besides this there was 14 crores of rupees imported on private account. Therefore, I do not see that the object Government had in view except in respect of gold has been achieved. High prices have been the result; there was an inflation of currency, and I am not quite sure as to whether the disturbance of the normal channels of trade has had the effects desired by the Government, except for a temporary period. It would have been a very good thing if the people of India could entrust their money on a loan account; certainly we are bound to do so and we wish to assist the United Kingdom; and it is unfortunate that the Government of India have had to resort to these expedients. It seems to me, therefore, that the

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time has come to investigate the need for and the location, first of all, of the Gold Standard Reserve, and the desirability of a revision of the currency policy of the Government; and the latter has been facilitated to a certain extent by the opening of the gold mint in Bombay. With regard to the Gold Standard Reserve, my Lord, I make the suggestion that this might be utilised for reducing the debt for this reason. During the war at any rate it would be next to impossible to expect the United Kingdom to repay the debt. Our exports are bound to be in excess of imports, and so no question of exchange is likely to involve us in difficulties. If the Government should insist upon their old gold standard policy the money might be utilised meanwhile in discharging the British debt thereby reducing the interest charges, on condition that it should be restored, if necessary, when peace returns. The Chamberlain Commission gave the reason for the location of that gold standard reserve in England that if the reserve were kept in India it would have to be removed to London to be used, and that this would involve delay, and they said that there was absolutely no danger of this reserve being looked upon as a London reserve by the Bank of England. But exceptional circumstances have proved that the fears that were entertained were not altogether unjustified, and it has also to a certain extent proved a source of danger to the Government in England. A survey of the trade of India during the past many years also shows that India has always had an excess of exports and with the advancement of agriculture, and manufactures, she is bound to have an excess of exports over imports, and the problem as to whether the gold standard reserve should be kept on those lines deserves investigation at an early date.

"The organization of the banking system and the financial resources of the people are problems which, I hope, the Government will undertake as soon as war conditions permit. The war loan has been such a great success during the last few years shows what immense confidence the people of India have in Government initiative and Government credit and under the guidance of Government officials I am sure sufficient capital will be forthcoming for all industrial expansion, and let me hope, agricultural expansion also. The expansion of the currency policy and the possibility of a two-third safe investment in securities prove also the elasticity of our resources.

"The last suggestion that I would respectfully make is the provision for the discharge of future financial obligations only in India, whether in the shape of interest charges, salaries or pensions, or the purchase of stores or facilities for the payment in the United Kingdom being only optional. The centre must be removed to Delhi from the United Kingdom. The need....."

**His Excellency the President:**—"The Hon'ble Member has taken two minutes more. I thought he was coming to a close, but he might now conclude his peroration."

**The Hon'ble Rao Bahadur Sarma:**—"The need for ship building programme is absolutely necessary. There is the principle of the indigo trade being taxed for a certain purpose and that may be taken as a precedent for undertaking any expansion that may be needed in that direction.

"And lastly, the only point I would ask your Lordship to permit me to state is with regard to the reference that was made here that Madras had not done well in the War Loan,—it is only if your Lordship will permit me to refer to it....."

**His Excellency the President:**—"You might let it alone."

**The Hon'ble Rai Sita Nath Ray Bahadur:**—"My Lord, 3-31 P.M. before proceeding to say a few words on the Financial Statement, I would crave leave to offer my hearty and respectful congratulations to the Hon'ble the Finance Member on his parting prosperity budget, and the successful way in which he has been able to find out means for the prosecution of the war,

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without recourse to any additional taxation. 'Let not him that girdeth on his harness boast himself as he that putteth it off'. And as he has presented to the Council his last Financial Statement and we are now able to judge him by his actions, we can assure him that he will carry with him, in his retirement, the gratitude of India in having steered the bark of his department clear of those rocks-ahead on which policies and reputation are often wrecked. He has laboured under peculiar difficulties and disadvantages due to the world-wide war, which has dislocated trade and fearfully increased expenditure. War is writ large on every page of four of the five Financial Statements which he has presented to this Council, and the necessity to conserve our resources, as much as possible, has made him minimise expenditure on social reform and capital outlay. But he has always shown his eagerness to avoid the imposition of fresh taxes and has kept before him the ideal of graduated taxation. True to the interests of India which has touched him with her magic wand and faithful to the salt he has eaten, he has served India with a love and devotion which will not be forgotten by a grateful people. He has served India at a most critical period of her history and served her faithfully. In him the Government of India loses an honest and honourable officer, India a true well-wisher and many of us a sincere friend.

"My Lord, under the new rules we are precluded from discussing matters which fall outside the Financial Statement. I can very well realise that at a critical time like the one we are passing through, we should not embarrass the Government of India with requests for increased grants for Provincial purposes. But the practice of allowing Members to unfold their tale of grievances in this Council once in a year was on the whole wholesome and, I may add, useful. For even at the risk of being charged with having developed a dangerous degree of provincial or parochial patriotism, I must say that we are the representatives of provincial interests, and it is our duty to safeguard those interests and draw the attention of your Excellency's Government to the needs and requirements of our respective provinces. The necessity of drawing the Council's attention to provincial matters has been somewhat aggravated by the Government of India's decision to live away from centres of mercantile activities and public life . . . . "

**His Excellency the President:**—"I think the Hon'ble Member knows that he is off the lines. Will he please get on the lines again?"

**The Hon'ble Rai Sita Nath Ray Bahadur:**—"My Lord, I bow to your decision and proceed to say a word or two on the present crisis.

"My Lord, we are passing through a crisis. The Empire is engaged in a war that civilisation is waging against Prussian militarism and brute force which are a menace to peace and progress, and an onerous burden has thereby been thrown on our shoulders. Ways and means must be found to bring the war to a successful issue, and we, as citizens of the Empire, must strain every nerve to achieve that end. Considering these, and not wishing to embarrass the Government at this juncture, I refrain from criticising in detail the several heads of the Statement, though I must say I feel a little disappointed to find that with the exception of a grant of 30 lakhs of rupees for the development of primary education there is very little provision in it for social reform or the development of any beneficial service. The amount provided for primary education is to be distributed among the Provinces. At a time when the 'torch of knowledge is lit for all' and it is borne in mind that in India the percentage of literacy is so low as about 10 in males and 1 in females, it is somewhat disappointing that the Government should make such a small provision for primary education. The mass of Indian ignorance is appalling. The people are eager to take advantage of primary schools wherever they exist, but their number is few and far between and

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equipment deplorable. In Bengal, in 1916-17, the number of primary schools for boys was 31,617 with 1,124,468 pupils. The expenditure on them was Rs. 37,40,699, of which Rs. 17,95,596 was from fees. The amount which came from the students represents the desire of the poor people for education. It will appear that for 31,617 schools the Local Government and the local bodies between them paid only Rs. 19,45,103 or a little over Rs. 5 per school per month. Is this enough to attract really competent men to diffuse the fertilising waters of intellectual knowledge from their great and copious fountain-heads by a thousand irrigating channels over the whole length and breadth of the land? I, therefore, respectfully plead for an increase in the grant for primary education and together with it a suitable grant for commercial education, if it is possible to do so at a juncture like this.

"It is a truism that if a country has to solve her poverty problem she must make necessary arrangements for the progressive development of her manufacture and commerce. We are lamentably wanting in all that leads to the establishment of prosperous industries. A carefully-organised system of commercial education is a prelude to successful industries and a necessity in a country which has immense possibilities of industrial and commercial development. In India we have only one commercial college worth the name. It has recently been established in Bombay through the exertions and enterprise of the growing and prosperous commercial community there. I am glad after long deliberation my *alma mater* has in this matter made a move in the right direction. The Calcutta University is now drafting regulations to provide for examinations in agriculture, technology, and commerce. It is certainly a significant sign of the times. But an institution like the Calcutta University which, in spite of the post-graduate classes, is mainly an examining body with its hands already full, cannot satisfy the growing needs of the country in this matter. And I, therefore, respectfully plead for a capital outlay and a recurring grant from the Government of India to provide commercial education in various parts of the country.

"Sanitation is a head which has received but scanty recognition; but with the plague decimating the population, and malaria no longer the monopoly of Bengal, it deserves more attention.

"My Lord, it is to be regretted that the expenditure on railways is so small. As a merchant myself I feel keenly the hardship and loss which continued shortage of waggons has entailed on the country. On account of wagon-shortage and other causes the supply of coal has become so irregular and unreliable that mills and factories are in constant danger of being obliged to stop work, and colliery-proprietors are, in many cases, the worst sufferers. I, therefore, welcome the decision of the Government to encourage the construction of railway waggons in India, and wish the project every success. At the same time I would advocate a more vigorous policy in the matter, so as to relieve the congestion of traffic as early as possible.

"My Lord, I join with my Hon'ble friend, Sir Fazulbhoj Currimbhoy, in raising my voice against the impending legislation to prohibit the raising of capital for joint-stock companies, large or small. The opportunity given to India by the war, which has shut out almost all imports from Europe and America, has raised new hopes in our minds and given us a stimulus for the development of our resources. People have been eagerly looking forward to the promotion of joint-stock enterprises, to capture the trade of enemy-countries with India. Here is our opportunity. And we cannot but regard a prohibition to raise capital for industrial enterprises at this time as undesirable—if not prejudicial—to the interests of India which are the interests of the Empire.

"My Lord, I congratulate the Hon'ble the Finance Member on his wise decision against the issue of premium bonds. A deviation from the ordinary methods of raising money in this country would have created a flutter in the dovecots of speculators and spread all sorts of rumours throughout the whispering galleries of the East.

"With these words, my Lord, I resume my seat."

[ *Mr. Sastri.* ]

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8-43 P.M.

**The Hon'ble Mr. Sastri:**—"My Lord, the Hon'ble Sir William Meyer has received many expressions of personal esteem. I will add mine, and beg him to accept it as not less genuine than the rest. Sir William has been a tireless watcher of India's treasury as well as of her public weal. Cruel domestic sorrow, exceptional difficulties in office, and criticism, undeserved and in some cases unduly harsh, have added to his burdens and cares, but through them all he has pursued his duty unflinchingly. This Council will not be in Session when he retires, and it is therefore fitting that some of us should say to him that when he is in retirement he will be attended by the grateful recollections and kind thoughts of a people whom he has served faithfully and loved well. This budget, in spite of the difficulties confronting it, is as satisfactory as it may well be; but when I have said that, I must ask the leave of the Council to grumble a little in exercise of the constitutional right of a citizen of the British Empire. There has been, as is remarked on page 76 of this Financial Statement, a great deal of distress to the poor on account of the rise in prices. Now there are several causes for this rise in prices. There is a world movement, in which India is obliged to share. There is besides the complication produced by the war, but over and above that there is the element of difficulty added by the Government's own action. During the last two years there has been a very great inflation of the currency of this country, amounting on some estimates to about 100 crores, nearly 50 in coinage and about as much, or somewhat less, in the shape of paper. Whatever that is, this great addition to the currency of the country must have contributed its own share to the distress of the people. I do not say that this could have been altogether avoided, but I do say that this ought to be borne in mind by Government in adjusting their future financial arrangements. They have got to remember that the poor man in this country, poorer than in most other countries, has likewise to bear always the whole weight of administration on his back. Other people cry aloud for relief in this matter, relief is afforded to them, but always and inevitably at his expense. I will therefore ask that the present Finance Minister, and the Finance Minister who succeeds him, should glance an eye of pity on his burdens

'Which have of late so huddled on his back ;

Know to press a royal merchant down,

And pluck commiseration of his state,

From brassy bosoms and rough hearts of flint.'

"I will mention to your Excellency two matters in respect of which Government have to adopt a policy of great care and tenderness for the people. I will mention in the first place salt. But before I go to salt, let me say that in the budget of last year that we listened to there has been a tendency to under-estimate the revenue. This has been brought forward to-day as an adverse criticism. I do not mean it exactly in that sense; I recognise the exceptional difficulties of the situation and will not blame, but I wish to draw attention to the circumstance that the under-estimate seems to go throughout. If the revenue has been under-estimated, so has the expenditure been. For both last year and this I find that the Finance Minister has had to face two or three millions, this year four millions, of additional expenditure under the head of Military. But this under-estimate seems also to extend to another thing. When he imposed taxation, he meant it to raise a certain amount both last year and this, seven millions, but he has got a good deal more, a little over nine. On striking the whole balance it appears as though it were possible to have managed the whole of this business without imposing any additional taxation at all on the people. For I find that during these two years there has been an increase under revenue only of about 22 millions and on expenditure there has been an increase of about 9 millions odd. It might have been possible—with prescience may I say—not entirely beyond human reach, it might have been possible to adjust the whole thing without additional taxation. I am mentioning this merely to enforce this point—that it might cause Government to pause before they take further measures in the way of taxing people either directly or indirectly.

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"Coming now to the head of salt, the Hon'ble Sir William Meyer has been obliged to impose some slight taxation in addition to the taxation that salt bore already. Now, I do not object to this either, but I do object to another thing in connection with salt. Owing to the shortage of transport facilities and owing also, I fear, to the combination amongst salt traders throughout the country, there has been an increase in the price of salt to the poor far in excess of what might be justified by the advance in the salt duty. And, as Government own the salt in this country and enjoy a practical monopoly of that necessary article, I think the duty rests on Government of making available, by whatever measures may be reasonable, to the poor throughout the country, this necessary commodity at as small a price as may be, considering the duty imposed on it. Both in Madras, within my knowledge, and elsewhere in the country there has been much distress caused both by lack of salt and by its excessive price. The matter requires very close attention, and I hope the Government will give it.

"The only other point to which I wish to draw attention is the difficulty placed in the way of the poor in railway travelling. In this matter, though it is indirect taxation, Government have to remember that their policy during all these years has generally been to make travelling easy to the poor. Their policy, pursued without interruption, has been to make travelling as cheap as possible and to cause a reduction further and further in the fares. But, unfortunately, during the last year, the Railway Board have advanced the fares considerably. They first of all in the year 1916, in the month of December, cancelled a large number of passenger trains, thus restricting the facilities of travel. Not content with that, as another measure for restricting passenger traffic, they made an addition on the fares. In March 1916, again, they went on to raise the maximum fares on all the broad gauge lines on their third class. Then they said, wherever the fares were less than two-thirds or were only two-thirds, 25 per cent. of this two-thirds should be added, so that on all other lines as well the fares were worked up to five-sixths of the maxima. Then the railway lines abolished all the concessions. One need not mind the abolition of the concessions in the case of first and second-class passengers. But there are a number of students in our educational centres who travel in the third class at concession rates. The abolition of those concessions must have added considerably to the difficulties of the poor. But there is another thing that I do not quite understand. They have abolished also the sliding scales, according to which the fares were calculated on all the classes, so that now people pay uniformly at three pies or three and-a-half pies per mile, whereas formerly they would have had to pay at three pies or three and-a-half pies for a certain distance and at a lower rate for the balance of long journeys. This sliding scale has now been abolished, thus adding also greatly to the fares. But besides that, another step has been taken which must spell greater hardship to the poor in the future. They have raised the maxima of fares on all the lines up to about 33 per cent. on all the classes; in the case of the third class and the intermediate class, these additional fares are to be put on only for mail and fast trains. All the same, this is an addition which they have taken power to make, and one fears that perhaps these new maxima will also be soon worked up to, thus adding greatly to the difficulties already placed in the way of the poor in railway travelling. Now it seems to me that that is a method of indirect taxation which adds greatly to the revenue but presses hardly on the poor third-class travelling public. In this respect also I think that, with the surpluses with which we have been working our budgets for the last two years, it is possible—in fact I think it is highly desirable—that Government should look into the matter and, as soon as possible, restore the facilities that the poor have had for railway travelling."

**The Hon'ble Sir Dinshaw Wacha:**—"Your Lordship, I will not travel over the same ground which has been traversed by so many of the speakers who have spoken before me. I think in a way they have actually travelled from China to Peru; if not from China to Peru, at any rate from the Himalayas to Capo Comorin. We have heard all sorts of suggestions

3.57 P.M.

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and all sorts of grievances which are mostly what are called hardy annuals. There is agriculture, there is education, there is sanitation, and all the rest of the compass. But, my Lord, I do not mind all these suggestions and grievances that have been put forward. Now that we have changed our rules, it is only right to see that every Member of this Council has the privilege of bringing before your Excellency and this Council his own grievances. It is a miniature House of Commons now, I suppose. That is to say, grievances are heard before supplies. I do not know whether my Hon'ble friend, Sir George Lowndes, will say yes to it, but at least I consider we have a mimicry of it.

"But apart from these and other little matters, I may say, my Lord, that I do associate myself, as far as Commerce and Industry are concerned, with most of what has fallen from the Hon'ble Mr. Malcolm Hogg and from the Hon'ble Sir Fazulbhoj Currimbhoy. I agree generally with them in many respects; but I am sorry to say that I cannot agree with what has fallen from the Hon'ble Mr. Sarma. He said that surpluses are induced by simple under-estimates of revenue. The Hon'ble Mr. Sarma forgets that the surpluses are more or less due to railway finance. If he only studies the surpluses that have been yielded by railways since 1904-05, he will see that they are no doubt in an ascending ratio. He should know that from the date of the construction of the railways up till that time, namely, 1904, most of the railways were a losing investment as far as the State was concerned. I remember, your Lordship, when giving my evidence before the Welby Commission that I had brought to their notice this particular fact of the loss of the railways. From 1848 they were losing at the rate of one crore per annum, but it was owing, of course, probably to the guaranteed system of railways that the Government lost a great deal, but there was no help for it. These guaranteed railways were formed at a time when there was an absolute absence of any sort of private enterprise in India. So that these surpluses are not entirely owing to an under-estimate of revenue. I admit that in all great countries and great States, however capable their Finance Minister may be, there is always a little under-estimate of revenue and a little over-estimate of expenditure. I have to discuss these points of under and over-estimates almost every year before my Municipal Corporation, but I believe it is the case everywhere. Whether it is the Provincial Government or whether it is the Local Government, or whether it is the Imperial Government, or whether it is the United States of America, France or Great Britain, it is all the same over and over again. Of course, if the under-estimates are such that when the next year's actual accounts are before us we find there is a great difference and a large percentage of increase in the surplus, surely we can trace the cause. This point also I brought before the Welby Commission in my evidence, and I put down in parallel columns what was the budget, what was the revised estimate, and what was the actual account; and, I think, I convinced Lord Welby and his colleagues at the time that there was a good deal of under-estimating. I, however, do not think that since those days there has been the same under-estimating, as has been attributed to the Government by the Hon'ble Mr. Sarma. But I will not say anything more on this point since I have very little time, and the clock, like the finger of fate, points onward fast to 5 o'clock. I must finish soon my little harangue.

"Then, the Hon'ble Mr. Sarma spoke next about Treasury bills. No doubt Treasury bills are a form of raising loans; but if the Hon'ble Mr. Sarma thinks that these Treasury bills can achieve miracles for the Finance Minister I say he is greatly mistaken. It is true that Treasury bills are another form of raising loans, but if he means to say that taxation is saved by means of Treasury bills he is entirely wrong; for even Treasury bills have to pay interest, and whether you pay interest in the form of loans or Treasury bills it is all the same. If you incur loans you have to pay interest on them. If you do not pay interest, and if the Finance Minister finds himself in this box, that he has to raise taxation, he must impose it. Interest charged to revenue is only another form of taxation. Therefore, that argument will not hold water.



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"Thirdly, he spoke of currency. I am sorry to say that here the Hon'ble Mr. Sarma is altogether on ground where it is very dangerous to tread, particularly for gentlemen who have not had the benefit of a commercial or industrial career. The mechanism of exchange is, of course, intimately associated with imports and exports; but the statics and dynamics of imports and exports have to be very well understood, and I should advise the Hon'ble Member to read Sir Robert Giffen's book on Imports and Exports and the balance of trade and exchange in order that he may speak with greater authority next time he rises in this Council to criticise the budget. He also seems to forget that it is not only this sea-borne export trade of India that requires to be financed. He forgets that there is something like 800 crores of inland trade which has also to be financed; and that trade values during the last two years have been greatly enhanced, no doubt, by the prevalence of dearer prices, freight, etc.

"Then lastly, both the Hon'ble Mr. Sarma and the Hon'ble Mr. Sastri have referred to the inflation of currency. No doubt when a currency is inflated, it is a great evil. The purchasing power of money then tends to be less or considerably diminished and prices rise. The question is whether the Finance Minister, in expanding the currency for the last two years to a very large extent, has really inflated currency to such a degree that prices have risen partially on that account? That is a great controversial question on which I will not enter; but I take it that when the Finance Minister rises to give his reply, he will have sufficient to say on this very difficult question.

"Having said so much as to the discussion that has gone forward among different Hon'ble Members I now, my Lord, come to one or two other points. If Members of this Council rise one after the other and ask that the grant for education should be increased, that the grant for sanitation should be increased, that the grant for agriculture should be increased, surely it should make the Government pause and think whether they could meet their wishes. It is true that those grants are being annually increased, but they are not being increased in the proportion that we should like to see. But the whole question as to getting additional grants beyond those budgetted is circumscribed by the revenue which the Finance Minister is able to raise by taxation and by other means. Expenditure is limited by income. That is the whole point. I remember, my Lord, that whenever there is a little big surplus in the Municipal Corporation, of which I am a member, member after member rises and says this must be done and that must be done. If you add up all the different grants they want, they will run into lakhs on lakhs, whereas the municipal revenue is only 1½ crore. The same is the case here. Government cannot shake the pagoda-tree, and pick up *ad libitum* golden coins or shining rupees whenever they want. Government has laboriously to devise ways and means to raise every rupee, India being a poor country. All these considerations have to be taken into account before any valid or sound criticism can be made on the budget. But I say this much, my Lord, that as far as loans are concerned I would put it to the Finance Minister and to other Members of the Council whether the railway surplus which is now being realised can be utilised for revenue purposes after the war. I do not think so. At present there are considerable debits and credits. They are crediting railways and debiting military accounts, for all these things that are being passed from one end of the country to the other. The normal coaching and goods receipts will not be swelled after the war. But I do say that, supposing on an average in future, when the war is over you have a surplus under railways to the extent of 5, 6 or 7 crores, the question which will be raised is this: whether that surplus ought to be entirely utilised for ordinary revenue purposes during the following year as has been the present practice, or whether that surplus should not be ear-marked to diminish the amount of the loan you annually require for railway purposes. If you annually require 10 crores and if you have a surplus of 7 crores, why not take 7 crores as your capital? Then, of course, you will only have to raise 3 crores more; besides, you save the interest on 7 crores. I remember having a talk at one time on this subject with my Hon'ble friend the Finance Minister, and he said that after

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all it is a surplus which reverts to the State after having paid all railway expenses. That is very true; but what do we do in our commercial transactions? When cotton or jute mill or other factories pay dividend, they set apart a certain amount of money for extensions and developments and to that extent *pro tanto* the loan to be raised is less. Why should not this business principle on which all mercantile firms, all cotton and jute mills and the like systematically set apart a reserve out of their profits be adopted in our budget? I am open to reason, and I hope, my Lord, that when the Finance Member rises to reply he may be able to satisfactorily answer this question. Then, my Lord, as to the railway fares to which Mr. Sastri referred. Perhaps, the Hon'ble Mr. Sastri does not know that before they were increased, railway fares in India were considered to be the cheapest in all the world, cheaper than America. Mr. Priestley, who was some years ago asked by the Government of India to go to America and make a report on the different systems of railway administration, stated it to be so. I do not know what the position may be to-day, but seven or eight years ago when Mr. Priestley reported he said the railway fares for passengers in India were the cheapest of all. If, therefore, for purposes of War, Government is obliged to tax the rich as well as the poor. I do not see why the poor should not pay their share according to their ability. We admit the cost of living has gone up, house-rent has greatly risen, and so on; but if we are to make sacrifices, the poor man must make sacrifices as well as the rich. The rich will of course pay more, but the poor cannot entirely escape. And this increased railway fare is a kind of indirect taxation. Apart from that, Hon'ble Members, I presume, have been reading the railway report each year. What do they find there? Third-class passengers contribute the bulk of the coaching revenue, and on an average they travel once a year and that to the extent of 37 miles. If 37 miles was, say, a pie before and if two pies are levied now, you can compute what is the amount that the poor man has to pay per mile over and above the former fare? That is to say, if he travels at all. That also has to be taken into consideration.

"Then, my Lord, I come on to another question. Much has been said about education and sanitation. I submit, my Lord, that the Government ought to do more after the war by way of education. I think that goes without saying. Government has declared its policy, and there is not the slightest doubt that education and sanitation will be greatly stimulated when better times dawn. But there is one little question I have to ask the Government. Here you are every year increasing your excise revenue. Excise revenue has gone up now to nearly 13 crores. It may go up to 14 crores. If you calculate this excise revenue per head of the population of British India, you will find that it comes to 8 annas per head. What are you spending on education per head to-day, even according to the new budget?

"If you divide it again by the population (the population of 1911), you will find that they are only paying two annas. So, while you are making people insober by your excise policy and take a heavy tax of 13 crores from them for your drink traffic, you have not the generosity to repay to them to a larger extent than two annas per unit for education! That is not right. If you take eight annas per year from the pockets of the poor, try to put it back in another form in their pockets, that is to say, as productive expenditure, and whatever you spend on education is a productive expenditure; and whatever may in consequence go to diminish thereby the excise revenue will be a great gain, because the more people are educated I am certain that more sobriety will prevail among them, and the mischievous policy of maximum of revenue and minimum of consumption will be knocked on the head, if not to-day, 25 years hence. Having said so much on some of the points of the budget, I will say one thing more and that is in reference to the civil charges. Before, however, I come to the civil charges, I will say one thing more. If the total net revenue and expenditure according to the Parliamentary returns are examined, it will be found that in the last ten years ending 1915-16, revenue on an average has increased at the ratio of 14 per cent., while expenditure has increased at the ratio of 20 per cent. Here is the cloven hoof. If expenditure is increasing and if you do not perceive it, what is the reason? I say you do not perceive it because your railway surpluses are so large that they partially

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absorb a large portion of the expenditure and still put in the pocket of the Finance Minister a very fat surplus. That is the reason. That is not a sound policy in finance, and I do hope, my Lord, that the successor of Sir William Meyer will certainly bear this point in mind. It is a very important point.

" Civil charges also are increasing to a very large extent, if the ratio of the revenue yielded is compared with the ratio of the civil charges. But unfortunately, the case is this, that in India we have not got the full and efficient machinery to control expenditure and to audit it as it is audited in England. Hon'ble gentlemen who have studied the British budget as I have been doing for years together, will see that there is a memorandum for improving the audit by the Controller of Public Accounts. The audit has gone on for 60 years past or rather 50 years, from 1866. They have a Controller of Public Accounts; there is also a Standing Committee of Parliament, and between them they are taking the greatest care that expenditure is not increased faster than is right and proper, and that the grants are kept well in hand. I do not know how far the machinery here is complete. The Welby Commission did examine this question of machinery, but I do not think they came to any satisfactory conclusion on it. But I do say this, that if in future, even if self-government is conferred and if responsible government is attained, and we are in the place of those who are now sitting on the front benches, then I do say that the first thing that we should do is to have a Controller of Public Accounts and a Standing Committee of Council which would most vigilantly control expenditure. Now, my Lord, the Financial Statement that we are discussing to-day has been pronounced in some quarters as neither brilliant nor booming, that it is a humdrum budget. Brilliant it might have been, I think, if the author of the budget had only taken care to invest it with a blaze of glory all his own; and possibly it might have been booming, too, if he had heralded it with salvoes of artillery such as those we heard this morning and drums beating and colours flying. In that case I suppose they will be quite satisfied. But because of the modesty of the Finance Minister who has brought forward his budget in a simple and unadorned style without any sensation, that there is this sort of ignorant, or hostile or prejudiced criticism, forgetting the matter of the thing which is so important. I believe, my Lord, that it is the most phenomenal budget that I have ever known, and I have been a student of Indian finance for the last fifty years, from 1868. I have studied every budget from that date up to this, and I can say with a clear conscience, and nobody will say that Wacha was, of course, indulging in rose water and kisses—I am doing nothing of the kind—it is my genuine appreciation of Sir William Meyer's financial statemanship that I do say this. I do not know of a single Finance Minister, even Mr. James Wilson, who having regard to our financial needs in his time (1860) had ever such a difficult task as Sir William Meyer has had for the last three years. It is unprecedented. There have been very many able Finance Ministers in the past, Mr. James Wilson, Mr. Laing, the great Treasury man who has left to us a classic phrase in regard to budgets—that 'India is the milch cow of England.' That is the way, of course, in which Mr. Laing is remembered in India. There was Sir Charles Trevelyan, a great friend of India, who because of his opposition to the fresh income-tax of 1860, was re-called. Then there have been Civilian Finance Ministers of great ability, like Sir John Strachey, Sir Auckland Colvin, and Sir David Barbour; but, as far as Indian finance is concerned, none of these in their respective times had to overcome the difficulties of ways and means as Sir William Meyer. I would at this stage point out that Indian finance has passed through three phases. If you take the first period between 1860 and 1880 what do you find? The revenue was small and the sources of revenue were almost inelastic; hardly 40 or 50 crores were raised and at that time public works were famished; there was no such thing as irrigation works, and railways were in their infancy. There was the fight among railway engineers for the gauges, one side saying the standard gauge is the best and the other side saying the metre gauge is the best as being so cheap; and between them a battle royal was fought. At that time, what was the condition of the railways? Any Member of the Council, who goes through a Railway

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Administration Report, will find that you did not then go beyond 3,000 miles. That was the condition. There were deficits after deficits, and Sir John Lawrence often used to be vexed on that account. It was for the very reason why when provincial governors like Sir Bartle Frere tried to outrun the constable he put a very big foot down on their extravagance ; there was no decentralisation, and the Government of India had to sit tight on every pie of the whole country's expenditure. Those days rolled away. Lord Ripon came in 1880 and with him came a very brilliant Finance Minister in the person of the late Earl Cromer (then Sir Evelyn Baring) who regenerated Egypt during his 24 years of brilliant administration as High Commissioner. He was a free trader and so was Sir Evelyn Baring and they thought the best thing they could do was to give India free trade, that free trade by which I fully believe India has prospered. My friend on the opposite side, Mr. S. N. Banerjee, says that we are now all protectionists in India. I may say emphatically that I am a convinced free trader, and I do say that free trade alone from 1880 till 1896 had done the greatest good to India ; all the larger prosperity of so many of our cotton mills and the larger jute mills and other factories that have been established in India since 1880 are entirely owing to free trade. Without free trade even to-day despite what protectionists might think, I will unhesitatingly say this : India even to-day is not able to make one single engine of 10 horse power. It cannot make a single boiler ; for every little wheel and accessory of all kinds of machinery you have to go to England or to Lancashire. When will India do it ? To say that India will be able to make these when she has protection is simply a delusion. Even protection will not do it. It will be by India's own industry, steady perseverance, skill, her greater scientific intelligence and enterprise that she would materially prosper, tariff or no tariffs. Therefore, I do say, my Lord, that the greatest good that Lord Ripon's Government did to India was to give it free trade which brought out all the prosperity which is still growing. Then in 1886 came a political factor which brought difficulties of finance. One should know that policy and expenditure go together in every State. There can be no expenditure without policy, and there can be no policy without expenditure. Each acts and re-acts on the other. There was first the Punjab incident whereby the funds of the Provincial Governments were, of course, raided by the Government of Lord Dufferin to the extent of 3 crores. Then came the Burma expedition which cost a large sum of money and for some time the revenues were in a very precarious state necessitating new and enhanced taxation in 1886-87. Then at the same time there was the 'precariousness' of the opium revenue. Opium was the *deus ex machina* of those days, from 1860 until it was abolished by the Anglo-Chinese treaty. At present the *deus ex machina* is the railway surplus as opium was in former days. That makes deficits and surpluses. If you exclude the railway surplus from your general revenues, what do you find ? Instead of having for the last ten years a net surplus of £9 million, you will discover a net deficit of over £8½ million . . . ."

**His Excellency the President :—**"The Hon'ble Member has been speaking for 24 minutes."

**The Hon'ble Sir Dinshaw Wacha :—**"Yes. Well, my Lord, I thank you for reminding me."

**His Excellency the President :—**"Now, perhaps, the Hon'ble Member will finish his speech."

**The Hon'ble Sir Dinshaw Wacha :—**"I will conclude my speech. And, therefore, what I do say is this, that as far as the Hon'ble Sir William Meyer is concerned, he has been really the greatest Finance Minister of the day. It may be said, my Lord, that his budget is a solid budget. It is instinct with financial sagacity and statesmanship. The present budget, specially the 'Retrospect,' will be a light and guide to his successor, and in

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that way Sir William may be called, in the firmament of Indian finance, the Star of Arcady, that star which in olden times used to guide and light the way of the pioneers of maritime navigation. I mean those sturdy Phœnician mariners who ploughed the Mediterranean, crossed the Gates of Hercules and reached the Cassiterides, in the south of Cornwall, for tin. Well, Sir William Meyer in this sense is really the Star of Arcady. He is leaving to his successor his Retrospect which will serve as a guide and a light which will enable him to shape safely his course of the future of Indian finance. Sir William has steered his financial bark through the dangerous Scylla and Charybdis with the greatest skill, and has brought her to a haven of rest. Let him now rest on his oars. This is the last time that we shall perhaps see Sir William Meyer officially as Finance Minister, and I also cordially congratulate him as my other friends have congratulated him already. In conclusion, all I would say is this: 'Sir William Meyer, thou hast deserved well of India.' With these few words I take my seat."

**The Hon'ble Pandit M. M. Malaviya:**—"My Lord, <sup>the 4-23 P.M.</sup> general discussion of the Financial Statement has taken place to-day under the new rule which has been introduced for the purpose. I feel thankful with my Hon'ble colleagues for this change. It is an advantage to have an opportunity of saying what one has to say about the Financial Statement at this stage. But I wish, my Lord, also to say that, in view of the very limited opportunities that are available to Members of this Council to ventilate questions of general importance which cannot be embodied in Resolutions, it is desirable that the one day that we used to have for general discussion, I mean the final day, ought to be still open to us for such discussion. I know, my Lord, that it led sometimes to a great deal of weariness, but we also know that there were opportunities given by it to Members to bring to the notice of Government matters of public interest which cannot conveniently be embodied in Resolutions. But, however, that may be, I hope that, as a result of this earlier discussion of the Financial Statement, some at least of the suggestions which have been made will be found acceptable by the Hon'ble the Finance Member.

"The budget is undoubtedly a War Budget; war is writ large upon it from beginning to end. It is a budget which proves more than anything how closely India and the people of India have been identified with England in the mighty struggle in which she has been engaged during the last three years and more. It is a budget which is framed, as far as was possible to do so, from the point of view of helping England so far as India can help her in carrying on this great war. That explains both the insertion of many provisions and the omission of certain provisions, the omission of which has been a matter of complaint. It is accepted, my Lord, as a War Budget. If a budget like the present one were introduced in ordinary times, there would have been a great outcry throughout the country. 29 millions sterling to be spent on the army, with an apprehension that more will have to be provided in the future, and so very little provided for those beneficial services which go to increase the social well-being of the people. But, as I have said, we acquiesce in the budget, because it is a War Budget, because we recognise that we have identified ourselves with the cause for which England is fighting, and we have done so because we felt that it was our duty to do so. I hope, my Lord, that this fact will receive full weight in considering what constitutional reforms should be introduced in the government of the country. I do not mention this as a matter of bargain. Far be it from me to do so, but I hope that it will be remembered that out of the little that she had India sacrificed a great deal in a large hearted way and identified herself with England in the struggle for freedom and the independence of nations in which she has been engaged.

"There are some features of the budget, however, to which attention might be drawn, not in a carping spirit, but because they merit attention. In the first place, I wish to join with my friends who have complained that there has frequently been an under-estimate of income in our budgets. This complaint is

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not confined to the budgets of the last two years as one of my Hon'ble friends seemed to think. It has been a chronic complaint for the last two decades. The late Mr. Gokhale complained of it in 1906-07, and on other occasions other Members too have complained of it. Sir Vithaldas Thakoresay complained of it when silver legislation was introduced. The Hon'ble Sir Ibrahim Rahimtoola, whose appointment as a Member of the Executive Council of the Governor of Bombay we have all welcomed, and whom we very much miss in this Council—speaking in 1916 on the question of the increases in the Income-tax and the Salt-tax, said:—

' Looking at it, as a whole, it appears to me that the salt-tax has been levied, as I have already contended, to make up the deficiency in the Tariff Bill due to the exemption of cotton piece-goods from the necessary increase of 2½ per cent. I now contend that the increased income-tax which represents a revenue of £200,000 is to provide Government with a surplus which is estimated at a million pounds.'

As I have said, my Lord, in past years Mr. Gokhale complained that the surpluses of the years preceding 1904 were brought about by a systematic under-estimating of revenue and over-estimating of expenditure. This complaint was also noted by the Chamberlain Commission on Indian Finance and Currency. Sir James Meston was questioned about it. The Chairman of the Commission put the following question to him:—' But looking back on those years with the wisdom which comes from experience would you think it unfair to say that the Government did err a little on the side of excessive caution in their financial estimates,' and Sir James Meston said in reply: ' I must admit they did.' In another place he said: ' The under-estimate was simply a matter of, as you have said, probably exaggerated caution.'

" Now, my Lord, these systematic under-estimates have led to certain surpluses, and the evil of it has been that the existence of the surpluses has deluded the people into the wrong notion that India is prosperous. These surpluses have brought upon us greater burdens than perhaps would have fallen upon us if the fact were realised how these surpluses had occurred. As regards this year's surplus, my friend the Hon'ble the Finance Member budgetted for a surplus of £136,000 only. The actual surplus is 5·8 million. This has been brought about by the inclusion of an additional income of £3·5 million from railway revenue. This increase has partly occurred owing to an enhancement of railway rates and fares. I note the Hon'ble the Finance Member has, perhaps, deliberately not said anything about it, though of course he has included the additional revenue in his estimates. But I submit that this is quite objectionable. Provision had been fully made in the budget of last year for the expenditure on war by the taxation which had been imposed and by other means. This increase of railway fares was not brought about, as my friend Sir Dinshaw Wacha seems wrongly to have thought, for purposes of the war. The Railway Board say, at page 24 of their last Administration Report, that at a meeting at which the question of reduction in train service was considered ' it was agreed as a general principle that fares on fast trains should be enhanced up to the existing maximum in order to discourage travelling with a view to avoiding undue overcrowding in passenger trains consequent on the reduction in train services.' The Report goes on to say that as the result of another meeting instead of confining themselves to increasing fares on fast trains, they decided that there should be ' a general enhancement of fares.' They, therefore, decided that on the principal broad gauge lines the third-class fare should be advanced to the existing maximum, and on others, where the ordinary fare had been only 2-3rds of the maximum, that it should be advanced by 25 per cent. Now I submit, my Lord, that these fares having been increased, in order to discourage travelling, the matter should be re-examined by the Government, and if it is found that it was really unnecessary to adopt this method to discourage travelling, then fares should not be charged at the enhanced rates next year. It was sufficient, my Lord, to discourage travelling that there was a curtailment of trains. People could only travel by the trains that were running. Secondly, if there was an apprehension that more men might go to the station platform than could be admitted, instructions could be issued not to sell tickets to them ;

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but I submit it was not necessary, nor justifiable, that such an enhancement should have been made in the fares.

"The principle, my Lord, of determining fares has long been established, that a profit should not be made on railways. It has been laid down in some countries in the legislation relating to railways. Belgium, for instance, is one of the countries which has managed its railways best. While we have invested nearly 400 millions on our railways, and have only recently begun to earn a small interest on it, as Mr. Carl Vrooman points out in his book, 'every dollar which Belgium has invested in its State railways, whether for purposes of construction, or for making up of the deficits of the lean years, has been paid, together with the market rate of interest, from the profits of the fat years.' There they lay down as a law that all idea of running railways for a profit must be completely eliminated. And our Government, too, have recognised for the last many years from 1869-70, when the Government started State Railways, that it was with a view to keeping down fares; and Major Conway Gordon, a former Director-General of Indian State Railways, in his evidence before the Select Committee of 1884 rightly said that 'every rupee taken out of the country by an English Company in excess of the normal rate of interest on the State debt constitutes practically a direct tax on transit, which must, of course, have its effect on checking the export and import trade and on the general development of the country.'

"According to this principle, whether railways are worked by Companies or by the State, the fares levied from passengers should cover the working expenses, the interest charges on the capital outlay and a provision for the sinking fund. But the earnings from these railways have been increased lately. I do not complain that they have been; I do not suggest that they should be reduced to the extent that would be suggested by that principle enunciated by Major Conway Gordon, and I submit that there was no justification for the enhancements that were made last year.

"The analyses of working given in the last Railway Administration Report show that it is the third-class passenger who contributes profits to the Railways. So far as profits are concerned, the first-class and second-class passengers need not exist. Let us take the East Indian Railway. The average earning per coaching vehicle per mile on that Railway during the two halves of 1916-17 were:—

1st class	.	.	.	.	.	.	14.92 and 18.62 pies.
2nd class	.	.	.	.	.	.	13.87 and 17.59 "
Inter class	.	.	.	.	.	.	21.75 and 23.49 "
3rd class	.	.	.	.	.	.	50.54 and 53.89 "

While the average cost of hauling a coaching vehicle with its load one mile or all classes during the same half-year was 9.94 and 10.94 pies, respectively, giving an average profit per coach per mile as under:—

						1st half.	2nd half.
1st class	.	.	.	.	.	4.98	7.63 pies.
2nd class	.	.	.	.	.	3.93	6.65 "
Inter class	.	.	.	.	.	11.81	12.55 "
3rd class	.	.	.	.	.	40.60	42.05 "

"Let us take another Railway, the Great Indian Peninsula. The average profits on the same basis were:—

						1st half.	2nd half.
1st class	.	.	.	.	.	—9.43	—5.35
2nd class	.	.	.	.	.	18.32	16.64
Inter class	.	.	.	.	.	13.88	13.89
3rd class	.	.	.	.	.	22.41	24.57

"There was, therefore, no justification for enhancing the passenger fares, but rather for reducing them. The budget will not be upset by the Government accepting the view that these enhancements should be withdrawn during the next year in justice to the great body of people who

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contribute these profits, because, after making a provision of 20 millions for Military expenditure, there is still a large surplus in the hands of the Government, and the total amount provided for the Army includes £1,677,000 as a reserve to meet unforeseen charges. With that very liberal provision for Military expenses there is no danger of any interest suffering if the proposal is accepted.

"There are, my Lord, some other unsatisfactory features of the budget, which call for a remark. One of these is the increase in revenue from salt. £1½ million has come from increased salt revenue. I endorse all that my Hon'ble friend Mr. Sastri has said on this subject, and I submit, as Sir Ibrahim Rahimtoola pointed out two years ago, and, as events have shown, that the increase in the salt tax was not justifiable. It should be still considered whether it would not be right to reduce it.

"Among other unsatisfactory features of the budget are the growth of the excise revenue, to which attention has already been drawn by more than one Member, and the scanty provision for education. Only 30 lakhs has been provided for primary education. For continuing the building up of Delhi 40 lakhs has been provided. I should like to know why this sum of 40 lakhs should not be added to the provision for primary education. I fear that in the matter of education the Government do not show that they realise the importance of education to the extent that they should. I submit that the provision for education ought to be regarded as a provision for war, necessary to prepare the people to do their duty by their King and their country. Among others the Japanese have recognised the value of education in the conflict of nations. I find they are already taking note of the progress in other countries, in belligerent countries of the condition of education. Authorities there are closely following the educational progress of the world and distributing at their own cost in Japanese a description of the state of education in the belligerent nations of the world. It should hardly be necessary to remind the Council, and least of all my friend the Finance Member, of the important truth which Sir Norman Lockyer sought many years ago to emphasise that brain power is the most essential power even in matters of war. We must regretfully recognise that even after this devastating war we shall not be approaching a millenium, and the more the people are educated the better will they be prepared to understand and discharge their duties and responsibilities, the better will they be able to promote the national income, which after all is the source from which they can help Government at a time of crisis. I submit, therefore, that the importance of education should be properly recognised even during war time, and there should be better provision made for it particularly as there is a large surplus in the hands of Government. The provision of 30 lakhs of rupees seems to be utterly inadequate for the requirements of the situation. I hope that if the Hon'ble the Finance Member will not accept my suggestions with regard to reducing revenue he will, at any rate, accept the suggestion that the provision for education should be increased.

"The growth of civil expenditure, to which my friend Sir Dinshaw Wacha has drawn attention, as well as the growth of Military expenditure, are matters which require attention. I know that this is not the time when the Government can take up this question, but I submit, my Lord, that the importance of the subject demands that when constitutional reforms are introduced there should be Committees appointed to go thoroughly into both Civil as well as Military expenditure.

"As my friend has shown, Civil expenditure has grown enormously, and there is no question that Military expenditure also has grown enormously. I do not for a moment suggest that the Military needs of the country should not be fully met, but there is a very widespread feeling that there is much room for retrenchment. In the report of the Mesopotamia Commission I find it said :—

'We also gather that there is general dissatisfaction with the system of microscopic financial control exercised over details of Military expenditure, pay and allowances.'



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"I submit that this is a matter which it is desirable the Government should look into at the end of the war when the reforms are introduced.

"My Lord, in the matter of investments I must say that I fail to understand the wisdom of the investment that is suggested in Home Treasury Bills. I read at page 70, with regard to the probable expansion of the Railway programme, as follows:—

'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 lee-way 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 millions 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.'

"I submit, my Lord, that that is looking too far ahead. The Hon'ble the Finance Member says:—'we shall probably find some difficulty in raising, on reasonable terms, the amount of capital which would be required.' If there is no difficulty in raising that capital now there should be less difficulty in raising it after the war is over. Secondly, as one of my Hon'ble friends has already remarked, to raise money at 5 per cent. and to invest it at 3·5 seems to require a little further explanation. The Hon'ble the Finance Member proposes to make this provision for a liability which, he says, will come upon us after the war. We do not know when the war will be over—we all pray that it should soon be over—but as we do not know when that will be, I submit that the justification for this proposal is not quite clear.

"With regard to the question of railway fares, if I may go back to it for a moment, I should have pointed out that, when the Hon'ble Sir Dinshaw Wacha said that the railway fares were cheapest in India, he forgot that the people of India are the poorest in the world. When you compare the fares which they pay per mile here with those paid in England and America, you must also compare the incomes of the people of India with the incomes of the people in England and America; and, comparing them it will be found that the people of India are not having railway facilities afforded to them on the cheapest terms.

"As regards the War Loan, I will simply add one word to what has been said about it. When an effort is made this year to raise a War Loan, I hope instructions will be issued to prevent any overzeal being shown by subordinates. The Government have seen how well the people have responded already, and therefore there is all the more reason why a factor, which has given rise to complaints, should be entirely eliminated from the new year's operations. I hope that the Hon'ble the Finance Member will issue instructions on this point.

"As regards the restrictions on the issue of capital, I may say that I am in entire agreement with my Hon'ble friends over there as to there being no need for it. Up to this time the needs of the Government have been met and the money which the Government wanted has been found. The expenditure has been balanced by revenue, and there is a surplus. Is there, then, any justification for placing any restrictions on the issue of capital at this stage? If, however, this proposal must be carried out, then I submit two points ought to be borne in mind by Government. Foreign companies must not be placed in a position of advantage over Indian companies. It should not be that while Indian companies find difficulties placed in their way foreign companies should be free to start work in this country with capital raised in other countries, and to flood this country with their goods. Secondly, my Lord, I think a Board should be appointed to deal with all applications which may be made for the floating of new companies, and on such a Board the Government should see that half the number of members are Indians and half Europeans. This is essential in order to create confidence in the minds of Indians who are concerned in business and who are anxious to promote the industries of the country....."

[ *His Excellency the President; Pandit Madan Mohan Malaviya; Sir George Lowndes; Maharaja Sir Manindra Chandra Nandi, of Kasimbazar.* ] [ 8TH MARCH, 1918. ]

**His Excellency the President.**—"The Hon'ble Member has exceeded the time allowed to him."

**The Hon'ble Pandit Madan Mohan Malaviya:**—"I will not take up any more time, my Lord."

4-46 P.M.

**The Hon'ble Sir George Lowndes:**—"My Lord, I am only drawn into this almost interminable discussion by certain remarks that fell from the Hon'ble Pandit at the commencement of his speech. The Hon'ble Member referred to the change which has taken place in the procedure of the Council on this budget discussion, a change which was made, I believe, in consequence of the desires of Hon'ble Members of this Council which were very frankly expressed. The Hon'ble Pandit, however, said that he hoped that your Excellency would be able to allot to the Council another day for what I may call the annual hare hunt which we used to have on matters which, as the Hon'ble Pandit admitted, could not be dealt with in Resolutions and had no reference to the Financial Statement. Now no one in the Council knows better than my Hon'ble friend that we are governed here by the terms of a Parliamentary Statute which allows us to discuss three types of things only. In the first place, we can discuss motions on Bills or having reference to the Rules. In the second place, we can discuss the Financial Statement. In the third place, we can have Resolutions on matters of public interest. There is nothing in the Act of Parliament by which we are governed which will allow us, even if your Excellency was willing to permit it, to have what I may call the hare hunt that we have always had in former years, which is neither with reference to a Resolution nor a discussion of the Financial Statement nor a motion on any Bill or Rule."

4-48 P.M.

**The Hon'ble Maharaja Sir Manindra Chandra Nandi, of Kasimbazar:**—"My Lord, I feel no hesitation in congratulating Sir William Meyer on the very good luck and circumstance that have attended the Government in the most eventful years of storm and stress that have followed the outbreak of the present European War. Sir William Meyer has no doubt opened in Indian history a bold era of financial experiments, and, in his efforts to strengthen the walls and foundations of our financial structure, he has received the unstinted support both of Providence and man. With bountiful monsoons and golden harvests on the one side and money pouring in unexpectedly for the War Loan, the treasury bills and post office certificates on the other, Sir William Meyer has had not much anxious time to meet the financial liabilities of the Government, and has even succeeded in laying by something for the rainy day.

"But while I congratulate Sir William Meyer—as one of the best financial Ministers—I must say that the Financial Statement which he presented to this Council just a week ago cannot be pronounced to be a very satisfactory and pleasing State document. It is evident, from the revised accounts, that Sir William Meyer's budget of 1917-18 contained under-estimate of the revenues of India. Almost every important head of our revenue, excepting opium, has yielded larger revenue in the present year than Sir William Meyer budgetted for in last March. Excise, customs, salt, income-tax, post and telegraphs and exchange have all exceeded the budgetted figures of Sir William Meyer, the greatest surprise being the railway earnings which come to nearly six million pounds sterling or close upon nine crores of rupees or nearly double of Sir William Meyer's budgetted estimate. Though I fully appreciate the difficulty of forming accurate estimates of our revenue at such an uncertain period of our finances, I cannot quite exonerate our Finance Member from the evil consequences of an under-estimated budget. I feel in my heart of hearts that this under-estimate of the revenues of India in the budget of 1917-18 necessitated an additional burden on the Indian tax-payer, and if

[ 8TH MARCH, 1918. ]

[ *Maharaja Sir Manindra Chandra Nandi, of Kasimbazar.* ]

this tendency of an under-estimate had not overtaken the Financial Département of the Government of India, there would have been no new imposts last year, no panic for fresh taxation this year, and perhaps more money would have flowed into the Imperial Exchequer in the shape of contributions to the War Loan.

" My Lord, following the line of argument I have been trying to develop in the above observations, I feel bound to characterise Sir William Meyer's financial disbursements for the coming year as equally disappointing. With an unexpectedly large surplus in hand and budgetting for another year of a not inconsiderable surplus, it is neither very generous nor graceful for a Finance Minister to stand where Sir William Meyer does. Sir William Meyer does not think it proper, under the circumstance, to add to our burdens nor does he see his way to reduce the existing level of taxation. Perhaps that is, after all, a very safe and wise policy to adopt. But what strikes me as the most disappointing feature of Sir William Meyer's financial policy is that he stints to use his huge surplus for the betterment of the condition of the people who have so very largely contributed to it. Of course, nobody would like Sir William Meyer, at a time like this, to embark on any ambitious scheme of social or industrial improvement which might involve either heavy financial outlay or large recurring grants: but it is difficult to see why a very large portion of his surplus could not be spared for either the cause of primary education or sanitation—so essential to the amenities of civilised life.

" My Lord, the question of a surplus leads me to offer another criticism. It transpires from the figures which find place in Sir William Meyer's Financial Statement that practically the whole of the present year's surplus has been contributed by the Indian railways. My Lord, I quite remember the time when eminent Indian publicists used to question the wisdom of pushing railways in this country as a State venture and also protested against its expansion at the neglect of irrigation. My Lord, the railway policy of the Government of India has proved most beneficent to us, and there is perhaps no one in this Council who, far from challenging the wisdom of that policy, would not care to justify and bless it now. Most unfortunately, this very important source of our revenue is now being neglected, and the Government is unable to find for the Indian railways even a third of the money which Lord Inchcape's Committee recommended only a few years back as absolutely necessary for their development. It is somewhat consoling to notice, however, that the Government have already been able to invest £20 millions in British treasury bills which, after the war they intend to spend for railway development in India. That may make up for the lee-way that has been lost during the last few years. But I do not find any valid reason why the Government should not cultivate the Indian market to obtain greater assistance from indigenous capital towards reproductive outlay on our railways. Sometime in the near future, when the war is over, an attempt ought to be made by the Government to raise a rupee loan for the purpose of expanding our system of railways.

" My Lord, speaking of our railways, I cannot omit to urge on the attention of the Government the great need of nationalising them or bringing them absolutely and invariably under State control. The question of the nationalisation of our railways, my Lord, is more a financial and economic problem than a question of general policy, and I make bold to say that as soon as this policy is adopted, it will popularise our railways in such a fashion that the difficulty of raising capital for them will never arise. Sir William Meyer has taken many bold financial steps in the last few years; may I appeal to him to recommend to the Government of India the nationalisation of our railways as another step which will carry his name down to posterity?

" My Lord, the establishment of a ship-building branch of the Admiralty in India and the decision of the Government to get 3,000 railway wagons built annually in this country for a period of ten years from now unmistakably indicate the final abandonment of the policy of *laissez faire*, against which your

[*Maharaja Sir Manindra Chandra Nandi, of Kasimbazar; Dr. Tej Bahadur Sapru.*] [8TH MARCH, 1918.]

Excellency made such a notable pronouncement a few months ago in Madras. I have no doubt that, with the full and frank abandonment of this economic doctrine and the adoption of an active and energetic policy of industrial and agricultural development, the revenues of India will exceed at one time the wildest dream of any Finance Minister of to-day. I hope the Government will take time by the forelock and move ahead with a quickened pace towards the realisation of this ideal.

"I am sorry, my Lord, the condition and circumstances of the present titanic struggle have upset the price of silver, which has risen from 37d to 43d. per ounce, and disturbed, in spite of the gold currency reserve, our whole system of exchange, and necessitated many legislations to readjust our paper and metallic currency. I hope, however, that the credit of the Government of India is so well established now that an increased paper currency, even without a sufficient metallic backing, has come to stay as a great relief and support of India's financial position. Yet, I think, it would be a wise economic policy for the Government to keep and invest in India the bulk of the gold and paper currency reserves which the Secretary of State for India now holds in England.

"My Lord, I have nearly finished: I have one more word to add. Before the commencement of the titanic world-conflict which is now shaking to its very foundation the civilisation of the West, India paid a bill of a little over £20 millions for her army, marine, military works and special defences. To-day, our total military bill comes to the neighbourhood of £31 millions, thanks to the war. This amount is several times over what all India pays to-day for the education of her children. My Lord, so long as the war lasts, we will do our very best to help England and her Allies with our men and money. England's cause is our own and with England, my Lord, we will sink or swim. Our contributions to the war so far have neither been mean nor hesitating; we have ever been and shall always be ready at the beck and call of the Empire. Indian troops have bled themselves white in the various theatres of the war in East and West; we have paid so far nearly 65 million pounds directly towards the expenses of the war, besides the very large amount voluntarily contributed by us towards special purposes, equipments or comforts for the troops and the heavy military bill of the Government. May we not expect that, when the war is over and the armour is laid down, education will take the place of military expenditure in our budgets and make up for the neglect of the past? My Lord, when the expected constitutional reforms come into operation, Sir William Meyer has announced there will be a decentralisation of finance and very few 'divided heads' of revenue, and the provinces will be allowed the privilege of imposing taxation and, I hope also, to raise loans for special purposes. Whether the provinces are or are not able to provide adequate means for the spread of education to the extent we desire, I hope, my Lord, the Government of India will never consider the internal development of India and the social advance of her people matters of less concern to themselves than the maintenance of a well-equipped and up-to-date army and navy."

6 P.M.

**The Hon'ble Dr. Tej Bahadur Sapru:**—"My Lord, even at this late hour of the day I trust your Lordship will bear with me for a few minutes and permit me to pay my humble tribute of admiration to the Hon'ble Sir William Meyer on this occasion when he is presenting to us his last Financial Statement. My Lord, during the tenure of his office he has had to contend against difficulties of an extraordinary character, and, I think, it must be admitted as, indeed, it has been admitted very frankly by every Indian Member this afternoon that he has given a most excellent account of his stewardship of Indian finances during the last five years. My Lord, as some of the speakers have reminded us this afternoon, Sir William Meyer has been subjected to criticism, mostly hostile in certain quarters. But I venture to think that Indian sentiment is entirely with him, and if the support of Indian sentiment and Indian opinion can bring any solace to him, he can have plenty of it. My Lord

[ 8TH MARCH, 1918. ] [ *Dr. Tej Bahadur Sapru ; Mr. M. A. Jinnah.* ]

the Financial Statement that he has presented to us to-day is, to my mind, a complete refutation of the criticism passed on him or of the criticism levelled against India. No doubt the war dominates our finances, but one pleasing feature of the Financial Statement is that there is no additional taxation to be imposed this year, while, on the other hand, it brings out into prominent relief the magnificent services rendered by this country during the period during which Sir William Meyer has held the high office which he is about to quit. Now, my Lord, I do not wish to traverse the ground which has been covered by so many of my Hon'ble colleagues in the course of the day, and I shall, therefore, confine myself to one or two points only. I must congratulate the Hon'ble the Finance Member upon the remarkable success that has attended the War Loan, and I sincerely hope and trust that the next War Loan will be equally successful. I at the same time join my friends in expressing the hope that specific instructions will be issued to the officers of Government that no ground is given for complaint by subordinate officials with regard to any undue zeal in collecting the money.

“My Lord, the real point in regard to which I would invite your Lordship's attention and the attention of Government is the question of education. It is perfectly true that we are going to get 30 lakhs under the present scheme, but it seems to me that having regard to the size of the country and having regard also to the slow progress which education has so far made the sum allotted is wholly inadequate. When one compares this paltry sum of 30 lakhs with the ambitious programme of Mr. Fisher in England, my Lord, one is astonished that the Government have not seen their way to make the rate of progress a little more quick. Now, whatever may have been the case in regard to primary education in the past, I think, the whole question of primary education has got to be approached now from a different point of view. We cannot forget that the announcement made in the House of Commons with regard to responsible government imposes a still greater obligation on the Government to quicken their pace with regard to education all round if it is considered at all necessary, as I think it is, that we should have educated electorates. I think, my Lord, therefore that the sum of 30 lakhs is wholly inadequate, and I would earnestly urge upon the Finance Member to consider whether it is not possible for him to increase the allotment with regard to education this year.

“My Lord, I have one provincial grievance. In speaking last year on this subject I complained that Bengal, Madras and Bombay which had already got more had been allotted a larger share, while my province had got less. I find the same story is repeated this year, and I would therefore earnestly ask the Hon'ble Sir William Meyer, as also the Hon'ble Sir Sankaran Nair, to consider whether it is not possible to give us something more out of the balance. My Lord, I do not wish to take up your Lordship's time unnecessarily any further, but I would like to associate myself with my friend the Hon'ble Mr. Sastri, with everything which has fallen from him with regard to the increase of railway fares and also with regard to the question relating to salt. With these few words I resume my seat.”

**The Hon'ble Mr. M. A. Jinnah :—**“I cannot say, my Lord, that I am an expert in finance, and I do not think that I can throw any light on the Financial Statement that has been submitted by the Hon'ble Member in charge of Finance. As an ordinary layman what strikes me is this, that the proof of the pudding is in the eating, and I find that the Financial Statement that is presented to us to-day has a surplus and no fresh taxation, and that is a most satisfactory state to be in. That is all that I can say with regard strictly to the Financial Statement.” 5-3 P.M.

“My Lord, last year I was responsible for saying that the budget was presented to us in this Council, when we could not change a single word or figure; and it was like flogging a dead horse. Since then the procedure has been changed, and we are given an opportunity to discuss the Financial Statement when it is not flogging a dead horse, but, as I may say, moving a live

[*Mr. M. A. Jinnah; Sir Hugh Bray; Raja Rampal Singh.*] [STN MARCH, 1918.]

horse. I hope that the change in the procedure, which has brought this discussion to-day, will enable the Finance Member to consider some of the points which have been brought out, and I hope it will bear some fruit. I hope that on the 22nd when we get the budget presented some at least of the suggestions that have been made might be accepted. I would only say this, my Lord, that I support entirely what Mr. Sastri said about salt and primary education. There is one more word which I would point out to my Hon'ble friend, Sir George Lowndes, who happened to say that we have done away with 'the hare-hunting debate.' Nobody appreciates that more than I do, my Lord, but it was a very great privilege which was enjoyed by this Council for many years; and with very great deference to the Hon'ble Member I see nothing in law which prevented that practice from being followed. That advantage has been taken away, and I believe some Members keenly feel that that advantage has been taken away. Though it is perfectly true that we can bring forward Resolutions in this Council, and probably the Hon'ble Member will find more Resolutions in future because he has taken away this privilege. But it will take more of the time of the Council, whereas what he described as the hare-hunting debate had the advantage of preventing people from going so far as to bring forward Resolutions but gave them opportunities of drawing the attention of Government to certain matters of public importance. However, that privilege has been taken away, and I hope that it will be compensated by the Finance Member in showing us on the 22nd that what has happened to-day has borne some fruit. Now, my Lord, before I sit down I would join in what has been said about Sir William Meyer. I have listened to the debate from the morning till past five, and I was wondering what would be the height of my ambition just now if I had to make a choice. I honestly say, my Lord, that I have come to the conclusion that I should like to be in the place of Sir William Meyer to-day. But I do not think I should like to continue for more than to-day, because I think on the 14th instant, perhaps, he may have some trouble about the Income-tax Bill.

"All the same, my Lord, I join in the sincere congratulations and the good wishes which have been offered to him, that when he retires he may have the happiness and rest that he fully deserves, and I am sure that India, not only in this Council as represented by the various communities, but India as a whole outside fully recognises the services that he has rendered to our Finance at the critical moment. He deserves well of India and rightly so."

5-11 P.M.

**The Hon'ble Sir Hugh Bray:**—"My Lord, I have no speech to make, but I should not like the Hon'ble Member to think that I alone did not join in the congratulations offered to him. I desire, therefore, to associate myself very sincerely with the shower of congratulations that have fallen and are falling on the Hon'ble Member's head in connection with his most successful farewell budget. I should also like to associate myself with a good deal of what the Hon'ble Mr. Hogg from Bombay said but not with all because I do not agree with him in regard to Premium Bonds. I suppose that many Finance Members if not most have to wait for a post mortem for a proper appreciation. In this case vivisection self-performed has had most satisfactory results. I think, my Lord, I should be perhaps less or more than human if I refrained from reminding the Hon'ble Member that 12 months ago I said certain words here which he construed to mean or to imply that he ran some danger of going to jail for the way in which he had dealt with the railway earnings. 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 of 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."

5-13 P.M.

**The Hon'ble Raja Rampal Singh:**—"My Lord, being under the impression that to-day's speeches will be strictly confined to the Financial

[ 8TH MARCH, 1918. ] [ *Raja Rampal Singh; His Excellency the President; Sir William Meyer.* ]

Statement I had no mind to speak, but, it was only this morning that it came to my mind that I may also take advantage of the privilege that we enjoy I determined to prepare a speech. The time was short at my disposal but to my great relief the old saying 'short and sweet' came to my help. To make my speech short was in my power, but to impart sweetness to it was beyond my capacity. However, I brought satisfaction to myself with the idea that if my speech will not be suggestive of any improvement in the finances or financial system of the country or any reform in its administration, I will at least have the satisfaction of not having wearied the Council by a monotonous speech though I fully associate myself with the views expressed by my Hon'ble Colleagues.

"Now, my Lord, I beg leave to give expression to feelings of cordial gratitude on my own behalf and on behalf of the landholders of the United Provinces of Agra and Oudh to your Excellency's Government and to Sir William Meyer, the Finance Member in particular, for the most praiseworthy manner in which the levying of any fresh taxation has been avoided. The shadow of that titanic war, which Germany started three years ago to gain her own selfish ends, is still over us and at a time when there was not a little apprehension in the country that new methods of fresh taxation may be devised by the Financial Department to meet the exigencies of the most extraordinary situation, it is no less a matter of self-congratulation to us as it is to your Excellency's Government that the finances of the country have been managed in such a masterly manner as not to necessitate the imposition of any further burden on the shoulders of the people.

"There is one matter, my Lord, which is exercising the minds of the landholders of the country with considerable amount of anxiety and uneasiness. It is the innovation that is intended to be adopted in the method of calculating their assessable incomes.....

**His Excellency the President:**—"I think the Hon'ble Member is travelling outside the limits which are permitted to him."

**The Hon'ble Raja Rampal Singh:**—"I thought that some income has been estimated and added to the assets, and so I wish to point out to the Hon'ble the Finance Member that if any assessable income has been added in the Financial Statement for the levy of a higher rate of income-tax, any such estimated income should be left out of account."

**His Excellency the President:**—"He has already told you that nothing has been added to the estimated income."

**The Hon'ble Raja Rampal Singh:**—"I did not know that."

**The Hon'ble Sir William Meyer:**—"I can assure the Hon'ble Member that nothing has been added in the Financial Statement on this score."

**The Hon'ble Raja Rampal Singh:**—"Thank you, Sir,

"My Lord, this is not the time to press for allotments towards objects calculated to advance the moral and material progress of this country though it cannot be too incessantly impressed towards what direction that advancement lies. I am fully confident that your Excellency's Government will by exercising every economy compatible with efficiency in the administrative expenditure of the State will take early steps to bring about that educational, agricultural and commercial development in the country for which we cannot be too impatient.

[ *Raja Rampal Singh ; Sir William Meyer.* ] [ 8TH MARCH, 1918. ]

"My Lord, I cannot resume my seat without offering my tribute of well-deserved praise to my Hon'ble friend Sir William Meyer for the admirable qualities of his head and heart which he has brought to bear to steer the finances of this country during his tenure of office as Finance Minister. The times were hard, the difficulties severe, but he managed them in such an admirable manner that we cannot in fitting words give expression to our sense of appreciation. It is a matter of great regret to us that a few months hence he is to quit the office which he so worthily filled in the last few years. In him India will lose the services of a most capable and sympathetic officer."

6-18 P.M.

**The Hon'ble Sir William Meyer:**—"My Lord, I find it difficult to express adequately my deep appreciation of the most cordial and kindly way in which all my non-official friends have spoken of my Financial Statement for the year 1918-19, including the Revised Estimate for the current year, and of my work as a whole as Finance Member. As one of the speakers has rather aptly put it, it is rather difficult as a rule for a Finance Member to get liked. He has always to be treading on somebody's toes; he has to refuse grants which people think they have made a very good case for. He has, as has happened to me twice in my career, had to raid hen-roosts--to come down on the people with extra taxes; and so he is generally regarded and tends to regard himself, as a sort of Ishmael. Perhaps he may get a welcome when he first comes on the stage; but he does not expect many bouquets when he goes. It has been, therefore, a very great source of pride and pleasure to me to find that, although I have been on the stage so long, my budget and my policy have elicited such warm, I might almost say affectionate, approval from my friends here. It justifies the claim I ventured to make in my speech on the 1st of March that, though my non-official colleagues have on occasions differed from me on particular points, they have given me most warm support as a whole, realising that I love India and have given my best to her. They have assured me of that in terms which I shall never forget. Their approval is a source of great satisfaction to me, and it will be one of the most cherished reminiscences of my Indian career, which will be closed ere long.

"I hope, however, as one of the speakers has said, that I shall, when in England in what I may call a disembodied capacity, meet at any rate some of my friends when they come over on business or pleasure.

"Turning now to the various criticisms that have been made, I note the warm congratulations on the avoidance of taxation. At the same time various speakers exhibited a yearning for greater expenditure. I am asked why more money could not be given for Education and Sanitation. My friend the Hon'ble Mr. Bannerjee yearned to spend more money on the Army and so on. Well, I shall touch presently on the question of extra grants for Education and Sanitation. But I would remind my friends who have taken this line that you cannot have things both ways. The Hon'ble Pandit and another speaker or two said 'You have got this big surplus, which may probably be bigger still at the close of the year. Surely, you need not be so miserly; you can give out more money.' Well, if my friends follow carefully the exposition I have given of our Ways and Means position for the year that is coming on us, they will find that, as I have said, we shall want all the money we have got to meet the Ways and Means difficulties. I would remind the Council once more that, even as it is, we have not been able to make specific provision for the Secretary of State's Council Bills, so necessary for the support of India's trade; and, therefore, I say that the fact that there is a surplus does not show that we can dissipate it so freely on expenditure as one might in ordinary years. This is a war year and the next year is a war year, and we must conserve our resources to the utmost.

"Then, some reference was made to a charge that I had underestimated our income in the current year, and that this underestimating of revenue, and -- it was implied -- overestimating of expenditure, was an ingrained vice of Indian Governments. Well, I have no doubt that the



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[*Sir William Meyer.*]

Government of India must always be cautious folk. They have felt that you cannot turn the taxation tap on and off so readily and easily as you do at Home. They felt that it is better to be on the safe side because their calculations may at any time be upset, as Sir Edward Baker's were on one occasion, by bad seasons. Therefore, as I say, you must be prudent and cautious, and this is doubly necessary in the case of the present war with its kaleidoscopic surprises. My friend the Hon'ble Mr. Sastri noticed that if I have underestimated the revenue I have also underestimated the expenditure. Military demands came which I could not possibly resist. I maintain what I said on previous occasions that really, so long as this war lasts, we are groping in the dark, and that if our estimates turn out to be better than we expected, it is a matter to thank Providence for and not be too critical about. And lest this should be thought to be some special vice of bureaucracy, I would remind my Hon'ble friends that in the British Parliament the estimates that the Chancellor of the Exchequer has put forward during the war have been set aside by actual events to a far greater extent than our estimates here.

"Then reference has been made to the lapses in Provincial expenditure under Education and other heads, lapses in the current year. Well, I want to state emphatically that we put no pressure whatever on Local Governments to cut down the budget estimates we had agreed to. The lapses that occur are, I think, absolutely due to the feeling that it is better to defer expenditure and incur it to better advantage later than to rush into outlay simply to show that the budget estimates have been worked up to. Anybody who has experience of these matters will know that it often happens that, towards the close of a year, you are faced with the question, can you lay this money out to the best advantage? You can throw it away and make it appear that your actuals square with your budget. But wise and honest people will say that it is much better to let it lapse and spend it to advantage and with greater deliberation next year.

"Then, we have had a wail that beneficent expenditure is at a standstill owing to the war. Well, the war is on us, and we cannot expect to get on with other outlay as if there were no war at all. My friend the Hon'ble Dr. Sapru referred, I think, to the fact that Great Britain was nevertheless spending much money on education. He referred to Mr. Fisher's programme. I would remind my friend that Mr. Fisher's programme has not come in yet; it has had to be postponed.

"As regards the current year's Provincial budgets, in spite of the necessity for economy which the war requires, we are, as I said in my speech on the 1st of March, giving the Provinces an opportunity of spending three million pounds more next year than is actually being spent in the current year. If you compare the budget estimates of the coming year with the figures of the last peace year, 1913-14, you will find that there is an increase of expenditure of about one million pounds, from £3,177,000 to £4,121,000, under Education; and if you compare the budget allotment for education in 1918-19 with the Revised for 1917-18 you get a rise, in round figures from £3,360,000 to £4,120,000. Some of the Members have spoken as if the special grant of £200,000 which we are making from Imperial funds was the only contribution to educational progress in the coming year. Well, education is a Provincial matter, and the expenditure comes from Provincial revenues. What we have done in past years, when our finances allowed of it, and what we do this year as an earnest of what we should like to do if the war was not on us, is, every now and again, to make additional grants to the Provinces from the Imperial Exchequer. But the expenditure remains, in the main, Provincial expenditure; and the fact that there is an increase budgetted for in 1918-19 shows that, in spite of the war, the Provinces are going ahead.

"Similarly, for Sanitation the current year's budget figure was about £610,000 and the Revised £580,000. In 1918-19, there is a provision of £715,000 for Sanitation as against £423,000 in the last peace year, 1913-14. That is a very large proportional increase. The Sanitation expenditure in Bengal, to which the Hon'ble Mr. Bannurjee referred, has risen from about six

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lakhs in the current year's budget to nearly 12 lakhs in 1918-19, and that includes a considerable amount of provision for measures against malaria.

"As to expenditure on Agriculture, to which one speaker has referred, if he looks at the budget allotment for the coming year, he will see that it is nearly 50 per cent. above that for 1913-14. So I maintain that, in spite of war conditions and the necessity for conserving our resources as much as possible, we are still making very fair progress in beneficent expenditure. Well, I have been asked if we cannot give more special grants. I have already answered the question: we have not the necessary funds, having regard to the demands on our resources for Ways and Means purposes. There is also, as I indicated in my speech of the 1st March, another reason. We have got under consideration, in connection with the scheme of constitutional reforms, the future relations—financial as well as other relations—of local bodies, Provincial Governments and the Government of India, and till we have determined what those relations will be obviously we cannot go in for large commitments based on the existing system. My friend the Hon'ble Mr. Bannerjea regarded this announcement as a great triumph for his views on Provincial autonomy, and chaffed me genially for having taken a different view now to what I took in a debate in 1914 when he raised the subject in connection with the famous Delhi Despatch. Well, if my Hon'ble friend wishes to claim me as a captive to his bow and spear, he is welcome to do so, but I would like to remind him that what I said then—that is, in that debate of 1914—was that the Delhi Despatch only spoke of Provincial autonomy as a distant ideal; it did not give any pledge for immediate action. We have progressed more rapidly now, and perhaps we can act sooner than we thought possible in 1914. My Hon'ble friend is an impatient idealist in this matter. An impatient idealist has been described by somebody as 'a beautiful and ineffectual creature;' but I do not commit myself to that description at all. An impatient idealist, I think, is a very useful person. Without the impatient idealist we should all get far too much into the ordinary ruts....."

**The Hon'ble Mr. S. N. Bannerjea:**—"Whatever has been done has been done by impatient idealists in this world."

**The Hon'ble Sir William Meyer:**—"As I have just been saying, without the impatient idealist we should stagnate; but at the same time the impatient idealist, when he begins, is just as much before the right time as the obscurantist conservative is behind it. A Government has to take a prudent course. It listens to the impatient idealist, but it cannot prudently move till it has made sure that the route is the right route, and that the ground will bear the progress which it is proposed to make."

**The Hon'ble Mr. S. N. Bannerjea:**—"The impatient idealist has triumphed in this matter."

**The Hon'ble Sir William Meyer:**—"He generally does in the end. Well, my friend, the impatient idealist, if he will allow me to call him so, and some other speakers have criticised us on the ground that the additional pay to British soldiers provided in the Financial Statement has not been accompanied by a corresponding increase to the Indian troops. It is not, for the very good reason that we made the increase to the Indian troops first. We did that with effect from the 1st of January 1917, and it was mentioned in the budget of the current year as materially adding to the military estimates. We increased the pay of all ranks from Subadar-Major downwards; and we gave the sepoy, instead of an increase of cash pay, free rations which were estimated at that time to be worth an additional pay of Rs. 3-8 per month, and which, as prices have continued to increase, is worth still more now....."

**The Hon'ble Mr. S. N. Bannerjea:**—"May I make a submission? My point was that Rs. 11 which is the increased pay *plus* the rations which you give are not sufficient. That is my whole point."

[8TH MARCH, 1918.] [Sir William Meyer; Mr. S. N. Bannerjea; His Excellency the President.]

**The Hon'ble Sir William Meyer:**—"I will meet that directly; but what I say is that we did make very material additions last year."

**The Hon'ble Mr. S. N. Bannerjea:**—"It is not enough."

**The Hon'ble Sir William Meyer:**—"We also raised pensions. We gave men a bonus of Rs. 50 on recruitment. We have given improved clothing and housing conditions. But my Hon'ble friend says 'it is not enough. I want you to spend millions more.' Well, if you spend millions more, you will have to increase taxation very considerably. I am less of an idealist in these matters than my Hon'ble friend, and I will wait for the military authorities to put up proposals to me. It is the military authorities who have to deal with a great deal of possible military expenditure to judge which military expenditure is most essential; and I may say that His Excellency the Commander-in-Chief and Army Member has always shown an extreme amount of—may I say?—Scotch caution in deciding how far to progress; but when he comes to me he generally does so with such a complete case that I throw my hands up and surrender to his discretion . . . . ."

**The Hon'ble Mr. S. N. Bannerjea:**—"You will get much more recruiting."

**His Excellency the President:**—"The Hon'ble Member has had his say already."

**The Hon'ble Sir William Meyer:**—"Then, the Hon'ble Sir Fazulbhoy Currimbhoy asked me for an announcement of our position in regard to expenditure in Persia and Mesopotamia. As regards Mesopotamia our expenditure is limited to the Expeditionary Forces there—I mean expenditure which we have eventually to defray from Indian revenues, not what we pay in the first instance on behalf of His Majesty's Government and get back from them. The Resolution of 1914 puts on us the normal charges in respect of those forces, namely, what we should pay for them if they remained in India.

"As regards Persia I cannot say more than what I said in paragraph 16 of my speech of the 1st March. There I spoke of the South Persia Rifles as 'a corps raised to assist the Persian Government in maintaining order in tracts in which British interests are specially concerned with reference to present war conditions,' and indicated that the cost of the corps is divided like other Political expenditure in Persia between His Majesty's Government and ourselves. Well, my Hon'ble friend, I think, knows that Persia is in a rather delicate situation; that there are Turkish troops in the country; that there are German agents in the country, that there are large tracts in the country which have been the scene of local disorders. I am sure he will not press me to make any further statement as to the precise functions and use of the South Persia Rifles. I must ask the Council to take it from me that they are doing useful work.

"Then, my Hon'ble friend Sir Fazulbhoy Currimbhoy, and I think the Hon'ble Pandit also, criticised our investment in Home Treasury Bills—our special investment of 20 millions—on the ground that it is out of the proceeds of borrowing here and that we are paying more here than we get in interest in England. Well, that may be; but surely my Hon'ble friend realises that it is necessary to borrow here for the purposes of our war finance, which includes among other things large expenditure on account of His Majesty's Government and the meeting of Council Bills to promote those trade interests in which the Hon'ble Sir Fazulbhoy Currimbhoy is so interested. We have to lay out this money; we cannot get adequate specie payments in return, for the reasons I have explained, and so we have to be content with Treasury Bills at Home. That is a war sacrifice if people like to call it so; but it is justified in the circumstances of India's trade among other things. The Hon'ble Pandit objected to any investment at all. He would like the money to lie idle in the

[ *Sir William Meyer ; Pandit M. M. Malaviya.* ] [ 8TH MARCH, 1918. ]

Secretary of State's coffers. Well, I have explained that it has accumulated in the Secretary of State's coffers for reasons which are beyond our control, and that being so, we thought we were doing a good stroke of business for India in persuading the Secretary of State to invest it....."

**The Hon'ble Pandit M. M. Malaviya:—**"Why raise it?"

**The Hon'ble Sir William Meyer:—**"If the Hon'ble Pandit has followed my exposition of the Ways and Means situation, he will have seen how necessary it is for the money to go Home and that we cannot get specie back again. That is one of the difficulties of the situation.

"Then the Hon'ble Mr. Hogg raised a kindred point as to the rise in the rate of exchange affecting our Home investments when we want to get them out here, meaning, I presume, that we should get less in the way of rupees than the amount of our original remittances. Well, most of our investments are in short term Treasury Bills. We may lose by exchange in bringing the money out when we can bring it out; but it must be remembered that we gain in our remittances Home, so that the one balances the other.

"Also so far as this money is applied to help in the Railway Programme it would come out not in actual cash but in railway material.

"I note the remark which Mr. Hogg and Sir Fazulbhoy and some other speakers made in regard to our contemplated measure for restriction of flotations of private issues. Well, I shall bring forward that Bill in a few days' time and it will be published for information. I only want to say now that there is no intention of absolute prohibition, as my friend, Mr. Sita Nath Ray seems to imagine. We only propose to follow the system that has been adopted by the Home Treasury since the beginning of the war, which is in force in India now in respect of so many other matters connected with the war, by requiring a special license before private flotations are made of registered companies. If it can be shown that new flotations will not compete with our loans, or if they would compete are nevertheless in the national interest, as for instance in the production of material required for the war, certainly I will never be chary in giving the licenses. I also note as a very useful remark Mr. Hogg's suggestion that we might in some cases make it a condition that till a company can get to actual useful work of its own it should temporarily invest in Government funds what it gets from the public.

"Some of the speakers have referred to the undesirability of undue pressure in respect of our current war loan. I entirely agree with them that there should be no undue pressure. Put on the lowest ground, it defeats its own object, because for one man you get money out of by compulsion you may prevent ten others from subscribing. But we do want a great deal of persuasion, and though persuasion should not develop into compulsion, no doubt occasionally there has been too much zeal on the part of some subordinate local officials. I daresay there have been individual regrettable instances of this sort, but speaking as a whole, I do not think that it can be said that in respect of our current year's loan there was undue pressure exercised, though there was remarkably successful persuasion by Heads of Provinces and their committees. But I am quite ready if it is thought desirable to let it be known that Government are absolutely opposed to any coercion. I note also, as a very useful one, Mr. Hogg's suggestion that when we make a definite announcement as to next year's loan we should indicate how the difficulties that arose this year in respect of the issue of scrip are going to be avoided next year.

"Every Member who spoke showed warm appreciation of the loan and of its objects. There was one marked exception in a speech, which, perhaps fortunately, has been taken as read. The Hon'ble Mr. Rangaswami Ayyangar's taken-as-read speech contains this gem—'In the matter of issuing another loan this year I should say that it would be more advisable to issue it next year. The rate of interest has already become very high and the flotation of another loan will jeopardise the interests of landowners and

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other industrial people wanting capital or otherwise indebted.' Well, that is a very sordid way of looking at things, looking at them from the point of view of the interests of the speaker's own class, and regarding the interests of India and of the Empire as *nil*. I am very happy to feel that this is a mere isolated criticism which has found no echo at all in this debate, where, as I say, the loan has evoked warm appreciation.

"There were a few remarks from Mr. Sarma and Mr. Sastri as to the inflation of currency and its effect on prices. Well, I do not see how the currency can be said to be inflated by our coinage and note issues. We only coin when it is shown to us to be absolutely necessary to add to stock of rupees and similarly with regard to note issues; and the result as regards our coinage, and the fact that it has not been redundant, has been shown in the way in which it is absorbed. Almost as soon as it is issued from the mint, it gets absorbed by the public, and we get once more into a state of embarrassment as to how to replenish it. The rise in prices is of course the result far more of the world demand for essential products rather than of any question of local inflation of the currency. An addition to the coinage would in any case be required with reference to the more active circulation of commodities that is taking place in these war circumstances. Of course, there is one method which certain economists like Mr. Hartley Withers constantly preach, to meet the demands for currency—that is that you get the old currency out by drastic additional taxation; but I do not think those speakers who have criticised our alleged inflation of currency would wish to adopt that counter-remedy in India.

"My friend Sir Dinshaw Wacha has spoken of the railway surplus as one which should be ear-marked for capital expenditure on the railway programme. Well, that is a matter which I have discussed more than once. I had some remarks on it in my first budget speech, and there are arguments both ways. There is a great deal *prima facie* to be said for putting the profits made on railways into the development of the railway estate. On the other hand, if you take Sir Dinshaw Wacha's metaphor and treat the people of India as shareholders in railways, you have got the fact that the shareholders went without any dividends for a long time, because, as Sir Dinshaw has aptly reminded the Council, it was not until after many years that the railways began to pay, and the shareholders may quite reasonably claim that they should have some reward for their past abstinence. Also, as shareholders might claim in an ordinary business, they might say 'It is all very well for you to put part of the profit into improving the business, but you must apply part of it in giving us dividends'. So that one has to hold the scale between those two rival claims, and it really becomes a mere matter of expediency in any particular year as to how far you should use capital and how far revenue for the railway programme .....

**The Hon'ble Sir Dinshaw Wacha:**—"It is not a question of cumulative dividends."

**The Hon'ble Sir William Meyer:**—"But as I told the Chamber of Commerce in Calcutta a year or two ago, I had gone into the matter in respect of the years before the war; and I found that as a matter of fact, taking a cycle of years, I think it was 15 or so, we had put all, and more than all, the profits that the railways had been giving us into the development of our railway property. Some speakers said they could not trace that expenditure. My answer is that when we meet capital expenditure out of revenue we meet it by a corresponding transfer from our unproductive to our productive debt."

"The Hon'ble Pandit says that I said nothing about the railway revenue. I thought I had said something very material about it in paragraphs 9 and 57 of my speech on the 1st of March, explaining for instance how it had grown in spite of great disadvantages, but perhaps what he really meant was that I had not said anything about increase of railway fares....."

[ *Pandit M. M. Malaviya; Sir William Meyer; [8TH MARCH, 1918.]*  
*Sir Dinshaw Wacha.* ]

**The Hon'ble Pandit M. M. Malaviya:**—"That was what I meant."

**The Hon'ble Sir William Meyer:**—"Of course, I had to deal with big figures and with the railway budget as a whole, and I could not, as the Hon'ble Pandit will, I am sure, understand, go into all the details in a budget speech. But I understand that either Sir George Barnes or Sir Robert Gillan will deal with this matter at a later stage of our discussions on the Financial Statement.

"Sir Dinshaw Wacha wants improved Audit machinery and reports like those of the Auditor-General at Home. I think we have got that. We get very illuminating audit reports from the Comptroller-General and Auditor-General, which are published every year and which form the subject of comment in the Press; and I think we have a great advantage here over the people at Home, in that our audit system is a continuous system. The Audit Officer can always put the brake at once as soon as he regards any expenditure objectionable, whereas at Home they apparently wait; and then there is a retrospective review and much weeping and wailing by the Auditor-General over the wickedness of the spending departments. There was a House of Commons Committee on the matter not long ago which was moved to tears at the reckless way in which the various spending departments were spending, and, I think, one of the things they said was that it would hardly be believed that the Munitions Ministry had never taken the trouble to have a Financial Officer attached to them....."

**The Hon'ble Sir Dinshaw Wacha:**—"Is it effectual—the system here?"

**The Hon'ble Sir William Meyer:**—"I do not say it is perfect here, but I think it has been much improved during the last few years—since the accounts and audit functions of the Comptroller and Auditor-General were separated from his functions in connection with currency loans and so forth, now discharged by the Controller of Currency; and it is improving constantly.

"It is getting late, my Lord, and I do not think I need keep the Council further with answers to what were very friendly criticisms. I must once more express my great appreciation of the way in which Hon'ble Members have spoken about my work and my hearty thanks for it. And I should like to say, as I did in my speech on the Financial Statement, that such credit as is attributed to me must be very largely shared by my able and most zealous lieutenants in the Finance Department; and that I also owe very much to your Excellency and to Lord Hardinge, and to my past and present colleagues in the Executive Council."

The Council then adjourned to Saturday, the 9th March, 1918.

DELHI :

*The 15th March, 1918.* }

A. P. MUDDIMAN,

*Secretary to the Government of India,*

*Legislative Department.*