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THE
LEGISLATIVE ASSEMBLY DEBATES
(Official Report)

FIRST SESSION
OF THE
LEGISLATIVE ASSEMBLY, 1921



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LEGISLATIVE ASSEMBLY.

Tuesday, 8th March, 1921.

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

QUESTIONS AND ANSWERS.

NON-CO-OPERATION AND STUDENTS.

410. **Khan Bahadur Sarfaraz Hussain Khan** : Will the Government 11 A.M. be pleased to state :

(a) the student population of British India in the Government and Government-aided Colleges and Schools ?

(b) the number of students of the said Colleges and Schools who have withdrawn, and the number who have returned to their Colleges and Schools ?

Mr. H. Sharp : The information is being collected and will be laid on the table in due course.

OFFICIAL BURMESE NEWSPAPER.

411. **Mr. P. P. Ginwala** : (a) Is the Government aware that the Government of Burma has very recently started the issue of a weekly newspaper in Burmese with a Burmese title which means 'Burma's Progress' and that the paper contains a large number of advertisements ?

(b) Will the Government be pleased to state whether advertising as a form of Government trading in competition against private enterprise is in vogue in any other province and whether it proposes to take any action to prevent such trading in Burma, and in other provinces where it is found to be prevalent ?

Mr. S. P. O'Donnell : (a) The answer to the first part of the question is in the affirmative.

(b) The Government of India have no detailed information ; but so far as they are aware, action similar to that referred to in the question has not been taken elsewhere than in Burma. The matter, however, is one for the Local Governments.

MUNITIONS FRAUD CASES.

412. **Babu K. C. Neogy** : (a) Will Government be pleased to make a statement showing, province by province :

(i) the number of prosecutions which have been undertaken in connexion with the Munitions fraud cases,

(ii) the number of searches made in connexion with these cases,

(iii) the amounts of which the Munitions Board has been defrauded in each individual case,

(iv) the estimated expenditure to be incurred in the prosecution of each such case up to the highest appellate court,

(v) the total cost incurred up to date in each case, including the cost of deputation of officers to England, and

(vi) the date of starting investigation, date of initiation of legal proceedings and the probable duration of the trial in the respective cases?

(b) Will the total expenditure to be incurred in these prosecutions be borne by the British Exchequer or by the Government, or is it to be shared by both, and if so, in what proportions?

The Honourable Sir Thomas Holland: (a) (i) The number of prosecutions hitherto undertaken in connection with the Munitions Board fraud cases is five, one in the United Provinces and four in Bengal.

(ii) I am unable to state the number of searches made by the Police in connection with these cases.

(iii) In the United Provinces case, there was no loss connected with the fraud, the property misappropriated having been recovered. In one of the four cases in Bengal, the accused was found guilty of criminal breach of trust as a public servant in respect of two sums of money, Rs. 620 and Rs. 810-4-0. The remaining three cases in Bengal are *sub judice*.

(iv) It is impossible to give an estimate of the expenditure which is likely to be incurred in the prosecution of these cases up to the final stage.

(v) The total cost incurred up to the end of February 1921 has been Rs. 1,89,962-1-0. This includes Rs. 1,200 as legal expenses in the United Provinces case. The remaining sum includes the salaries of the Police Officers employed on these cases, but it should be explained that their investigations have not been limited to the cases in connection with which complaints have actually been filed.

(vi) In the United Provinces case, the investigation was started on the 12th June 1920, and the case was concluded on the 6th December 1920. In the one case in Bengal which has been completed, the investigation was started at the end of June 1919 and the case was concluded in December 1919. In the three pending cases in Bengal, complaints were filed in the Magistrate's court on the 18th, 23rd and 26th August 1920, respectively. I am unable to say when the investigations actually started, nor am I prepared to prophesy the probable duration of the trials.

(b) The expenditure in the United Provinces case was debited to His Majesty's Government. The expenditure in the Bengal cases is being borne by the Government of India for the time being.

Mr. Eardley Norton: May I ask as a supplementary question whether there is any truth in the rumour that these prosecutions will not be proceeded with?

The Honourable Sir Thomas Holland: I have only heard the rumour but not the decision.

Mr. Eardley Norton: No official rumour?

The Honourable Sir Thomas Holland: No.

COMPLAINTS AGAINST DELHI POLICE.

413. **Babu K. C. Neogy** : (a) Will Government be pleased to state whether the Delhi Police authorities received any complaints regarding the treatment of the public by the Delhi Police on the occasions of the different ceremonies connected with the visit of His Royal Highness the Duke of Connaught ?

(b) Are Government aware that the aggrieved public experienced great difficulty in reporting instances of police highhandedness owing principally to the fact that Delhi Police constables do not wear their numbers in any conspicuous position ?

Mr. S. P. O'Donnell : (a) Nearly 3,000 police were employed in and about Delhi during the Royal Visit. Not a single complaint of any kind, verbal or in writing, was received by the Senior Superintendent of Police or his Gazetted officers.

(b) Lower subordinates of the Punjab and Delhi police in uniform wear an individual number in large block letters on the clasp of their belts. This number can be read at a distance of 20 feet by a person with normal sight.

ALLEGED HARDSHIPS OF ARMY HEADQUARTERS EMPLOYEES.

414. **Babu K. C. Neogy** : Has the attention of Government been called to 'A Simla Letter' appearing in the *Eastern Mail* of the 16th February 1931, regarding certain alleged hardships of the employees of Army Headquarters ?

(a) If so, will Government be pleased to state the idea underlying the policy of the permanent Headquarters of the various offices of the Army Headquarters being fixed at Simla ?

(b) Are Government aware of the growing discontent prevailing both among the European and Indian employees of the Army Headquarters owing to the differentiation in treatment between the employees of the Civil and Military Secretariat of the Government of India as regards pay, allowances and prospects ?

Sir Godfrey Fell : Yes.

(a) Army Headquarters have been fixed at Simla for a great number of years. They must be located either at Simla or at Delhi. At Simla, accommodation exists ; at Delhi there is only accommodation for a limited number of officers and clerks who have to accompany His Excellency the Commander-in-Chief to Delhi. His Excellency the Commander-in-Chief must, of course, have his headquarters at Delhi while the Government of India are in residence there. If Army Headquarters were located at Delhi, there would, in the first place, be enormously heavy expenditure in providing office and house accommodation for them. Again, the long hours of office work in the heat during the summer months would adversely affect the health of the clerical establishments and the quality of their work. Moreover, Delhi is notoriously unhealthy towards the end of the rainy season, and the Indian clerical establishments are most likely to suffer from malaria, which is prevalent here at that time.

(b) Clerks employed in the Army Department Secretariat are on precisely the same rates of pay and conditions of service as clerks employed in other

Secretariat offices of the Government of India. The Army Headquarters clerks do not belong to the Secretariat establishment, and have therefore been paid hitherto at lower rates. The question of assimilating their rates of pay and general conditions of service to those of the regular Secretariat establishments is engaging the attention of the Government of India.

ARMY HEADQUARTERS.

415. **Babu K. C. Neogy** : (a) Will the Government be pleased to lay on the table a comparative statement regarding expenditure actually incurred by retaining the Army Headquarters at Simla during the winter months and that which would be necessary if the Army Headquarters were moved down to Delhi ?

(b) Do Government propose to consider the advisability of locating the Army Headquarters permanently at Delhi ?

Sir Godfrey Fell : The Honourable Member is presumably not aware that the whole of Army Headquarters is not retained at Simla during the winter months. Actually a portion of the Army Headquarters establishments remains at Simla and the remaining portion moves to Delhi. Government are therefore not in a position to give a statement of the expenditure actually incurred by retaining Army Headquarters at Simla as compared with the cost of moving it to Delhi. But if the Honourable Member, in the light of the information which I have just given, desires to pursue the matter, I will have an estimate prepared of the cost of the two alternative measures which he mentions.

I may, however, explain that the only expenditure incurred by retaining any portion of the Army Headquarters establishments at Simla during the winter months is that resulting from the grant of winter allowances to certain low paid classes. On the other hand, the move to Delhi involves expenditure on railway journeys, residential and office accommodation, and the grant of certain special Delhi allowances.

(a) Government are not prepared to consider the permanent location of Army Headquarters at Delhi. The reasons for this are given in my reply to (a) of Question No. 414 by the Honourable Member.

ACCOMMODATION FOR CLERICAL ESTABLISHMENTS AT SIMLA.

416. **Babu K. C. Neogy** : (a) Will Government be pleased to state what arrangements have been made for housing the clerical establishments of the Civil and Military offices in Simla ?

(b) How many European and Indian clerks of Civil and Military offices are stationed at Simla during each summer, from 1900 onwards ?

(c) How many quarters exist for their accommodation, each separately, and how many clerks live in quarters ?

Colonel Sir S. D'A. Crookshank : (a) In 1917 there were 57 Government quarters for European clerks and 88 for Indian clerks. Since then schemes which are now in execution have been sanctioned which provide for a further 309 quarters for military and civil European clerks and 184 for Indian clerks.

(b) Information is being collected and will be sent to the Honourable Member when available.

(c) At present there are 230 quarters available for Europeans and 277 for Indians. Information as to the number of clerks actually living in the quarters is not available but it may be mentioned that all available quarters are always fully occupied. Some clerks who are allotted quarters take in other clerks to live with them but such arrangements are purely private and the numbers vary from time to time.

ECONOMY IN THE COST OF CIVIL ADMINISTRATION.

417. **Babu K. C. Neogy :** (a) What inquiries, if any, have been made by Government into the possibilities of effecting economy in the cost of civil administration, or curbing expenditure generally in the Government of India, during the last few years, and with what result?

(b) Do Government propose to consider the desirability of constituting a Retrenchment Board for making an inquiry on these lines during the ensuing financial year?

The Honourable Mr. W. M. Hailey : (a) The Honourable Member presumably refers to expenditure debitable to 'Imperial' as contrasted with 'Provincial' revenues, and not merely to expenditure incurred in the Government of India Secretariat. During the war all heads of Imperial Departments and Administrations were requested to reduce their expenditure to the lowest possible figure, the rule being that no new expenditure was to be incurred except where imperatively necessary or likely to be immediately remunerative. After the war, this rule was in some measure relaxed, and, as the Honourable Member is aware, the rise in prices made it necessary to incur very large increases of expenditure upon revisions of pay of all establishments. During the preparation of the Budget now before the Assembly the Government of India, in view of the certainty of a deficit, re-imposed the rule which was enforced during the war, and, as I have already mentioned in my Budget speech, all new expenditure has been rigorously curtailed, practically the only exception being the provision of funds for increases of pay of those establishments whose pay has not yet been revised. It is not possible to give the results of this policy in previous years, as the effect of the economies made has been obscured by expenditure on extensive revisions of pay. But as regards the Budget estimates now before the House, I may say that the total reduction which the Finance Department made, in the course of estimating, in the demands for expenditure in 1921-22, amounts to the large sum of Rs. 3½ crores, though these demands had already been largely curtailed by the Administrative Departments before they reached the Finance Department. I may mention that detailed investigations were also made in the autumn as regards the reduction of temporary staffs engaged during the war in certain branches of our offices and large reductions were effected.

(b) The detailed estimates of expenditure are now in the hands of Members, and the House will doubtless not fail to indicate the directions in which it considers that further retrenchment can be effected. In future years, moreover, the Standing Finance Committee will presumably give this matter their continuous attention. As at present advised, therefore, Government do not consider that there is any necessity for this Assembly to delegate its functions to some other body.

BUDGET FOR 1921-22 AND THE CALCUTTA UNIVERSITY.

418. **Babu K. C. Neogy** : Has the attention of Government been drawn to a letter in the *Englishman*, dated February 22nd, 1921, Dak Edition, from Mr. P. J. Hartog, Vice-Chancellor of the Dacca University and former Member of the Calcutta University Commission, in which he expresses his profound regret at the decision of the Government of India not to make any grant in the Budget for 1921-22 for the re-construction of the Calcutta University ?

Mr. H. Sharp : The answer is in the affirmative. The Government of India share Mr. Hartog's regret.

Lala Girdhari Lal Agarwala : Sir, I must thank the Honourable Mr. Hailey, the Finance Member

The Honourable the President : Order, order. I thought the Honourable Member was asking a supplementary question.

The Honourable the Finance Member was good enough yesterday to meet the suggestion made by Mr. Rangachariar regarding notice of motions for reductions of grants, and I said from the Chair that I would not apply the rule strictly. At the same time I wish it to be understood that Members will be consulting their own interest if they give the longest possible notice of such motions for reduction.

GENERAL DISCUSSION ON THE BUDGET.

Dr. Sir D. P. Sarbadhikari : Sir, the usual chorus of congratulations and condolences is already full and I readily associate myself with it as more than a matter of courtesy. The Honourable the Finance Member's adroitness in forging a double-edged weapon which will cut either way, has been commented on by Sir Frank Carter who will, however, not speak out his mind on the enhanced sugar duties, for his feelings on the subject cannot be surcharged with an overabundance of sugar and not trusting himself to speak he prefers silence. When Mr. Pickford spoke in another concern of the splendid paper achievements of the Finance Department, he must have smothered his feelings about the import duties in a way that did him credit. We may spare further efforts in that direction. No body takes it very kindly to be told that he has been attempting to do the best of a bad business, largely brought on by himself and his colleagues particularly when he has the sub-conscious feeling that the disappointment is far too deep for expression.

We have been told that we had a bad year and must have had some preparedness for a bad budget. But the monsoon has not been so very bad, our credit is good and prices are coming down. We, whose years are of 'perennial badness' to suit the financial conscience have cultivated eel like virtues and feelings that make us proof against surprise and must put up with all that comes or is flung. Though the lack of resources and the staying power of the people are at the lowest and taxation at the highest we are called on to keep on smiling. Micawber-like we have to go on grinning in the expectation of better things turning up though we are perfectly persuaded that perverse contrariness has really far worse in store. Taxation

in the Central Government, taxation in the provinces with their new found powers and obligations are to be the portion of a long-suffering people for whose uplifting the Reforms which have not come a minute too soon will have no real chance for many a year. Imagination, statesmanship and frank dealing, which and which alone can save the situation, have yet to come over Budget debates, and Budget proposals, however elaborate, far-sighted and well meant, will not, even in the spacious days that are supposed to have arrived, avail us. For we are up against a long-standing and mischievous system and the trained accountant is coming too late.

The spacious days according to certain points of view voiced by the Honourable Mr. Hailey have been left behind. Remembering those he will not take the responsibility of telling us who was responsible for the Exchange Tragedy and has by his unspoken impeachment made the case worse. He will not take the responsibility of defending military extravagance and leaves the work to what he significantly calls the Army Member. When His Excellency does come to speak, we must do him the courtesy and justice of remembering that he is new to his post and has been in the country only for a few weeks. Much has already been spoken for him in the paper placed in our hands this morning. He may well, however, cry out to be saved from friends who, while justly decrying swelling military expenditure, make insidious attempts to increase it by making Mr. Hailey's description of military member inapplicable to him in future, and making civil administration still more topheavy by having another semi-military apologist in the Executive Council, already too large and expansive.

I shall waste no vain regrets on the week's ineffective wrestling with an eight volume Budget that a resourceful Department must have taken as many months to prepare, nor on the inevitable quarter of an hour's time-limit which you, Sir, have felt compelled to put.

One can only hope that when year after year for ten years, for near upon 150 quarters of an hour the searchlight is played more or less clumsily upon the dark crevices around supported by scouting and mining and occasional sniping that must go on throughout the year some negotiable passes may be discovered out of labyrinth, and utter breakdown avoided by the time that the next Parliamentary inquiry comes. It is difficult to build solid and honest co-operative optimism on slender foundations like those presented to us. For the present, the pioneer work must be of mere jungle clearing and you can do as much sing-song shouting as you like to relieve your feelings and lighten your toil. The old world speech does hurt none if it benefits none.

Already so many business men have spoken and will speak of the exchange problems that I shall leave it alone as far as possible. And after the Honourable the Finance Member's appeal *ad misericordiam* it would be really flogging a dead horse. The regret, however, is that his courageous promise to be frank—and he sportingly said it was no use being otherwise—has been unaccountably belied. I am not sure, Sir, that he has a right to refuse though it is good of him not to cry 'Not me, Sir, but the other boy.' His seemingly unaccountable refusal will stand in the way of that sympathy being extended fully to an erring and unfortunate Finance Member which was customary in less responsible and more critical days. The writhing contempt with which Mr. Tata was scathed in Simla during the last session of the

[Dr. Sir D. P. Sarbadhikari.]

Legislative Council in his futile attempts to gain time and considered opinion and to avert disaster, will be fresh in the minds of many. In later times the presiding Judges look—the Darling look—has been ineffectively attempted to be made a ground of appeal. Official looks on that occasion in Simla have not had similar honours; and if we refer to it, it is in no unchivalrous spirit but to guard against repetition. We have heard of the generous start given to the new Provincial Governments, and our Budget proceeded upon the basis that it will not be weakened by having to do justice to the provinces. The Bombay and Bengal Budgets have a woeful tale to unfold, though there may be a different state of things in the United Provinces, the Punjab and Madras, which are so powerfully and so patriotically represented on the Central Government. My intention is to take the earliest possible opportunity of guarding against further weakening of the Budget by the Government having to do justice to the University of Calcutta and to the Province of Bengal. Bombay wants its share of the Income-tax, so do we. Bengal urges the same claim and wants its own exclusive jute duty, it also wants provision for the reconstruction of the University, for the examination of which question the Sadler Commission was appointed. I do hope that if the Government of India fails us in this matter, the Secretary of State will intervene and that justice will be done. I am not putting this forward with a view of getting any vote, but by way of a constructive proposal; in case justice is going to be done to Bombay, the same justice should be vouchsafed to Bengal as well.

Then again about the Territorial forces, for which even rules and schemes have not yet been promulgated, a lump sum of Rs. 5 lakhs has been budgeted. One feels almost a feeling of dismay that though the war is really at an end, though the Budget has grown bigger than before, the provision made for the nation-building agencies, which we should have looked forward to in the reformed days, has been almost negligible. If the second line of defence about which we have heard so much outside and in the Esher Committee Report, if the standard of the Bengal Ambulance Corps and the Calcutta University Corps are to be materialised, the Territorial question must be taken up in right earnest. Much more than Rs. 5 lakhs will be required: it will not be enough for the military authorities to say that it is a political toy and that it shall form no part of the military machinery. The scheme and the rules have not yet been framed and if the Territorial force and auxiliaries are to be a real help to the military, much larger expenditure and careful handling of the situation will be necessary.

Now, Sir, we must face the situation. Coming to the question of taxation, we must concede that much of it was well conceived and must be supported. The duty on tobacco and liquor might have been larger if there was no fear of illicit transactions. One does not realise why the home-grown tobacco, the manufactured tobacco, should be left alone because of the difficulty of collection of taxes. Leaving alone the poor man's orthodox and less objectionable tobacco, the *chasos' chillum*, much revenue might have been recovered in this department.

The cloth situation, with the duty added on to it and with the withdrawal of the concessions for machinery and stores for spinning and weaving, will be still more acutely felt in this country. No justification has been attempted, I am afraid there is none, for raising the postal rates, and if the educative

influence of the post office is to be continued, I think we must let at least the post-card and the newspaper postage alone. It ought not to be possible for anybody to say that it is intended to kill off the smaller newspapers.

Sir, a large sum is shown as a votable sum, covering, as has been pointed out, peons', clerks' and even Registrars' pay, on which we are invited to vote or not to vote. We have in a manner been invited to embark on destructive work and refused the vote. I am sure, there is no seriousness in that suggestion, for apart from the Viceroy's right to restore discarded demands and to add new expenditure, it would be worse than awkward and ungracious to start obstructive tactics. In the meantime, we are left to go on wondering why some measures for improving our finances and for restoring trade balances as well as exchange, have not been thought of; why the duty on silver and patent medicines, as another gentleman suggested, could not be thought of, why some unobjectionable duty on bunker coal could not be adopted, and why, for easing the wagon situation, a small extra special freight on coal itself could not be had for the special purpose of building up wagons. These are, however, measures which must be left to another stage. We appeal to the Honourable the Finance Member to adopt some of these suggestions by way of amendments of his own, in connection with the forthcoming tariff legislature, and give us a Budget as free from objections under the circumstances as possible. Let him help in staving off ruin and bankruptcy and assist in real works of nation-building. Then and then alone, the vision of a greater India which he has put before us will be realised earlier. For ourselves, in spite of the semblance of power and responsibilities, we can only prayerfully and watchfully trust, that light and grace may grow and increase in those vested with authority.

Lala Girdharilal Agarwala : I must thank the Honourable Mr. Hailey, Finance Member, and his hardworked staff for the detailed and voluminous budget for the ensuing year.

The military expenditure budgeted for the ensuing year stands at the alarming figure of 62.2 crores. The Honourable the Finance Member has very wisely abstained from pleading any justification for such a large military demand and has shifted the burden upon other shoulders. I understand the Frontier situation requires additional forces. The only way to economise is to substitute Indians for Europeans to a large extent, as they combine in them both economy and efficiency as proved in the late European war.

I am sorry, I find that in the Royal Air Force and in the fighting units with machine guns not a single Indian has been budgeted as officer or to fill other ranks, although 80 British officers and 1,185 British other ranks for the machine-gun fighting unit and 247 British officers, and 1,964 British other ranks are shown. Similarly in Army Headquarters, Headquarters of Commands, Brigades, etc., even in Animal Transport, Veterinary, Ordnance and Clothing, not a single Indian is to be employed as officer or to fill other ranks.

We, Indians, helped our Sovereign in the late European War with our men, material and money and fought side by side with our European comrade and earned laurels in the field. Are we to be treated like this now?

I propose that military training should be given to us as is given to Europeans in self-governing countries, as promised by my Honourable and esteemed friend, Sir Godfrey Fell, on behalf of the Government (in answer to

[Lala Girdharilal Agarwala.]

my Question No. 125 only the other day), so that we may be able to help the Government in time of need. The Arms Act should be removed from the Statute-book. The system of military supplies should also be thoroughly overhauled.

This heavy military demand will necessitate the imposition of additional and fresh taxation which will be strongly resented by the country. As the Honourable Mr. Hailey has frankly admitted, we have suffered from failure of monsoon. These are hard times. High prices, high cost of living, unsatisfactory condition of trade and agriculture have subscribed to the increasing unrest in the country.

The exchange policy of the Government and the sale of Reverse Councils have added to our misfortunes and our international business credit is at stake. I, therefore, cannot recommend any additional or fresh taxation especially upon our necessities.

In particular, I strongly oppose increase in rates of letters and post-cards. On the contrary, I propose the introduction of *half rate local postage* which will be an additional source of revenue, as letters and newspapers which are at present sent by hand will in that case be sent through post.

Similarly, I oppose any import duty on textile machinery, stores and yarn. Fire-wood, food-grains and fodder should not be taxed further, and there should be no surcharge within 50 miles.

There are several articles of necessity which have been wrongly classed as luxuries, such as cotton umbrellas, cheap watches and bicycles.

I think railway plant, rolling stock, aeroplanes, ships, and tea-chests could have been taxed better than at 2½ per cent. Liquors are a luxury and should have been taxed as such.

Within the short time allotted to me, I can only make passing observations about various matters. The method of assessment of *Government Revenue* requires to be overhauled by Legislation.

The *Excise policy* of the Government to reduce consumption of intoxicants by heavy taxation has not worked well, as consumption has not decreased though income has increased. The Government should take effective steps to reduce such consumption.

Forests are no doubt beneficial to the country and productive of revenue, but the *forest policy* of the Government of acquiring and reserving private lands for afforestation purposes is not desirable, and the Government should encourage and help private people also in afforestation.

Education deserves special consideration. More money should be spent on brains and books than on buildings. Female education deserves particular attention. Technical education on commercial lines is a crying need of the country. I want to see the day when our *Swadeshi* aeroplanes, steamship and railway engines will be sold in European markets as the cheapest and best in the world.

Irrigation Department should not be made a means for earning profit as there are numerous indirect advantages thereby to the Government. It assures realisation of Government revenue in full and leaves room for enhancement. It improves agriculture and prevents famine. *Improvement of*

agriculture is the primary duty of the Government. What has the Government done during the last 200 years of British rule in India, towards the improvement of agriculture? What is the ratio of food-stuffs now with that prevailing 50 years back? Has the productive power of the land increased or decreased? Bullocks and cows of good breed are scarce. For want of pure milk our vitality has become low, our life short, our constitution weak and small and we are a prey to epidemics and premature death. Our infantile mortality is probably the highest in the civilised world. Our Indian systems of medical treatment also deserves encouragement.

In conclusion, I submit, that our Budget should be so framed as not to create further discontent in the country but bring peace, prosperity and happiness to the people of India and thus strengthen the bond of union between the British Government and the people on the basis of mutual good-will and respect.

Mr. N. C. Sircar: Sir, within the short time of 15 minutes it is impossible to deal with the Budget *in extenso*, nor was it possible for me to sufficiently study the voluminous accounts, which were placed in our hands for a short time, to be in a position to offer any practical suggestions. But from what cursory view I have been able to take, I find that the expenditure has been estimated at 129 crores and that the deficit is 19 crores. The principal item of expenditure is under the military heads, covering about 50 per cent. of the total expenditure, which, together with certain other items over which we have no control, we have been asked to vote for and sanction taxation to meet, and we are in the position described in the Bengalee adage which says: 'The bullock with a load of sugar on its back without the privilege of tasting it.'

We are now in the dawn of a Reform scheme, having for its object self-government, to achieve which Indians must be admitted to the Army in much larger numbers so as to effect a saving and avoid deficits in future years. In the meantime, an assurance from His Excellency the Commander-in-Chief that he will do his best to effect economy will meet the requirements of the case. Of course, by economy, I do not mean impairing efficiency. I quite see the embarrassment of the Finance Member in bringing about a solution, which is to make up the 19 crores and he suggests taxation to the extent of 19 crores. Before I deal with the taxation as detailed in the Honourable Mr. Hailey's speech, I should like to say a few words regarding the proposed grants on different heads. If India is to be made a self-contained country, more money should be allotted to Industries: likewise larger grants should be made to railways; better transport facilities means more money to the country and larger profits to the Government. As a coal man I know from personal experience that during the last twenty years we have never got wagon supplies to the full of our requirements. We have always to carry forward stocks from month to month--nay from year to year. Our out-put has to be curtailed for want of transport facilities. Just at present although we have heavy stocks of coal in the country, for want of transport facilities coal is being imported from England to serve certain railways, and in this connection I invite the Honourable Member for Commerce to correct me if I am wrong.

Education, Sanitation, and Medical Service should have a better claim on us and nonetheless Agriculture, as India is an agricultural country.

[Mr. N. C. Sircar.]

Now, to return to the deficit of 19 crores and the consequent proposed taxation, I find that it has been suggested to make it up as follows :

Increased Custom Duty	8 crores
Railway Surcharge	5½ „
Postage stamp	2½ „
Super-tax and income-tax	3½ „
Total	19 crores

While I thank the Honourable Finance Member for his earnestness to save the people of small means from the effect of these increased taxes, I am afraid he has not been able to achieve his object to any appreciable extent.

An import duty is really beneficial to the country's industry in so far as the import of articles which are manufactured here is concerned. As a coal man I would welcome a prohibitive import duty on coal from foreign countries, and my friends from Bombay, the millowners will hail a duty on piece-goods. But it will fall very heavily upon consumers who are the men who actually pay for it, and thus import duty on the articles in general use by the poorer classes and middle-class men will be a great burden on them.

The surcharge on coal and coke, fire-wood, food-stuffs and piece-goods will likewise affect the poorer class and the middle-class, and coal will greatly affect other industries such as jute and cotton, etc., and it will indirectly affect the producers of coal. The railway freight on coal has just been increased very largely—from the 1st of April 1921, to the extent of Re. 1 to Rs. 3 according to distances, and this increase, together with the terminal charge of 2 annas per ton and surcharge at 6 pies per maund or 14 annas per ton, will mean a total increase of Rs. 2 to Rs. 4 a ton, according to distance, and this is an item not to be despised from a consumer's point of view. Postage stamp—the raising of the post-card price from one to two pice and the abolition of the half anna stamp are a great calamity. It will debar the poor and middle classes from carrying on their communications, and I should very much like the retention of the quarter anna card, and the two pice stamp even for a smaller weight, say 1 tola. Super-tax—this is already a tax in excess of the income-tax, that is, if I have understood it rightly, one will have to pay on the basis of income-tax for first Rs. 50,000 and then for every additional Rs. 50,000 on at a sliding increased rate ranging from 12 pies to 48 pies as suggested by the Finance Minister, and I have found from calculation that one whose income is Rs. 4,00,000 will have to pay about Rs. 60,000 and then Rs. 25,000 for every additional lakḥ.

Now, I come to Income-tax. To this was attached the excess profit duty just abolished and before one could recover from the effects of it, and the effect was by no means a light one, merchants, firms and companies had to pay away 50 per cent. of their profit over a certain standard, on which standard again the usual income-tax had to be paid, he is asked to pay income-tax at an increased rate and this is not desirable after the peace. This amounts to about 8 and ½ per cent. of our income.

I, however, do not object to the items of expenditure for which votes are wanted, as I do not know the details; I am rather for giving more to certain heads, such as, Railway development, etc., the reason of which I have already

given. Expenses all round have been increased, and it is a matter of extreme regret that in our first session we should be made the scapegoat for voting for increased taxation. It seems to me that to avoid the unpleasant taxation it would be better to raise a loan of 20 crores at 6 per cent. returnable at the end of 20 years, providing a crore every year towards the principal, which together with the interest would be 2 crores a year, which will not be felt in the country as badly as the new taxations. I would suggest that in future the accounts be placed in the hands of the Members in good time so that they may have an opportunity to master them.

Sir, before I conclude I should like to say a few words pertaining to the thorny problem of exchange. I do not pretend to be an expert on the currency question, nor have I made a special study of the subject. But as a business man, I feel that I shall be doing an injustice to my brother merchants, who have been unjustly imputed of business dishonesty for their inability to honour the drafts at the present moment due to no fault of theirs. It has been suggested, nay, it has been definitely stated, that the Indian merchants, are trying to repudiate their contract obligations on flimsy grounds. This will, it is stated, impair the business morality of the country and shatter the business connection between the United Kingdom and India. I am sure the House will agree with me that the present crisis has been brought about by the unfortunate policy adopted by Government, and if the Indian merchants are to blame for their inability to retire the drafts at the present rate of exchange, the responsibility is not entirely theirs, but a substantial part of it has to be shared by Government. For, their announcement of the acceptance of the Currency Committee's recommendations was tantamount to an assurance from Government to stabilise exchange in the neighbourhood of 2 shillings. The merchants depending upon this assurance placed orders in the United Kingdom and other places for manufactured goods. They could never believe that the Government would back out of their obligation, on the contrary, they believed, and I think rightly too, that their contracts were, for all practical purposes, based on the exchange fixed by Government. As the House is aware, Government having wasted a good deal of its resources by the unfortunate sale of Reverse Councils at a fancy price of 2s. 10d. when such sale was altogether unwarranted, at the time of need, that is, when the balance of trade was against India and exchange was steadily falling, Government refused to sell Reverse Councils. The result is that the merchants are now on the verge of utter ruin. Having brought about the calamity on the poor merchants, it is, I venture to say, unfair on the part of Government to accuse them of business dishonesty. I understand it is beyond the power of Government to stabilise exchange at anything like 2s. to the rupee, it cannot give any assistance to the trade to pull it through. I therefore venture to suggest that in future the Government should not mislead the people, but let the natural causes of supply and demand adjust the balance of trade and adjust exchange. Otherwise, the entire blame will be theirs.

One word more and I have done. The scheme of international credits as enunciated in the Brussels Conference seems to me to be surrounded by insurmountable practical difficulties, and it is extremely doubtful that it will be realised at a near future. Let this not create any false hope in the minds of the merchants.

Mr. P. P. Ginwala : I rise to a point of order. Is there no other device than this one of jumping up and down by which Honourable Members may

[Mr. P. P. Ginwala.]

get an opportunity of offering their annual congratulations to the Honourable the Finance Member?

The Honourable the President: If the Honourable Member will devise one, I will consider it.

Rai Bahadur Pandit J. L. Bhargava: Sir, if the position of the Honourable the Finance Member with his pen, if not fingers on not only lakhs but crores, is not enviable, the fate of an elected Member of this Assembly is really no better than that of a partner to whom is assigned a very subordinate position in the management of the concern, though his liability is generally believed to be equivalent to that of those who have the management of essential matters in their own hands.

No Member placed in such a predicament is a partner in the full sense of the term and, even if he has got restricted scope of activity, the credit or the discredit of the whole cannot reasonably be laid at his door.

Without any design of minimising the importance of the Reforms, which do give some power to the people over the finances, I cannot help remarking that the hollowness of that power cannot be better illustrated than by the situation in which elected Members find themselves placed in relation to the present Budget. Ordinarily, Members cannot effectively touch certain items and though they might bemoan the excess of expenditure and make pious criticisms and complacent recommendations for retrenchment and economy, yet they are really powerless. If there is a prosperity Budget, the Members may put in a gala appearance before the public and insist upon appropriation of money for this or that useful purpose. But, in an adversity Budget, enshrouding the future with fresh taxation, one cannot but feel distracted especially when the situation which confronts him is practically beyond his control. Without an effective power to control expenditure it is an anomalous situation to be asked to provide for income.

It is really a pity that such a Budget, with no redeeming features except the perfect candour and admirable lucidity of its presentment, by the Honourable the Finance Member, should have crossed the path of this Assembly in the very first year of its life at the age of one month only.

On the one side, there is the Argus-eyed outside world, as the Honourable the Finance Member has told us, watching our actions and sitting in judgment over us. There is the strong call of the Finance Member to urge us to act courageously, which is an euphemism for giving ready assent to the imposition of taxes proposed by him. On the other side, there is our own little world pulling us from behind, gauging our work by the amount of their own burdens lightened by the amount of money wrested for popularly believed useful purposes. To reinforce this side, there is the call of our own famine-stricken, poverty-ridden people, hard hit by high prices and commercial depression, for whose difficulties no present solution has been suggested even by our resourceful Finance Member.

Under these circumstances, Sir, courage, which we are asked by the Honourable Finance Member to show, must be diluted with discretion, and solicitude for the future, howsoever well-meaning, must be blended with proper regard for the present exigencies of the situation.

In ordinary times one would expect that in the Budget of an agricultural country like India the provision for financing Irrigation projects and Railway expansion would be assigned a place of prominence. But what do we find in the present Budget? An appalling rise in Military expenditure which represents almost one-half of the total expenditure. This abnormal increase in Military expenditure, as has been remarked by almost all the Members, is a matter which requires very serious consideration. I knew that the formulas of 'Responsibilities' and 'Maintenance of Law and Order' can be invoked to silence all criticism, yet it cannot be gainsaid that if the Military expenditure is to assume these proportions, all schemes for the moral and material welfare of India, involving financial help from the Government, must await their turn for an indefinite time. I would, therefore, press for retrenchment and economy in Military expenditure to as great an extent as is possible by adopting the methods pointed out by some of my Honourable Colleagues, one of them being the Indianising of the Military service as much as possible, and as soon as practicable.

As regards the proposed taxes, I would like to make a few observations. The accepted canons of taxation, and a proper appreciation of the present state of the public mind, would warrant that the Government should not resort to such expedients for taxation as directly touch the pockets of the poor and such as are calculated to lend colour to the idea that the Government is not very solicitous of the growth of industries in India.

The pice post-card and the half-anna envelope have been so much familiarised, and gone so deep into the affections of the people, that their abandonment will be felt as a severe wrench. The poor people will feel the burden directly in this form of taxation. The increase in the postal rates affecting newspapers, etc., is objectionable as being a tax on knowledge and literature.

Similarly, an increase of railway goods rates in respect of fodder, food-grains and fire-wood is bound to affect the poorer classes also, and will evoke public indignation. An increase of rates in respect of such goods should not be made. The taking away of the so-called concession allowed by the existing tariff by which machinery and stores imported for use in a cotton spinning and weaving mill are admitted free of import duty, looks like a countervailing adjustment in favour of imports. The continuance of such concession is essential as their prices in the exporting countries have considerably increased.

The levy of 11 per cent. *ad valorem* duty, instead of 7½ per cent. on certain imports, including cotton manufactures, is the least exceptionable form of taxation, and the question of raising the percentage to 12½ as suggested by some Members of this Assembly is worth consideration.

The increase in the duty on liquors will be very welcome and appreciated by the country at large.

Though the increase in the rate of income-tax from high incomes does not affect the general public, yet it must be said that in the present state of commercial depression the increase is likely to be severely felt by firms and companies which will be affected thereby, but there is no help for it because, if money is to be found, it can be obtained from those only who can afford to pay it.

Before I close, I must also refer to the present dismal outlook of exchange and the state of overstocked imports with their prices unpaid. The fluctuations of the exchange rate have involved the commercial classes

[Pandit J. L. Bhargava.]

in utter ruin by placing them in circumstances over which they had no control. All calculations were defied and baffled by the caprice of the exchange rate and, without blaming anybody, I venture to say that it is the duty of all concerned, including the Government, to devise steps to come to the rescue of the commercial classes with a view to enable them to tide over the difficulty. International credit, as observed by the Honourable the Finance Member, is an asset of no negligible value, and mutual recriminations will not nullify the acerbity of the situation.

Further, Sir, the recurring effect of the exchange rates on public revenues is also one which cannot be ignored. No one can look with equanimity at several crores of the revenues of poor India being wiped off to merely meet the rates of exchange in respect of 'Home charges'. This is neither economy nor sound finance. I trust that the Committee which, I understand, is to be appointed to thoroughly and exhaustively examine the whole question of India's fiscal policy, will fully investigate this matter also.

Before I resume my seat, Sir, I must once more make an earnest appeal for economy and retrenchment of expenditure, for every step in this direction is doubly blessed.

Mr. J. P. Cotelingam: I wish to make a few remarks and I assure you, Sir, that I will be very brief, taking into consideration the fact that there are so many Honourable Members who wish to speak on the Budget. I will not go for my political wisdom to Mr. Micawber who was referred to yesterday during the course of the debate, if he is the Honourable Mr. Micawber of whom we have an inimitable portraiture in Charles Dickens' 'David Copperfield'. He should be the last person whom I should take for my guide, friend or philosopher, for he was always on the verge of bankruptcy if he was not in a chronic state of insolvency. I would not take up the time of the House by going into the larger and more complicated questions of exchange or currency. My remarks will relate to a few prosaic things. To begin with, Sir, I will not go into the question of military expenditure for it is for the present at any rate, sacrosanct. The House will agree with me that on the matter of defence we must be sure to secure efficiency, taking into consideration the times in which we are. I would not run the risk of taking the responsibility for lowering the efficiency of the army. To-day we have placed upon our table a memorandum on the growth

of military expenditure and I have no doubt there is sufficient
12 Noon. said in it to justify the large expenditure. Whatever that may be, Sir, I cannot disguise the fact that an expenditure of somewhere about 62 crores out of a net revenue of about 88 crores is abnormal. I hope the goal of retrenchment will be kept in view and that before long we shall have the satisfaction of seeing that our expenditure upon the army is considerably reduced. Going into the Budget provisions for increase during the year 1921-22, I find, Sir, that there have been increases provided for, justifying remark that has been made for some time past, that not only is our the general administration costly, but also top-heavy. I have not had the time to scrutinise the details given, but it will be enough if I should mention one item, *e. g.*, under the Home Department it is intended to appoint an Inspector of Office Procedure on a salary of Rs. 2,500 per mensem. Perhaps the Home Member will give us an explanation of or

a justification for that appointment. Similarly, as has been already observed by Honourable Members in this House, there have been several additions made to the higher appointments, giving room for the complaint that our administration is growing increasingly costly.

Now, Sir, I would like to draw the attention of the House to the appeal made on behalf of the holders of the 3 per cent., the 3½ per cent. and the 4 per cent. stocks. Honourable Members will have quite fresh in their memories the arguments advanced by Mr. Rangachariar when he asked for an increase of interest to the holders of these stocks. Honourable Members will also remember the explanation given by the Honourable Member for Finance. I am not asking for an increased interest to be paid to the holders of these stocks, but I would like that some relief should be given or provided for. When the conversion of the 3 per cents. and the 3½ per cents. first of all into the 4 per cent. conversion loan and subsequently into the 5 per cent. loan took place, Government drove a hard bargain and a good many of the holders of the 3 per cent. and 3½ per cent. made large sacrifice in converting their scrip into the 4 per cent. scrip and the holders of the 4 per cent. finally into the 5 per cent. Government got a good sum of money out of the holders of these securities. What I would like to ask is that some provision be made for immediate relief and the country at large would be satisfied to some extent at any rate if these stocks will be made income-tax free, for the reason that the recent loans and war bonds are all made income-tax free, and I have no doubt that that would be some relief. The loss in the revenue will amount to about 20 lakhs, I think, and that will not be difficult for the Honourable the Finance Member to find, in order to give some satisfaction to the holders of these scrips.

My last remark, Sir, will be with reference to the new taxes which are proposed to be levied. I have no objection to the levy of a tax of 12 annas per gross on match boxes if that will result in the manufacture of matches in our country. I hope that will result in the development of local industries and enable the country to produce or manufacture the matches that we require.

I cannot close my remarks without making some reference to the proposal to increase the revenue on postage. Sir, this affects the poorer classes and the large majority of the people, and I must tell the Honourable the Finance Member that he could not have chosen a more inopportune moment nor devised a surer means of increasing the number of non-co-operators in the country. If I have made this piece of destructive criticism, I venture to suggest that any loss of revenue that might accrue by not imposing this heavy tax upon the country by raising the quarter-anna post-card to half an anna and the half-anna postage to one anna, can be made good if he will raise the import duties by 1½ per cent., that is to say, if instead of raising them from 7 to 11 per cent. he raises them to 12½ per cent. That will enable the Honourable the Finance Member to levy two annas in the rupee, and 1½ per cent. added to 11 per cent. will not increase the burden of import duties. I hope, Sir, that the Honourable the Finance Member will not press the Assembly to vote for the increase of postage revenue. If necessary, I think the charge for postage may remain as it is with a slight increase, namely, making it one anna for letters exceeding one tola and not exceeding 5 tolas and one anna for every additional 5 tolas. My request, therefore, will be that the postage rates remain as they are, namely,

[Mr. J. P. Cotelingam.]

the quarter-anna post-card, the half-anna postage and one anna for letters exceeding one tola but not exceeding 5 tolas with one anna more for every additional five tolas.

With these remarks, I beg to resume my seat.

Mr. E. L. Price: Sir, with the very brief space allowed me, and as a practical man having some small practical suggestions to make, I feel I must run like a hare. At the same time, Sir, first I would like to apologise to this House. I have been given to understand that my method of speech is too vehement, too downright. If it is so, Sir, it is a fault of temperament and not of intention, and I hope that the House will be generous towards a fault frankly confessed and a fault which I will endeavour to curb.

Sir, I have no animadversions to make on the exchange operations of last year. I do not believe in crying over spilt milk, but I put this point. If exchange remains at the current market rate of something under 1s. 3d. all through the new financial year ending the 31st March 1922, I believe the Finance Member himself would admit that the bottom would be knocked out of his Budget, and that the consequent loss of income from customs, income-tax and super-tax combined with the automatic increase of Home charges and payments by a further 33 per cent. would upset all his Budget calculations and leave the finances of the country in a really desperate condition. This being so, exchange is the crux of the question as far as the Budget is concerned. But, Sir, if Government think the matter of exchange is purely a Budget matter or if Government think the exchange question is mainly a Budget matter, then I suggest Government has underrated the commercial aspect of this most difficult question. The Finance Member in paragraph 5 of his speech has outlined the lamentable course of our trade balance down to September, since when, as he further admits, it has been continually against us.

I have got the figures here up to the end of January. Our exports from April to December 1920 were 202 crores, our imports 254 crores, the balance against us being 52½ crores. Taking the figures up to the end of January 1921, the latest available, our exports were 220 crores and imports 285½ crores, the balance against India being over 65 crores, so that it has gone 13 crores worse in the space of one month; and in the meanwhile it is well known to every Member of this House that during the same period exchange has fallen another three pence. Now, Sir, the unfortunate buyers and importers, whether they relied on what we may call the Government promise or whether they only relied on what was the policy of the Government—it really does not affect their position; their position is that they have to pay, instead of Rs. 8 or Rs. 10 to the £ they have to pay Rs. 16 and even more; and the result is positively devastating in every market and bazar in India. Two Members have already stated that fact this morning. It is just as bad in Delhi and Amritsar as at any of the chief ports. The Finance Member has said that ordinary commercial prudence should have led merchants to cover their exchange. But, I submit, Sir, that Members of this House with practical commercial experience will recognise the fact that the ordinary and particularly the smaller Indian import merchants and especially those doing Indian trade from up-country stations, never really had a chance of covering. This is rather a technical matter; time does not permit me to explain it here

and now; but I assure Members if there is any one here who doubts my statement, I shall explain it when time and place permit. So, when the Finance Member condemns the dishonouring of contracts, as an honest man I support him. But I have also to represent to the Finance Member and to the House that the cases of attempts, even of corporate attempts, to dishonour contracts which he so rightly condemns, does not spring in the main from mere dishonest motives, but rather from the sheer inability of the concerned to meet these obligations in cash at Rs. 16 or more to the £. If I am wrong in this assertion, let the commercial community of India confute me. But if, on the other hand, I am right, it follows that an early improvement in exchange is a vital necessity, not only to Government for its Budget purposes, but also to the whole of commercial India. There is a two-fold reason, therefore, Sir, for adopting practical steps which must lead to the early improvement of exchange. As I understand the Finance Member, he does not regard any such practical steps as possible. He trusts the whirligig of time to bring its revenges and to a good monsoon. I cannot, Sir, acquiesce in such a happy-go-lucky attitude in any countryman of mine entrusted with so great responsibilities. I appeal from the Finance Member to the Honourable Mr. Hailey himself, from the official to the man, to the man of such great natural talents, who has devoted the best years of his life to India; I appeal to him not to give in, but try again to restore contentment and confidence to India by a further effort to support our exchange. Sir, with all deference to the Finance Member and to the Government and to this House, I submit there are practical means of a perfectly natural and not of an artificial character, like the sale of Reverse Councils, to improve our position. In paragraph 5 of his Budget speech alluded to already, the Finance Member diagnosed our disease, *viz.*, imports greater than our exports, and he indicated really the remedy, greater exports, fewer imports; he does not, however, care to proceed to the application of the remedy which would decrease imports, stimulate exports and so restore the financial and economic health of the country. Exports are under Government control; let Government relax that control, release it and have done. What are they afraid of? They know that they have made huge profits out of rice, but they cannot make any more. Last October they were selling Indian wheat at over 130 shillings a quarter; its price now is about 70 shillings. What are they afraid of? Government itself dare not go on the way they did before, but they have invited the merchants to do it at their own risk; and the merchants—well—they are not doing much of it. The export firms in Karachi, even with the exchange so low and freights at 20s., are loath to pay the old Government rate of Rs. 40-2-6 or thereabouts a candy. So I put it candidly that the growers of rice, wheat and other controlled grains have in effect lost their market owing to Government interference, and there should be a natural anxiety on Government's part that this severe discouragement of agriculture both in India and in Burma should not go any further. In addition to the dull markets in Europe which make it so difficult to sell anything of India's products there, the railways can only carry a very small fraction of the trade that offers, owing to the coal shortage. There is nothing to be afraid of; the trade will not develop in such a way as to put prices up enormously, but there may be enough to arrest this awful increase in the balance of trade against us. Now, Government have put these obstacles in the way of the export trade; and I put it plainly to them—is it not time to take them off? But even when that has been mentioned, this

[Mr. E. L. Price.]

Government control of India's products, I have not done with the export factor entirely, as the Government should also and for the same reason remove the obstacles to export trade in the shape of export duties on tea, hides and skins. Members from Bengal, Assam and Madras know in how bad a state the tea trade is ; yet it is being taxed. On hides and skins the old Government of 1919 imposed an Empire preferential export duty so fantastic in conception, so detrimental in practice, that even British import merchants and tanners for whose supposed benefit it was instituted refuse to trade under it. I cannot go into details now, Sir ; I have them in my pocket or rather on the desk before me in print, supplied by the Chamber of Commerce of Karachi, and I shall be very glad to place them at the disposal of any Member who wants to examine the details of the subject. One point the Karachi Chamber of Commerce has not made which I wish to make. The Muhammadans of the Punjab were never very great traders, but they had a monopoly of the trade in hides and skins—it was the one trade the Hindus left to them. The greater injury to them that this one trade of theirs was so foolishly interfered with. If there is any Muhammadan Member here with commercial experience in Amritsar, Lahore or Multan, he can bear me out, and I hope he will. I further put it to the House that export duties are a badge of defeat and exhaustion. If not, why does Germany resist their imposition, their application to herself, why do the Allies insist thereon ? When we have won the war, why should we share even in a small measure in the disabilities and penalties of the defeated ?

Sir, though all these steps were taken to improve our export, they would not suffice alone, because the balance of trade is not a matter of mere volume, but of proportion between export and import. Stimulate export as you will, if you leave the door open to unlimited import you cannot rely upon restoring the proportion in your favour or even the equilibrium. On the import side, the Budget does take reasonable steps to restrict imports quite rightly ; and I am assured that Government has the support of the House in those proposals so far as they go. But those proposals fail in one important particular. They do not include any import duty or restriction on silver. The silver reports of Messrs. Samuel Montagu, which Reuter wires to us every week, says that India is buying. The very latest report says : 'there has been a short-lived rally in the price of silver, owing to the activity of the Indian bazars' ; and further on, 'there were some purchases for shipment to India.' Now, I cannot at all attempt to say what the extent of those purchases are. I have made inquiries to the best of my capacity ; my own opinion is that India at the present moment is buying this wretched silver at the rate of $\frac{1}{4}$ to $\frac{1}{2}$ a million £ per week, and that her liabilities to pay for it at the present time amount to £5 millions, that is, Rs. 8 crores, at Rs. 16 to the £, and I have been assured by a number of responsible commercial men that these figures are about correct and that the whole fall in exchange since December is due to these fearful demands for remittances to pay for silver. Now, Sir, those assumptions I had yesterday, and I have taken a good deal of trouble to find out if there is any verification for them in the import figures ; and about an hour-and-a-half ago, I obtained absolute verification from Government records, and I have brought those records here, because the figures are so astounding that it is possible that people will think I have made a mistake.

To the end of December with a balance of 52½ crores against us, the proportion of that import trade, *viz.*, the net imports on private account of silver

from April to December, was only 35 lakhs of ounces, and in the month of December it was only 6 lakhs ounces. So the Assembly will notice that the average is only about 4 lakhs ounces. When we come to January we find that the balance of trade against us has risen to 65 crores and more, and we look out what part does silver play here. It is astounding that though the silver imports from 9 months were only 35 lakhs ounces and in December 6 lakhs ounces, when we come to January the net import of silver on private account rose to 24 lakhs ounces, or two-thirds of the total previous import for 9 months. Now, Sir, on that have I not made out a case to show that this colossal fall in exchange, which is shaking not only the Government finances but the whole commercial stability of the country, is due to cheap silver coming in in unlimited quantities? Sir, if these imports of 24 lakhs ounces a month continue, there is nothing that can save the commercial situation. Every great country is getting rid of its silver or has got rid of it except India and China. During the war, Sir, India received from America silver to the extent of some crores of rupees. I cannot remember what the prices were, but they were somewhere in the neighbourhood of 50*d.* or a dollar. What is that silver now worth? It is nominally worth 31*d.*, while you do not try to sell it, and if you try to sell it, it will go back to the pre-war value which was 22*d.* Silver is a discarded and discredited metal. So long as the import of silver into India is unrestricted, exchange can never rise, and if exchange does not rise the Budget cannot fulfil its promise, nor commercial India its heavy obligations. I therefore boldly repeat my assertion that so long as the import of silver into India is unrestricted, exchange can never rise, and I implore Government to reconsider their attitude on this question.

I am aware, Sir, that I have only given the outline of the case. More was impossible in 15 minutes. But from this outline many private Members, and above all the Honourable the Finance Member, can easily grasp the whole of my schema. I submit, Sir, I have suggested the all-round practical steps which the Honourable the Finance Member had looked for, but had not found, and in the very serious nature of our difficulties I ask for reconsideration of Government's decision to do nothing. And I warn Government that if they despise and reject without consideration my proposals, my words will yet have reached commercial India, and that there is not a market or bazar in the country but will hold Government responsible for the appalling financial disaster towards which we are drifting. The circumstances of the time are so threatening that all theories, especially those of the Babington-Smith Commission which have let us down in all matters of practical application, all those theories may be scrapped, and our attention fixed only on practical measures to extricate India from the web in which she is entangled. If Government can only be induced to realise the seriousness of our financial position, internal and external, I am sure that they will not refuse to consider my suggestions, even though the Budget programme has to be to this extent revised and delayed, and I am assured that any steps that Government will take in meeting the crisis will have the sympathy and support not only of the Members of this House but of the commercial and agricultural communities all over India.

Sir Godfrey Fell: Sir, I should like to take this opportunity of making a statement, on behalf of the Government of India, regarding the scale of our military expenditure, which has come in for a good deal of criticism in the course of this debate. I think that it would indeed be a matter for surprise, and perhaps for condemnation, if this Assembly had not shown a direct and

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practical interest in a matter which so closely affects the security, the prosperity and the finances of this country. I have frequently heard complaints that those who desire to study this subject have great difficulty in obtaining correct figures regarding military expenditure. Indeed, this difficulty has been clearly shown in the course of the debate, for even so careful and competent a critic of military affairs as my Honourable friend, Sir P. S. Sivaswamy Aiyer, was led yesterday into a serious mistake in attempting to compare the figures for 1913-1914 with those proposed for 1921-1922. Owing to not making allowance for the fact that the figures of Home expenditure for 1921-1922 are converted on a 2s. to the rupee basis, whereas those for 1913-1914 were on the basis of 1s. 4d. to the rupee, he assured the Assembly that the expenditure has grown from about £18 million to about £58 million, or by more than three times. The actual facts are that the expenditure, taken on the same basis of exchange, has risen in that period from 26·11 crores to 58·20 crores.

Then, again, I noticed, that Dr. Gour yesterday made a reference—a somewhat vague reference—to the fact that our military expenditure before the war was 'about ten to fifteen million pounds a year.' Well, that is rather a wild way of stating figures—ten to fifteen million pounds a year. However, I sympathise with his difficulty. Probably he is not aware, that in the ten years immediately preceding the war, the military expenditure varied between a minimum of £19·1 million and a maximum of £20·1 million. It is because of these difficulties that I have prepared the memorandum, a copy of which will be found on the benches of Members to-day. In this memorandum I have attempted to compare, under clearly defined heads, the military expenditure in 1913-1914 with that proposed for 1921-1922. The reason why I selected 1913-1914 is that that was the last complete financial year before the outbreak of the great war. It is perfectly valueless, for our purposes, to attempt to examine our scale of expenditure during the years of the great war. I hope that all Members of this Assembly who are interested in this question will study this memorandum, and I take this opportunity of saying, that if there are any points about which any Member of this Assembly desires further information, I shall be glad to give it.

Now, Sir, the salient fact which emerges from this memorandum is, that whereas the military expenditure before the war was somewhere about 19 or 20 millions a year, it is proposed to make provision in next year's Budget for 62·20 crores. Of this, however, only 58·20 crores of rupees represents normal expenditure; the balance of 4 crores is on account of the temporary occupation of Waziristan and of provision for certain measures relating to demobilisation. I propose this morning not to deal with detailed figures, because I think that the Members of the Assembly will find it easier to study them from the memorandum. I will confine myself, with the Assembly's permission, only to the broad issues of the question.

The first point I should like to make

Sir P. S. Sivaswamy Aiyer: On page 1, line 7, it is said that the rate of conversion is Rs. 10 to the pound. Is that correct?

Sir Godfrey Fell: In this memorandum? Yes.

Sir P. S. Sivaswamy Aiyer: Rs. 10 to the pound or Rs. 15?

Sir Godfrey Fell: Rs. 10 to the pound, both for 1913-1914 and for 1921-1922.

Mr. E. L. Price: Sir, on a point of order—the Budget gives Rs. 12 to the pound.

Sir Godfrey Fell: The Honourable Member yesterday took the 1s. 4d. rate for 1913-1914 and the 2s. rate for 1921-1922. Now, the first point that I should like to make is this. The first duty of any civilised Government is national defence. No Government can afford to neglect that duty. If it does, it will be accused, and rightly accused, of jeopardising the vital interests of its people. National defence depends upon the existence of an army, an efficient and contented army, sufficient to meet the obligations which it is called upon to perform. Now, those obligations vary from country to country and from time to time. In India we are singularly unfortunately situated from a geographical point of view. We have a very long land frontier, and some 500 miles of that frontier, on the north-west, is inhabited by turbulent and predatory tribes, to whom the rich districts of British India afford a constant and irresistible temptation. I need hardly remind this Assembly that behind them again there are other potential dangers, against which it is the duty of Government to protect the people. In the next place, Government is bound to maintain, scattered throughout the country, a certain number of troops for the maintenance of internal peace and security. If any Honourable Member in this Assembly doubts the necessity for these troops I would ask him to read the telegrams, from the neighbourhood of Lahore, which appeared in this morning's papers. Now, the strength of the force required to carry out these dual purposes, namely, the protection of India against external aggression and the maintenance of internal peace and security, is a matter in which the Government of India must be guided, to a very large extent, by the advice of its responsible military advisers. It is quite impossible for Government to adopt the simple expedient, which I have heard suggested and which indeed, I think, formed the subject-matter of a Resolution which was down on the agenda paper for last Saturday, namely, of fixing the strength of the army according to a fixed percentage of the revenue. I think, that from what I have said and from what I am going to say to the Assembly, the impossibility of this must be patent to everyone here; and it is not necessary for me further to dilate upon this point. Now, the question of the strength of the armed forces required for the protection of India has been the subject of the most careful examination since the war, first of all, by the late Commander-in-Chief, and, since his arrival in India, by His Excellency the present Commander-in-Chief. I should like to take this opportunity of mentioning that I heard, in the course of the debate yesterday, a great many expressions of heartfelt sympathy with the Honourable the Finance Member for the great difficulty he had experienced in resisting the insatiable demands of his Colleague, the Commander-in-Chief. I had hoped to hear some expression of sympathy with His Excellency the Commander-in-Chief in his difficulties in obtaining the funds he wants from the Government of India. I would remind you that His Excellency the Commander-in-Chief, who is one of the foremost soldiers in the Empire, came out to this country in December last, to find that the strength of the armed forces required for the protection of India had quite recently been fixed by the Government of India. He was so much impressed, however, with the financial difficulties under which the Government of India were labouring, that he made a very great effort to reduce that strength still further, and he has succeeded in doing so. That is to say, he has assented to a strength of troops in India very considerably lower than the minimum which his

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predecessor had considered safe. I would also remind the Assembly that His Excellency the Commander-in-Chief is in no way responsible for the very unfortunate financial predicament in which the Government of India find themselves at the present time. He has come out here, only to be met by demands for sweeping retrenchments, which he has done his best to meet. Well, the Commander-in-Chief having examined the question, the Government of India then proceeded to examine it themselves, and have come to the conclusion that it would be dangerous, at the present time, to rely for the security of India upon an army smaller than that for which provision has been made in the Budget for 1921-1922. At the same time, as the Honourable the Finance Member assured the Assembly in his speech the other day, it is the intention of His Majesty's Government, who share with the Government of India the responsibility for the security of India, to have this question examined by a sub-committee of the Committee of Imperial Defence, and before that is done the question will again be reviewed by a sub-committee of the Executive Council, who will have the power to examine unofficial witnesses. I think that I have said enough to prove to the Assembly that the Government of India have done and are doing all in their power to keep military expenditure down to the minimum possible. If they have not been able to reduce it further in 1921-1922 I can assure Honourable Members, that it is not for want of trying. I would also like to remind the Assembly that the present is not an opportune time for India to be weak in a military sense. Wherever we look round the world we find wars and rumours of war. The Middle East, the condition of which cannot fail to react on India, is in a state of turmoil. I see no signs at present of its settling down. I may also remind the Assembly of another insidious menace to the safety of India, and of every other civilised country—the menace which has arisen from the disruption of the Russian Empire and the establishment of Bolshevik rule.

I turn now to another question. Given that an army of this strength is necessary, is that army too costly? Well, I think that that question can best be answered by a study of the memorandum. The main causes which have led to the very serious increase in expenditure since 1913-1914 are briefly as follows: In the first place, the pay of personnel has been increased. The pay of the officers and men of the British service has been increased, in conformity with what has been done by His Majesty's Government. We have to pay the rates which they have fixed. The Government of India have enhanced the rates of pay of the British officers of the Indian Army, of the Indian officers and other ranks, and of the followers. Does anyone in this Assembly maintain that any of these classes are overpaid to-day? I think that he would be a bold man who would say so. It must be remembered that the *morale* of an army depends very largely upon its contentment, and a discontented army is a serious danger.

The next main cause which has led to increased expenditure relates to accommodation. The war has led to a very general demand for greater comfort and more amenities of life. If any one in this Assembly doubts the necessity for further expenditure on accommodation, I would ask him to take an early opportunity of paying a visit to a pre-war British barrack of the old type, or one of the old type of British family quarters; or, better still, one of the unreconstructed sets of lines of Indian troops. Or he might visit one of the pre-war hospitals for Indian troops, which has not yet been reconstructed.

I think that he will admit that public opinion would force the Government of India to improve this accommodation, even if they were not themselves wholeheartedly disposed towards this measure. The necessity for improved accommodation is of course reflected in the larger expenditure on military works, on the provision of electric lights and fans, better water supply and so forth. The next item is one which I need only just mention, and that is the great rise in the cost of food-stuffs, clothing, engineering stores and ordnance stores and of the thousand and one other articles which are required for the maintenance of the army. The next item is the necessity for improving the training of the army. I will not dilate upon this point, because the matter is fully explained in the memorandum which Honourable Members have before them. The next matter is the necessity for providing administrative staffs. We cannot afford to go back to the system, which prevailed to a large extent before the war, under which we had to rely, on mobilisation, on improvised staffs to accompany the troops in the field. The Government of India hold strongly that they owe it to their soldiers, when fighting for their country and the Empire, to give them all the advantages which scientific leading and good staff-work can afford. It would be inhuman and criminal to deny them these advantages.

The last main cause of increased expenditure is the evolution of new types of weapons, which has been the result of the war. Instances of these are tanks, armoured cars and aeroplanes. Here, again, the Government of India hold that they owe it to their soldiers to give them the advantages that these new appliances afford.

I have attempted to indicate very briefly the reasons why military expenditure has gone up so much. I was interested, in listening to the debate yesterday, to hear various proposals for reducing military expenditure. Some of those proposals merit, and will receive, the most serious consideration at the hands of the Government of India. There was one suggestion, however, which I think deserves rather more than a passing mention. In the very first speech which was delivered at the opening of this debate yesterday, my Honourable friend, Mr. Majumdar, said—I have got down his exact words—he said: 'Get rid of your army, and save India!' This is a very simple solution of the problem. If it had not been for the fact that my Honourable friend prefaced his remarks to this Assembly by begging it to take him seriously I should have thought it merely one of those sallies of humour to which he is accustomed to treat us, when not engaged on the apparently congenial task of castigating younger Members of this Assembly with whose views he does not happen to agree.

I said a little earlier in my speech that it is impossible to fix the amount of military expenditure merely by a percentage of revenues, but I do not wish to pretend that percentages do not afford a useful guide to the solution of these difficult problems. I have here a chart, showing the percentage of net military expenditure from the year 1884-1885 to 1912-1913—the net percentage of military expenditure to total expenditure, Imperial and Provincial. Now, Sir, I have noticed once or twice that Honourable Members, in dealing with this subject, have spoken of the percentage of our military expenditure to our Central Revenues. That surely, is a most unfair method of comparison, because in this country, as the Assembly is well aware, many heads of expenditure which would, ordinarily, in any other country be debited to the Central Government are distributed over the provinces; and, therefore, in order to

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ascertain the proportion of our military expenditure to our national expenditure, we must take the Imperial and the Provincial expenditure together. I think that the Assembly may be interested to hear something about the percentage of military expenditure during the years I have referred to. In 1884-85 the percentage was slightly over 52. It fell slightly next year, but rose again the following year to nearly 55 per cent. It then fell rapidly, but did not actually fall below 50 per cent. during 1893-94. In 1894-1895 it touched a figure slightly over 46 per cent. It then rose again, and by 1896-1897 it was over 50 per cent, and never fell below that till 1903-1904 and then only by a fraction. In 1904-1905 it rose to over 53 per cent. Then there came a steady and gradual fall to 43 per cent, which was attained in 1912-1913, the year before the war broke out; and I may observe that at the outbreak of the great war the Indian Army was not completely equipped for war. These figures have been adjusted by deducting the outlay on war or other similar operations. In the 29 years to which I am referring, the percentage of net military expenditure to net total expenditure varied between over 54 per cent and 43 per cent, and during the greater part of that time it was not below 50 per cent. Honourable Members will remember that in reply to a question in the Assembly the other day the Honourable the Finance Member stated that the corresponding figure for the current year was 33½ per cent. I have not yet been able to work out the precise figure of percentage for 1921-1922 because the Budget has not yet been passed. But, I am assured by a very high authority on the subject, that the figure for next year will be 32·3 per cent. I hope that the Assembly will appreciate the fact, that while for 30 years before the war it was between 43 and 54 per cent, next year it will be about 32·3 per cent. I do not wish, of course, to argue that military expenditure should rise *pari passu* with other expenditure. Military expenditure is a form of insurance. In private life, a man may decide to insure his property for rather less than its full value; that is to say, he may be willing to take a certain amount of risk himself. In matters of national defence, you must pay the full premium. An army which is not capable of carrying out its obligations is worse than useless, it is a mere extravagance. An army must be able to defeat the enemy, if it is worth maintaining at all.

Now, there is one other point I should like to mention in this connection, and that is this. There is an Island Empire in the Far East, an Empire bound to our Empire by ties of friendship and of alliance. In 1914, the expenditure of that Empire on defence was 120 million yen. In 1920, its expenditure on defence was 324 million yen, which is over £49 millions of our money and 53·4 per cent of the total Budget for the year. The populations of that country is 77 millions. The population of India is 350 millions. In the past six years its expenditure on defence has risen by more than 200 per cent, whereas ours has risen by about 100 per cent.

I have a feeling—I hope I may be mistaken—that there may be some in this Assembly who regard our proposals for military expenditure with hostility because military expenditure is excluded from the direct vote of this Assembly. Speaking not on behalf of Government in any way, but speaking solely for myself—I think I was described to-day as a ‘semi-military apologist’—as one on whom has fallen the task, or part of the task, of explaining military expenditure to this Assembly,—I can only say that I wish from the bottom of my heart that this Assembly had the direct power of voting on

refusing to vote the money required for national defence. That responsibility, at present, rests upon the Government of India. It is a responsibility which they dare not shirk. I feel certain that, if it were shared by this Assembly, it would realise that it is its first duty to make adequate provision for national defence. It would then find itself in the position in which the Government of India find themselves to-day, and that is this, that though there is very much to regret about this high scale of military expenditure, there is nothing to be ashamed of, and nothing to apologise for.

One word more, Sir, and I have done. I think I need hardly assure this Assembly that the Government of India are quite as anxious as any Honourable Member of this Assembly can be to reduce the military expenditure. They have explored every avenue which might lead to that result. They have not relaxed, and they will never relax, their efforts in this direction. But the time has not yet come when we can beat our swords into plough shares. When that golden age does dawn, if it ever dawns, it will be possible to make great reductions in military expenditure, and to devote the money thus saved to reductions in taxation or to the furtherance of beneficent projects for the good of the people. But until that day does dawn, it would be sheer folly, it would be criminal madness, to refuse to make adequate provision for the defence of this country.

His Excellency the Commander-in-Chief: During the course of this debate, almost all Honourable Members who have addressed the House have laid stress upon the size of the Military Budget, and have referred to the increase of our military expenditure in 1920-21 as compared with that previous to the war. Most of the points raised by Honourable Members have already been dealt with by Sir Godfrey Fell in the speech that you have just listened to, but, in view of the challenge that has been made to me personally from various quarters of the House, I desire to refer to the most important points *seriatim*.

Your Commander-in-Chief has been subjected to a deluge of missiles from all directions, many of which have missed the mark, but to some of which it is only right that I should make a direct reply. I am not unaccustomed to be the target of missiles, more lethal perhaps than those that have been launched at me on this occasion, and I therefore approach the subject not as a stranger under fire for the first time, but it has been my habit to reply to such attacks with weapons more directly effective on the person of my opponents, and I am better practised in the use of such weapons than in a wordy warfare across the floor of the House. But let me proceed. Mr. Dwarkadas considered, that in view of the up-to-date appliances and weapons that have been introduced into the Army, it should be possible to materially reduce the numbers of fighting troops. I would point out that India is far behind hand in the up-to-date appliances to which he refers, and that I have had reluctantly to reduce the scale of equipment which has been demanded on this head from England, in order to curtail the Budget expenditure. I would also like to point out, that compared with pre-war strengths, the British troops of the fighting units in this country have been reduced by some 6,000 men and the Indian troops by 7,500. These reductions received most careful consideration in gauging the strength of our post-war army, and, although certain additions may be observable in the Administrative Services, these were necessary, as Sir Godfrey Fell pointed out, in order to ensure the efficient and up-to-date working of the military machine as a whole.

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Mr. Rangachariar enquired whether the final decision as to the strength of the post-war Army had been arrived at, and further stated that he would like the question to be examined by a committee with the help of non-officials. As Sir Godfrey Fell has told us, this is exactly what is going to take place. A sub-committee of the Executive Council will, I believe, be appointed on the lines suggested by him to examine the strength of the post-war army, and to call on unofficial witnesses for their advice and opinions.

In company with other Honourable Members, he refers to the necessity of making the normal strength of the Army correspond to the financial resources of the country, and, in *normal* circumstances, this is undoubtedly a legitimate demand, but can conditions at the present time be viewed as *normal*, when the internal situation is far from satisfactory, and when our Mission to Afghanistan has not concluded its negotiations with the Amir?

Sir Sivaswamy Aiyer comments on the increase of 700 British officers, as compared with those employed in 1913-14. I would point out, that as regards the officers with fighting units, there is a reduction of 430 British officers. The increase in the total number is due to increases in Commands and Administrative Staffs, and particularly in medical officers, the reasons for which are supplied in a memorandum which, I think, was issued this morning to Honourable Members. They are principally due to our present obligation of feeding and clothing the troops of the Indian Army, of supplying them with more adequate medical attendance, and with the addition of new services, such as the Royal Air Force and Mechanical Transport, which two services alone account for an increase of nearly 400 officers. The Honourable Member compared the expenditure of India on military matters with that which is incurred in the self-governing dominions. I might point out that it is unfair to take such a parallel, because the circumstances are wholly different. Neither in Canada, nor in South Africa, nor in Australia have they a collection of turbulent and fanatical tribes on their frontier, who could put into the field at any time as many as 150,000 well-armed men, nor is there any parallel in these dominions to an independent militant power like Afghanistan, connected by blood and by religion with the tribesmen of the North-West Frontier. These are dangers which do not enter into the calculations of any of the self-governing dominions, but they are one of the most important factors in fixing the strength of the Army in India.

The Honourable Member made three proposals for the reduction of our military expenditure. The first was the creation of a Territorial Army, and I am quite prepared to admit, that when the Territorial Army reaches the standard of efficiency which, I hope, it may before many years are past, I should be ready to contemplate a proportionate reduction in those troops which have already been allotted to internal security, but, at the present moment, the Territorial Force is in its infancy, and, though I am prepared to give it every possible encouragement, I am doubtful whether for some years to come it will reach the degree of efficiency which would justify us in looking on it as of potential military value. Secondly, by Indianising the Army. I am not quite sure what he exactly meant by this, but I take it he referred to the reduction of the number of British troops and the increase of the number of Indian troops. If this is his point, I am prepared to admit, that when conditions in India become normal, I should not object to the revision of this proportion.^a He may have intended to refer to the replacement of

a certain number of British officers by Indian officers, and, though I am desirous of giving every facility for young Indian cadets to be trained and to win the King's commission, I would point out that this shows no economy, for the Indian officer with a King's commission costs practically the same as the British officer of similar standing. Thirdly, he proposed asking the Home Government to contribute to the Indian Army on the understanding that this Army was maintained partly for Imperial purposes. To this suggestion I must strongly demur.

The Indian Army is maintained for the protection of the frontiers of India and to ensure internal peace. It is not maintained for Imperial purposes, and every Indian soldier that has served abroad in any country during the Great War has been paid for by the Imperial Government. Furthermore, in view of the fact that the shores of India during the Great War were immune from hostile attack, and of the benefits that thus accrued to India as a direct result of the British Navy, and in view further, that the contribution which India pays towards the British Navy has never exceeded the annual sum of £100,000, any demand by India for an Imperial contribution to the Army would, in my opinion, be quite unjustifiable.

Turning now to Dr. Gour, who spoke of the League of Nations and the benefits that might perhaps accrue to India as a result of this League, I would point out to him, that not only do the frontier tribes not belong to the League of Nations at present, but that it is very improbable that they ever will, and that no distant authority such as the League would have the slightest influence on tribes like the Waziris and the Afridis. He doubted, also, whether the idea of keeping the Bolsheviks out of India had ever entered into the calculations of the Military Authorities. I may tell him that in this respect he is entirely misinformed. It has been my duty in past years to conduct operations in Russia against the Bolsheviks, and I am, therefore, not unacquainted with their cruel methods, and their barbarous customs. After what has recently taken place in Bokhara and Turkestan, and in view of the fact that at the present time they have a mission at Kabul, the danger of the Bolshevik menace has loomed large, and is to-day one of the chief influences which lead me to urge the maintenance of a strong and efficient Army in India. For I can imagine no more appalling catastrophe to the teeming millions of this country than that Bolshevism should enter within the frontiers of India, and nothing will induce me to risk so terrible a danger.

The Honourable Member further insinuated that our 'extravagant military proposals' were merely for the 'post-war peaceful defence of our frontiers'. If he could assure me that those frontiers would be peaceful, I agree that large reductions might be made in our military expenditure, but they have never been peaceful in the past, they are not peaceful to-day, and I see no reason to believe that they are going to be any more peaceful in the future. The history of the North-West Frontier for the last forty years has been one continued series of expeditions, and, unless we can induce the North-West Frontier tribes to migrate wholesale to some other continent than Asia, I see little prospect of a peaceful North-West Frontier except on the basis of a close and friendly agreement with the Amir of Afghanistan.

The Honourable Member suggested further that the British garrison of India might be replaced by Indian soldiers. I may tell him that the experience of the recent war has proved beyond all doubt that Indian troops are a more efficient fighting force when brigaded with British soldiers, and that to eliminate

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British troops is materially to reduce the fighting value of the whole, and this will, I think, be borne out not only by the British officers who have been brigaded with Indian troops but also by the Indian troops themselves, and my experience tells me that, to eliminate the stiffening of British troops, would largely reduce the fighting efficiency of the Army in India to-day. Moreover, British troops are essential for internal security, particularly when the military are called on to intervene in riots of a religious nature.

Munshi Iswar Saran began his speech by asking whether India existed wholly for the Army. My answer is, certainly not. But I would point out that the Army does exist wholly for India. He went on to say that the short service of British troops in this country was disadvantageous to India and advantageous to England. This is certainly not correct. The short service, by which I suppose he means the six or seven years' service which British soldiers do in this country, is by no means advantageous to England. In former years we had a long service Army for India, when British soldiers served in India for 21 years, but it was found that this long service Army deteriorated by long residence in hot climates, and the short service Army was introduced, thereby largely increasing the efficiency of the British Army in India and benefiting India rather than England.

The Honourable Member further pressed for more commissions being given to Indians. I am most anxious to help Indians to win commissions in every possible way. The whole question is one of education, and I am in hopes that, at no distant date, it will be possible to provide educational facilities not only for the Civil Service in India, but also for the sons of those Indian officers who have served so well and so gallantly during the late war, but who cannot afford to educate their sons up to the required standard. We are willing to give every facility for Indians to obtain commissions provided that they fulfil the necessary requirements and rise to the proper educational standard. I am taking steps, as soon as funds can be provided, for the establishment of schools which will enable the proper class of young Indian gentlemen to compete in the examination for Sandhurst.

The Honourable Member considered that the combatant forces were in excess of India's needs, and that that is why so many troops were sent to Mesopotamia. Such a deduction is not justified. The Budget under consideration provides solely for India's own defence, and contains no provision whatever for Indian troops serving overseas. The whole of the troops who have been employed, and are being employed, in Persia, Mesopotamia, Palestine, Egypt, and the Black Sea, are paid for out of imperial funds, and no charge whatever is made for this against the Indian Exchequer.

The Honourable Member insinuated in a rather direct manner that we, soldiers, wanted as much money as we could get. In this respect again his accusation is baseless. What I want is an efficient Army, capable of assuring the adequate defence of the Indian frontiers and of maintaining law and order within her borders. Any less force than that for which we have budgetted would, in my opinion, be inadequate to secure our safety, and, as on my shoulders rests the responsibility of making this decision, I must claim that it is founded on stronger grounds than the irresponsible criticism of the Honourable Member.

Dr. Gidney asked for some guarantee that future military expenditure would be curtailed. I am unable to give him this guarantee, unless he will assure me that the North-West Frontier problem will not break out again and force on us further warlike operations. If our agreement with Afghanistan is satisfactory, if the Treaty of Sevres is revised on lines satisfactory to us and to the Turks, if the Bolshevik menace disappears, if the internal situation in India quiets down, and if non-to-operation agitators cease to lead astray the ignorant and gullible masses, then I shall not only be prepared for, but will welcome reductions in our military strength and expenditure. But until these things happen, I should not be doing my duty to India, as its Commander-in-Chief, if I did not stand firm and express my definite and considered opinion. I have some experience in these matters, and I tell this House quite frankly that the further reduction of the Army at the present time below what is provided for in the Budget is to run grave and serious risk.

I speak to you as one who has had far more experience of the horrors, the miseries and the tragedies of war than any Member of this House. No one with these unforgettable recollections present in his mind would run risks of their repetition here in India.

I was closely associated with the late Field-Marshal Lord Roberts in England during the five or six years previous to the war, when he did all that man could do to warn the Nation and the Empire of the danger that was threatening them from Germany. The Government, the Politician, and the Nation as a whole, turned to him a deaf ear. They regarded his warnings as the vapourings of a most gallant and respected, but unduly anxious, Field-Marshal. And what was the result? After the greatest struggle that the world has ever known, when, and on more than one occasion, we were within a very little of being defeated, England, notwithstanding that she won the war, is to-day struggling under a huge debt of 8,000 millions sterling. More than a million of her bravest have given their lives for their country, whilst three million more became casualties. With this appalling example before us, is it possible that on their first assumption of the responsibilities of government, the House would refuse to provide the necessary insurance against the disasters which an unsuccessful war would bring upon us here in India? I do not believe it. The only real insurance against war is to be prepared for war. I am here to see that those preparations are adequate, and I should be failing in my duty towards India and towards you, gentlemen, in this House, if I agreed to incurring risks which I consider unjustified. The forces provided for in the present budget are the lowest which, in my opinion, will give to India that reasonable degree of security which the Government are bound in honour to provide, in order to protect the struggling millions of her teeming population.

Sir Jamsetjee Jeejeebhoy : Mr. President, after the eloquent speeches of the Honourable Members I feel I would not be justified in taking up the time of this House if I were to go over the same ground. I will therefore content myself by making only a passing reference to the two main subjects which formed the topic of discussion, namely the Exchange policy and the Army expenditure. I may be permitted to associate myself with the previous speakers in thinking that the Exchange muddle was the result of a policy dictated from Whitehall, and, therefore, I for one will not lay the entire blame on the Honourable the Finance Member. May I urge upon the Government the necessity of curtailing the heavy military expenditure

[Sir Jamsetjee Jejeebhoy.]

which the country can scarcely bear. After hearing His Excellency the Commander-in-Chief and the Honourable the Army Secretary, I am convinced that they also along with this Honourable House realize the absolute necessity for the retrenchment of military expenditure. I will venture to express the hope that they will earn the best thanks of the House if they rigidly adhere to the policy of economy.

The Government propose to impose an increased surcharge on fire-wood, food-grains and fodder. In these days when scarcity and high prices prevail, I submit that the imposition of a levy of this nature will add greatly to the difficulty which the poor experience in eking out a miserable existence.

Government seek to increase their revenue by raising to $\frac{1}{4}$ an anna the postage on the quarter anna post-card. This is another item which I trust the Government will see its way to omit from their programme of taxation, as I believe that the $\frac{1}{4}$ anna post-card is the only means of communication among the poor of this country.

My Honourable friend, Mr. Rahimtoola Currimbhoy, in his able and eloquent speech claimed exemption from duty for all articles such as stores, and sizing materials necessary for the manufacture of cotton goods. My own idea is that as these articles were allowed to be imported free up to now, owing to the Excise duty on the Indian mills, I think Government ought in common fairness to keep this exemption in force.

Realising to the fullest extent, Sir, the difficulties which face Government in a lean year like the present, I feel I would be failing in my duty if I did not at the same time point out to Government some other source of revenue. The principle of taxing luxuries to the extent of 20 per cent. may well be extended to diamonds, works of art, jewellery and jewels.

Another suggestion and one to which I attach great importance is the levy of a 11 per cent. duty on all yarn imported into India. I fail to see the reason why cotton twist and yarn should be left on the free-list when all piece-goods will be charged 11 per cent. Such a course, if adopted, will not only bring in a handsome revenue to our exchequer, but will also tend to stop the dumping of Japanese and other yarns into this country, and thus encourage the indigenous industry.

I now come, Sir, to another important item which has been dealt with by the Honourable the Finance Member; I mean the loan programme. The Honourable Member has informed us that he proposes to raise 15 crores in India and hopes to raise only £5 million in England. He is not quite sure but hopes the Secretary of State will be able to effect something, but there are practical difficulties in the way of our raising a substantial loan in England to-day. If he rightly represents our position in the London money market, if we are really unable to raise more than a mere 5 million pounds in that market to-day, then it is a sad, a very sad, commentary on the way our finances have been handled in England. I am not prepared to believe that the money market in England is in so bad a condition as to make it impossible for us to raise the loan there. A perusal of the newspapers shows us that various companies with very large capital have been recently successfully floated. Only the other day I read of a Steamship Company having been successfully floated with a capital of £4 millions. We have many millions of our funds in the Secretary of State's balances and elsewhere that we lend out

to this same London money market at very low rates of interest from year to year and yet when the pinch comes and we want some money ourselves our bankers fail us ; as if our English bankers were there only to fatten on our deposits and not to help us in times of need. This, Sir, is unfair and I do not see any reason why we should not raise more money in England. It will very likely give an impetus to our exports and will restore the balance of trade in our favour. If the Indian Government who itself lends to the London bankers from £10 to 12 millions at low rates throughout the year cannot borrow even £20 millions, it is only one more proof of how they want all the benefits of our finance and refuse to render any service in return.

Before I conclude, Sir, I beg to associate myself whole-heartedly in the tribute paid to the Honourable the Finance Member for the skill and ability which he has brought to bear upon a difficult and unpleasant task.

Babu K. C. Neogy : Sir, His Excellency the Commander-in-Chief has just suggested that the non-co-operation movement is a factor that partially determines the military strength of India to-day. But I have a shrewd suspicion that the Honourable Mr. Hailey and his Colleagues are in secret sympathy with the non-co-operation movement. For no propaganda that Mr. Gandhi has so far set on foot has given greater fillip to this movement than the present Budget will probably do. Reference has been made by several Honourable Members to the military extravagance, multiplication of civil expenditure in utter disregard of our financial position, and the wild speculation in our sterling resources,—all of which have combined with the abnormal war conditions to bring us perilously near bankruptcy at the very start of the reformed constitution. And now the Honourable the Finance Member invites us to share with Government the aftermath of an epoch of administrative prodigality.

The Finance Member feels very sorry for us in so far as we will be faced with unpopularity in the country for being party to the dismal financial proposals. But he can set his mind at rest in this matter. For, while we have a very clear idea about the practical limitations upon our so-called Budget powers, our constituencies have fortunately for us only a too exaggerated idea of our helplessness. It should never be forgotten that of the total budgeted expenditure charged to revenue, which stands at a little less than 129 crores, no more than a little over 24½ crores or about 19 per cent. is submitted to our vote and about 81 per cent. is not votable at all. If you exclude the Defence, Ecclesiastical and Political heads—the whole of which is beyond the scope of our discussion—the expenditure stands at about 62½ crores of which 39·47 per cent. is votable and 60·53 per cent. not votable. But when we come to examine the votable items a little carefully, we find that they do not afford much scope for an effective curtailment and saving. We cannot, for instance, touch the *Burra Sahibs*—however superfluous they may be—but we can abolish his assistants and peons or reduce his supply of stationery. In one case which has attracted my notice, either the Finance Department or the Printer's Devil has generously placed a European officer in the non-votable list, though he cannot under the terms of his appointment be so classed. I mean the Inspector of Office Procedure—whose appointment represents the reckless policy of creating fat berths and distributing patronage on a liberal scale. I wonder how this item could have escaped our long-sighted friend, Mr. O'Donnell. Our so-called power over the Budget is, therefore, such as

[Babu K. C. Neogy.]

affords us some opportunity for practising obstructionist tactics without enabling us to effect any remarkable retrenchment. If we adopt such tactics, and succeed in reducing the grants substantially, the extraordinary power vested in the Governor General in Council will be brought into play. We can similarly obstruct the fiscal bill. But all this cannot but lead to a deadlock and bitterness between the Executive and the Legislature.

Sir, what then are the alternatives before us? Either to acquiesce in the heavy programme of military and civil expenditure—which I cannot conscientiously do,—or to seek to paralyse Government—which is equally repugnant to me. If we are obliged to resort to the latter course, it will only be in the event of Government refusing to reduce their demands in conformity with our legitimate wishes. The Honourable Mr. Hailey claims that his office has subjected the departmental Budgets to ruthless pruning. But before I admit that the Honourable Mr. Hailey has done all that was possible for him to do in the direction of economy, I should like to be satisfied on one point. If we look at the list of subjects which have been transferred to the charge of ministers in the Province, and over which the Central Government will henceforth have precious little control, we fail to see the necessity of maintaining those Departments in wholly undiminished strength in the Central Government. Education, Sanitation, Local Self-Government, Agriculture, Public Works and other transferred subjects cannot certainly call for the same amount of vigilant supervision from Delhi or Simla; indeed, the constitution would no longer allow it. But where is the corresponding reduction in expenditure on establishments of these Departments?

Sir, a good deal has been said on the unwelcome features of the Budget, which, let us devoutly hope, will prove to be merely passing phases of the fickle fortunes of our finance. But I do not think we should omit to recognise the remarkable, indeed historic, departure in the financial policy of Government which this Budget represents. It seeks to materialise a federal system of finance in which tax jurisdictions of the Central and Provincial Governments are completely demarcated. And one is struck by the fact that though on the administrative side the reformed constitution is at best a transitional arrangement, its financial counterpart represents a partition of revenues between the central and local Governments almost unexampled, for its rigidity, in the history of federal systems of finance. There is no recognition in the Indian constitution, as elsewhere in the Empire, of the responsibility of the central authority for the financial stability of the Provincial Governments during the earlier stages at least of the constitutional experiment. I venture to think the transition from the system of provincial settlements, which represented a 'rough equity,' to a complete separation of tax jurisdictions, with an insistence of outward symmetry, might have been made less sudden as has been the case with Australia and Canada where the States share with the central authority some of the revenues even after years of the introduction of a federal type of Government. It may be noted that the South African States are still more dependent on the Union subsidy.

Again, this principle of apportionment of revenues between Federal and Central or Central and Local Governments is recognized in practice in the continent of Europe and in England. The idea of divided heads of revenue is

therefore not a heresy. And there is nothing inherently wrong if a province asks for a share of the income-tax or even of customs collection—for which precedents are to be found in the colonies. Even in the United States the idea of the States Governments participating in the Federal income-tax is being seriously canvassed. So far as income-tax is concerned, the right of the provinces to a share is practically conceded in principle in our Financial rules, though unfortunately they do not appear to yield any net profit to either of those two presidencies which contribute the largest amount of income-tax, and for whose relief mainly the device under Devolution Rule 15 was evidently intended.

Sir, it may be said that this discussion is more or less of an academic character, but I submit it has a practical side as well.

Bengal has been very much disappointed not to find in the Budget any provision for giving effect to the recommendation of the Parliamentary Joint Committee for a special consideration of Bengal's peculiar financial difficulties. It was stated by the Honourable Mr. Hailey the other day that the recommendation on this question appeared to be obscure, and a reference has been made to the Secretary of State for its elucidation. It seems rather strange that though the recommendation reached Simla in September last, its obscurity did not evidently strike the authorities till somewhat later, and no final decision has yet been arrived at in the matter. Meanwhile, Bengal has been clamouring for justice. She has been asking for the entire customs duty on jute exports which are Bengal's own monopoly. This alone can prevent her present deficit of over two crores becoming a chronic feature of her finance.

Sir, I venture to submit that the financial condition of Bengal has a direct bearing on the present financial proposals of Government. It is proposed to raise 8 crores from customs and $3\frac{1}{2}$ crores from income-tax and super-tax as additional revenue. The customs as also the additional railway rate will be ultimately paid by the consumer. And when we bear in mind the fact, as it was stated by Sir William Meyer in February 1917 in reply to the Honourable Mr. Sarma, that a large portion of the consumers live in Bengal and Bombay, I can say without fear of contradiction that Bengal will have to find quite a large proportion of these imposts. In the recent past, Bengal has contributed about 55 per cent. of the total customs revenue and it can be safely asserted that excluding the probable share contributed by consumers outside Bengal, the undisputed contribution of Bengal proper to the central exchequer in customs duty represents at least 35 per cent. of its total proceeds. In other words, out of the additional 8 crores that you seek to raise this year from customs about 3 crores will have to be found by my people in Bengal.

Then again, take the case of income-tax and super-tax. It is proposed to raise an additional $3\frac{1}{2}$ crores from these sources. I will not take into account the normal growth of revenue under these heads; but of these $3\frac{1}{2}$ crores at least $\frac{1}{2}$ will come out of Bengal, and $\frac{1}{2}$ more from Bombay, judging from the usual contributions made by these two provinces.

And we remember that according to the calculations made by the Government of Bengal in their letter to the Government of India, dated April 1920, fully 90 per cent. of the income-tax raised in Bengal comes solely from Bengal. Thus when you add $11\frac{1}{2}$ crores to your revenue under customs and taxes on income, you really ask the people in Bengal alone to contribute about 4 crores in addition to what they usually pay under these heads. If we consider the other proposals of new taxation, Bengal's share of the burden will not be found to be inconsiderable under them also.

[Babu K. C. Neogy.]

I submit, Sir, that in imposing new taxes Government should enquire about the financial condition of the particular parts of the country on which an unduly large burden would certainly fall. If you look at Bengal, you find that while a very large share of the new taxation will have to be shouldered by her, the revenue available for her own purposes for the coming year is short of her frugal scheme of expenditure by over two crores. And this is due to the most unjust and arbitrary method of distribution of our financial resources. Bengal received scant consideration from the Meston Committee. And, as a result, Bengal will have to embark on new taxation much sooner than perhaps was anticipated even by that Committee. It comes to this then. By your new financial adjustment, you are driving Bengal to resort to heavy taxation for her own needs, and you are, at the same time, imposing a heavy burden on her for the purpose of meeting your own deficit. Sir, I will ask Government to remember that there is a limit to Bengal's taxable capacity, and there is a limit also to her patience. We want a liberal interpretation of the Joint Committee's recommendation about Bengal. It may, no doubt, have the effect of increasing the imperial deficit to a slight degree; but you will have the satisfaction of feeling that you have done justice to the claims of a wronged people. If taxation has to be increased for meeting this increase of deficit, the broad shoulders of the Central Government can alone be trusted to bear the responsibility in the peculiarly unfortunate circumstances in which the reforms have been inaugurated. To expose the new Provincial Governments to risks which an early imposition of taxes will inevitably involve, will be to court failure of the great object which we have in view, namely, the successful working of the reforms. If the reforms fail, your pampered military will find it difficult to hold the Empire together.

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

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

Mr. S. C. Shahani: Mr. President, I must thank you very much for after all allowing me to speak.

I desire to say in the first instance that though the Budget for 1921-22 is dismal in the extreme, its preparation and presentment do great credit to the Honourable the Finance Minister. If he had provided in the Budget figures of Receipts and Expenditure, say, for the last five years, for the purposes of comparison, the Budget would have been almost complete. As my Honourable friend, Mr. R. A. Spence, pointed out yesterday, the Budget is besides framed in rupees, and the facts are no longer hid.

Some of the main problems arising out of the last year's financial operations are—(1) the Exchange Policy, (2) the Currency of the Country, (3) the Railway Deficit, and (4) the Excess in Military Expenditure.

The Exchange Policy of the Government has naturally come in for some extremely strong animadversion. The Honourable the Finance Minister has at one place in his speech said, 'I know that there are some people who, by shutting their eyes to the conditions obtaining abroad . . . have convinced themselves that the present overstocking of the import markets, and the existing depression in the export trade, is in some undefined way attributable to the

exchange policy followed by Government', and in support of this his statement has quoted the remarks of Lord Cullen, Governor of the Bank of England at the Brussels Conference, during the course of the debate on Currency and Exchange, to the effect that 'the exchange of any country is merely a reflection or symptom of that country's conditions'. My Honourable friend, Mr. Jamnadas Dwarkadas, our young promising politician, who, I trust, has a long and successful political career before him, has made the necessary comment on this statement of the Honourable the Finance Member. The quotation, he rightly says, is a misleading one, since Lord Cullen's dictum is but a half-truth. Exchange in India was not allowed to right itself. The Lombard Street Clique influence prevailed. A wrong Indian Exchange and Currency Committee was appointed. The sound advice given by Mr. Dalal, the only Indian member of the Committee, was not heeded. Sir David Barber, some representatives of the Exchange Banks, nay almost the whole Indian Commercial world protested, but to no purpose. The Honourable the Finance Member at another place of his speech has himself said, 'We have frequently been asked to explain how far the persistence in the setting of Reverse Councils on the system first adopted was due to our deliberate choice or how far the responsibility lay with the Home Authorities. Particular emphasis has been laid on the failure to adopt the system of sale by competitive tender. I regret, that it is not within the power of Government to answer these inquiries.' Again, and I would draw the attention of the House to this, if the intention (however mistaken) of the Government was to stabilise the exchange at 2s. to a rupee, why should the Reverse Council Bills have been sold at a rate higher than the market rate, considerably above 2s. to a rupee? There seems to be no reasonable doubt that the tremendous losses that have accrued to the import merchants in India are a consequence of at least a mistaken exchange policy of the Government, and that the responsibility of this mistaken policy attaches to the Home Government. If that be so, will it not be reasonable, I ask, that the Home Government be called upon to make good the loss they have caused to the Government of India amounting to about 30 crores of rupees. Not only that. In my opinion, the Home Government is in duty bound to mitigate the losses suffered by the importers, who else would be justified in refusing delivery at less than 2s. to a rupee. The Honourable the Finance Member says 'I can imagine no severer blow to the international credit of India than that there should be a general movement on the part of some of her merchants to announce a policy of general repudiation.' But the reply of my Honourable friend, Mr. Manmohandas Ramji, yesterday and of my Honourable friend, Mr. Price, to-day on this head should be deemed adequate.

The Currency position is undoubtedly unsatisfactory. The Currency has been unduly inflated. The issue of Currency notes has been almost unlimited and unbacked by any adequate reserve, and the Treasury Bills have been created *ad hoc* - circumstances calculated to undermine Government credit, raise prices and induce Commercial Crises. Surely, a very unsound method of meeting a deficit! Circumstances have demonstrated the futility and mischief of this method. One may feel confident that it would not be defeated.

The excess in military expenditure doubtless needs a drastic scrutiny; and the appointment of a Sub-Committee for the purposes of a scrutiny in the near future has been announced here to-day. But, in addition to a rigid examination of military accounts, it is necessary to inquire if it is sound policy to occupy Frontier Tribal Territories, like Central Waziristan, for military

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purposes. The internal condition of India should be no argument for excessive military expenditure. If it causes anxiety, it is advisable that the causes should be spotted and removed rather than that any unnecessary military establishments or officers, should be maintained. It has been argued, that the actual combatant strength of the post-war army has been lower than that of 1913-14. But it has in this connection to be remembered, that the strength of the army and the expenditure incurred thereon has always been disproportionate to the revenues of the Indian Government. It goes without saying that the army expenditure would be materially reduced by a larger employment of Indians in the army, and by the creation of a Territorial Force. The argument that the Government is under any contractual obligation to the Home Government for the employment of British units cannot but fail to carry conviction. We have been told to-day by the Honourable Member the Army Secretary and His Excellency the Commander-in-Chief that for the requisite stiffening of the Indian Army, the retention of British units is necessary. This retention should in any case be most carefully circumscribed. It did not take the British Territorial Forces very long to secure for themselves the requisite efficiency; and I trust that the Indian Territorial Force too will be enabled to acquire the requisite efficiency in a short time.

As for the effects of the Reforms on the Revenues of the Central Government, it has been admitted that the heads of revenue assigned to the Provincial Governments have, for the most part, been off-set by the Provincial Contributions to the Central Government.

In the Ways and Means position of 1920-21, the capital outlay, including discharge of debt, loss on exchange, and Imperial deficit, amounted to 96.2 crores, which has been met by reduction of Cash Balances, Rupee Loan, Issue of Treasury Bills, Credits under War Stores Suspense Account, Receipts from Savings Bank, etc., and Provincial Surplus. This means a further deterioration of the financial position, which will have to be made good in the near future, and would necessitate new loans or further taxation.

In the Ways and Means position of 1921-22, the Capital outlay of 43.1 crores is provided by a reduction of Cash Balance, Rupee and Sterling Loan, Net Receipts from Savings Bank Deposits, etc., Recovery from Iraq Administration, Credit from Exchange, Imperial Surplus budgetted for the year and Credit from Exchange.

In 1918-19, there was a deficit of 6 crores, in 1919-20 a deficit of 23 crores and in 1920-21 a deficit of 11 crores. These deficits were met by issuing fresh Currency Notes and Treasury Bills. In 1920-21, 32.5 crores of debt were paid, and a new Loan of 29.8 crores taken. The new Budget shows a large deficit which is sought to be met by fresh taxation and a loan of 20 crores. Out of the 43.1 crores needed for capital requirements, the House will notice, the Delhi Capital outlay amounts to 1.1 crores and the drawings by Provincial Governments from their balances amount to 6.8 crores. These 7.4 crores must come from Revenue. But of the remaining 35.7 crores, 16.2 crores are required for discharge of debt (War Bonds of 1921), 17.8 for Railway Capital Outlay and 1.7 for loans to Provincial Governments, which all stand on a different footing, and ought not to come from Revenue. The new loans (20 crores) and the reduction of cash balances (6.6 crores) amount to 26.6 crores only. The balance of the amount required, *viz.*, 9 crores

will for the most part be paid out of the Revenue, which, in the existing conditions, would be distinctly unjustifiable. I would propose a further loan of about 9 crores, and the reduction of new taxes to that extent.

I understand that since we buy our stores from England it may not be difficult to get from the Secretary of State an advance of about 9 crores, and that if we make up our mind to buy our stores from America, we would be almost certain to get the required amount from her.

I am not advocating a reckless multiplication of our debts. I am for a scheme for the total amortisation of debts, such for instance as has been suggested by my Honourable friend, Mr. R. A. Spence, in his thoughtful and good-humoured speech delivered in this House yesterday. What I want is that taxes calculated to press heavily on the poor or to retard the commercial and industrial growth of the country should be strenuously opposed.

Of the proposed new taxation, while I would welcome the increase of the general *ad valorem* duty of $7\frac{1}{2}$ per cent. to $12\frac{1}{2}$ per cent. as suggested by my Honourable friend, Mr. Spence, I would not, in the interests of India's industrial development, withdraw the concession allowed by the existing tariff by which machinery and stores imported for use in a cotton spinning or weaving mill are admitted free of import duty. I hate the levy on matches of a specific import duty of 12 annas per gross boxes in place of the present *ad valorem* duty of $7\frac{1}{2}$ per cent. This rate would in practice work out to at least three pies per box of matches and affect the poor injuriously. The increase of duties on imported liquors and manufactured tobacco or the raising of the general *ad valorem* duty of $7\frac{1}{2}$ per cent. to 20 per cent. in the case of certain articles of luxury, such as even *umbrellas* is to be approved. I might inform my Honourable friend, Mr. Spence, that umbrellas, a necessity in places knowing monsoons, are very well manufactured and on a large scale in Madras and other places and can mostly meet the demand that there is in India for umbrellas. The raising of the import duty on foreign sugar from 10 to 15 per cent. will prove a boon to the sugar industry of India. A substantial increase in the surcharge on goods traffic imposed in 1917 is, in my opinion, to be deprecated. The existing rates are 1 pie per maund on coal, coke and firewood and 2 pies on all other goods. It is proposed to substitute the following rates: (1) 6 pies per maund on coal, coke, firewood, food grains and fodder; (2) 2 annas per maund on certain valuable commodities which can bear a high rate of tax, such as piece-goods, pressed cotton, jute and iron-ware, timber and oils; (3) 1 anna per maund on all other articles of general merchandise not falling within those two categories, and to extend a free zone for goods carried 10 miles or less to 20 miles. Apart from the new increased surcharges upon railway freights being clumsily contrived, the new increased surcharges will prove economically unsound. Judging from my experience of men and things in Sind, the rates on goods like fodder and firewood ought to be reduced and not increased. On comparing notes with my Honourable friend, Mr. Chaudhuri Shahab-ud-Din, I found that things would not be much better in the Punjab. As for piece-goods, pressed cotton, etc., if the proposed increased rates on these are enforced, I feel that the concession involved in not increasing the existing cotton excise of $3\frac{1}{2}$ per cent. will be almost neutralised. However, I have not been able for want of time to work up the point, and I cannot make any definite statement. However that be, there is no doubt in my mind that rates on goods in the interests of the Indian trades and industries should not be increased.

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As for our postal rates, I think, in this House most will agree that they should not be enhanced. Any increase here will be a retrograde step, and will adversely affect the poorer people especially. If it is true that the postal working expenses have grown largely, it is equally true that the postal accounts are not kept on a strictly commercial basis, and too much reliance cannot be placed on the available figures.

The estimated revenue from the proposed increases which I am representing as being undesirable amounts to about 9 crores :

1 crore and 10 lakhs from matches,

5½ crores from goods traffic, and

2½ crores from postal rates.

Against this loss may be set 1½ crores realizable from the further increase of the general *ad valorem* duty of 7½ per cent. to 12½ per cent if sanctioned and other savings securable by economy and retrenchment. If there be no prospect of immediate economy and retrenchment, an additional loan of 7½ crores in the existing circumstances ought not to be dreaded in view of the objects of the loan, namely, political content and industrial growth and development.

I and some of my Colleagues from Sind have been receiving telegrams from Karachi to the following effect, ' Merchants Association strongly opposed to the proposed increase of postage, income tax and railway surcharge. Trade and poor classes will be great sufferers. Public opinion very strong against the proposed increase ; ' and, I think, their representations are just, save perhaps in the matter of income-tax. If the lower grades of income-tax are left alone, the upper grades might rightly be increased. I would earnestly appeal to the House to carefully consider this question. The state of Indian finance is not intrinsically unsound. Most of the proceeds from the debts raised are invested in sound financial concerns. To take but one instance, in the Administration Report of Railways in India for the year 1919-20, I find that more than 400 crores are invested in the railways, on which the percentage of return on capital was 4.54 in 1914-15, 5.06 in 1915-16, 6.02 in 1916-17, 6.83 in 1917-18, 6.83 in 1917-18, 7.07 in 1918-19 and 5.90 in 1919-20.

Mr. A. D. Pickford : Sir, the attitude of the Members of this House towards the Honourable the Finance Member reminds one very much of a man who meets another, shakes him by the hand and says good morning, and then knocks him down. The speakers have, with consistent monotony, congratulated the Honourable Mr. Hailey and then torn his policy and his proposals to pieces. I wish only to join the chorus in so far as saying that, at the very least, we did listen, in the introduction of this Budget, to an intellectual effort of very uncommon ability. I would hesitate to touch upon any military question as a layman, were it not for the recollection of a very effective and destructive criticism of a Defence scheme by a district officer who commenced his letter to his Commissioner by saying that his only claim to criticising matters of military import was that he was a dismissed corporal from a light horse regiment.

My position is similar except that I am a dismissed Major. Therefore I make bold, Sir, to refer to one matter which I do believe to be of the very

gravest importance. It is quite clear from statements that have been made to-day and from answers to questions and from rumours that one hears on all sides that demobilisation of Indian troops has either been carried out or is about to be carried out on a considerable scale. It has even been suggested that this demobilisation is not only to be carried out on a large scale but in a very short time. Now, I think this House will agree that demobilisation is at all times a difficult and very often an unpopular process, unpopular with the men, unpopular with the officers, very greatly upsetting to the internal economy of regimental units. One would like to be satisfied, indeed this House ought to be satisfied that every possible measure is being adopted to minimise its hardships and possible dangers. In the United Kingdom, since the war, it has been necessary to spend millions of pounds in supporting men who can no longer be retained in the Army. I do not pretend for a moment that the conditions are the same here, for it is possible that most of the demobilised men can with reasonable promptitude be absorbed into civil life. But the men are happy and well paid as soldiers. They have valuable amenities in their regiments. They have formed ties of friendship with each other and with their officers who are loath to part with them. Unless men, in the frame of mind they are likely to be in on demobilisation, are well cared for, there is sure to be, it seems to my lay mind, some danger that they are likely to be receptive to doctrines now so commonly preached to any one who may be supposed to have a grievance. The rumours on this subject are disquieting and I feel sure that the country will not acquit the Government of India if, in yielding to the clamour for economy, they add any danger to those which already exist. We must urge that there shall be no undue haste therefore in the process of demobilisation. One more point on the military question. The Press and many speeches, I do not mean here, speeches made in the country, have been full of diatribes against the practice of employing Indian troops overseas. I confess that to my mind this criticism is not well conceived. Why should India not take her share in this duty? It does not cost India a penny and service on overseas garrisons is well paid and popular. These two questions, the questions of demobilisation and of overseas garrisons, hang quite suitably and well together.

Sir, on the question of general taxation a speaker in the House of Commons laid it down that a tax should be equitable, economically sound and productive. I wish to draw the attention of the House to two forms of duty which satisfy none of these three conditions. In the memorandum explaining the details of the estimates, I see that in the revised figures for the current year (1920-21), a substantial decline is anticipated under the head of Export duties which were originally budgetted to yield Rs. 688½ lakhs but are now expected to yield only 505 lakhs. This decrease of Rs. 183 lakhs is to be found chiefly under Hides and Skins, which are Rs. 143½ lakhs less than anticipated and Tea which is Rs. 21½ lakhs less, due, as the Memorandum says, to the depressed condition of these trades. If a similar condition of things occurs in the coming year, I am afraid, the Honourable the Finance Member will lay himself open to the description once applied to the Chancellor of the Exchequer—the manipulator of mythical millions. Taking first the item Raw Hides and Skins, we find here a typical instance of the evil effects of imposing a duty without taking into consideration all the factors likely to influence the position. It will be remembered that the duty on raw hides and skins, Mr. Spence has already alluded to this matter, was imposed during the Simla Session in September 1919. When introducing the Bill that was

[Mr. A. D. Pickford.]

necessary to amend the Indian Tariff Act, the Honourable Member in charge said that the object of the Bill was to ensure that our hides and skins should be converted into fully tanned leather or other articles of leather so far as possible in India and failing this in other parts of the Empire, instead of being exported in a raw state for manufacture in foreign countries. I hope at a later date to be given an opportunity of explaining to this House how the legislation introduced in 1919 has failed to have the effect intended. Indeed, an officer of Government in the Council of State the other day stated that he had heard of a 'tax on hides which was now ringing the knell of that industry'. My point meantime is, that this duty was never imposed for revenue purposes but solely for the purpose of helping a particular trade or industry. Then again in the original Budget for the current year this duty was estimated to yield Rs. 210 lakhs. As a matter of fact, it is now not expected to yield more than 66½ lakhs and I am very disappointed to find that Government have not given a favourable ear to the representations of the merchants who are engaged in this trade. Instead of cancelling this duty entirely, seeing that it has failed in the object for which it was originally levied, or instead of suspending the operation of these duties so long at least as the present depressed condition of trade continues, I see that Government expect to realise a crore of rupees under this head during the forthcoming year. Another point, I must admit, that the export duty on tea is different from that on raw hides and skins for the reason that the Tea duty was confessedly introduced as a revenue yielding tax.

3 P.M.

Even so, it must be remembered that the imposition of that tax was practically unopposed for no other reason than that the war was in progress.

In the Budget for the current year the tea duty was estimated to yield 63 lakhs, but is now expected to return 41½ lakhs only, and for the ensuing year I observe Government have budgetted for an income of 50 lakhs under this head. I quite recognise that this is not the time to dispense with taxes or duties which yield an income to the State, but, in my opinion, this is not a sufficient reason for continuing the duties either on hides or tea, and I appeal with confidence to Government to give relief to trades so hardly hit as the hide and tea trades undoubtedly are. I have not been able to go over all the items in the accounts laid before us to see where savings can be effected in expenditure in order to permit of these duties on tea and hides being dropped out of the accounts; but under the head of posts and telegraphs I find items of capital outlay amounting to over 2 crores of rupees which are being charged to the revenues of the ensuing year. I would suggest that the time has now arrived for maintaining separate accounts for revenue and capital expenditure on posts and telegraphs. If those 2 crores are now transferred to capital account, this will enable the export duties on raw hides and skins and on tea to be dropped out entirely. As I have already said, taken together, they are expected to yield only 108 lakhs for the current year, and I think the Honourable the Finance Member is optimistic in budgetting for a yield of 150 lakhs from these duties during the ensuing year. The transfer to capital of the 2 crores already referred to will more than cover the deficit caused by the cancelling of this Rs. 1½ crores of export duties. I trust the Honourable the Finance Member will give this matter serious consideration, and that Honourable Members here will

support me in putting forward this recommendation with a view to helping two Indian trades which are at present in a very depressed condition.

Yet one more point, the question of Cotton Excise. I do not suggest for a single moment that that tax should be removed in a year like this. It has existed now for a considerable time but I do feel most strongly, having regard to the original history of this tax and of the accusation which with a very great show of justice can be brought against Government that the tax was imposed as a sop to Lancashire. I say, that in view of the history of that tax, it will be to the credit of the Government of India to have it removed at the very earliest possible opportunity.

Beohar Raghbir Sinha: Sir, several gentlemen yesterday congratulated the Honourable the Finance Member some way or other on the presentation of the Budget while subsequently their own speeches did not help them much in their felicitations. I personally do not know what to do. To my mind, it appears that it is useless to congratulate or condole the Finance Member, for it is not *he* who is mainly responsible, but the whole top heavy machinery of the present Government. Any official Member in the position of the Honourable Mr. Hailey would have done what he has done. I would have liked to use some such expressions to the Government as it stands to-day; but allow me, Sir, to defer my congratulations or condolences for some future day as my heart is too heavy to-day and am dumbfounded in consequence of the horrible sight of abnormal increase of military expenditure and additional taxations on the already heavily taxed wretched India. While going through the speeches of the late lamented Mr. Gokhale, the very first of his Budget speech delivered in 1902, dilating upon the ever-increasing burden of military expenditure and taxation, carried me away to pause and think and question myself: Is it really a fact that we are exploited for the interest of others? I cannot answer this question at the spur of the moment, though I fully realize that an impression has gained ground in the minds of the majority of the Indians—more particularly in the minds of even the illiterate poor villagers of India. It can not be denied that India is seething with discontent and it is the duty of every loyal citizen and well-wisher of India to see that every sincere attempt is made to allay such a feeling and produce confidence among the people as to the good intentions of the Government. Sir, nothing now should be done to further exasperate the already exasperated feelings of the people and I shall be wanting in loyalty to the British Government and to my people, if I suppress or conceal the real sentiments of the dumb illiterate men and women of India with whom I have occasion to move. I would not have minded the Budget much if the Government assured me that the people all round get two full meals a day, sufficient clothing to cover their bodies, have sanitary surroundings, adequate medical aid, increased mass education and sufficient security in the near future, that Indians stand on their own legs enabling them to protect themselves from oppression within and aggression without—I would not have minded the military expenditure much, had the military services been mostly Indianised.

I do not mind the fresh taxations much, had I entertained the hope that a greater portion of the same would be spent in meeting the real demands of the people. I had expected that the new era would bring us more and more securities for the fulfilment of some of our long cherished demands as detailed above. Sir, I fail to support the Budget as it stands now. The Honourable the Finance Member told us that under the Reforms the Government shares

[Beohar Raghubir Sinha.]

its responsibility. With this Assembly, I shirk that responsibility if anything is thrust upon us without our free consent. In the end I have to strongly oppose the increase of the price of post-cards and the charges on umbrella which is a necessity rather than a luxury. It is deplorable that an extra burden of duty is put upon fuel, food-stuffs and fodder, which would fall very heavily upon poor agriculturists and they should be relieved of this further burden.

Bhai Man Singh : Sir, it is rather unfortunate that in the very first session of its life this Assembly is required to face the situation of a financial crisis both from the public as well as the administrative point of view. The Honourable the Finance Member has given us a vivid photograph of the financial difficulties of the Government and it is, therefore, just the time when the strictest possible economy should be adopted on all sides. My other learned and Honourable Colleagues have addressed the House on different phases of the Budget and after the well-informed and expert opinions expressed by the Honourable Mr. Rahimtoolla Currimbhoy, Mr. Price, Mr. Shahani and Mr. Jamnadas Dwarkadas, I need hardly add a word about the policy adopted by the Government in the matter of exchange.

More than half of the expenditure proposed consists of the large amount of 66 crores of rupees for military expenditure. Let it not be said that I would ever like to grudge any sacrifice in men and money that the country may have to make for its defence from foreign aggression and, though personally not very strong in physique, I have the honour to belong to the great Sikh community which has always supplied the finest soldiers of our army and have proved their strength and courage before cannon and steel in India and outside India. We Sikhs know not how to shrink from war and always avail ourselves of the very first opportunity of serving the Motherland with our lifeblood. I, as a Sikh, have all respect for a soldier. But, Sir, while I am fully conscious of the importance of the Military Department, I owe a duty to the taxpayer as well, and had it not been for the very great financial difficulties and the large item allotted, perhaps I would have been the last person to grudge the military expenditure.

I may say that even military expenditure should be kept within proper limits, except in times of pressing need during war. The soldier is really a true friend of the poor, his very life is meant for the poor, and he would be the last person to see a poor man heavily taxed except for dire necessity. I myself really shudder to see the high figure of Rs. 66 crores allotted for military expenditure. This amount is not votable by the House, and its discussion is practically forbidden fruit to the Assembly. But, Sir, we are asked to pass demands and to vote for new taxes on a country already undergoing a financial crisis and great unrest on this and some other grounds. However much I may deplore the fact, and I would be the last person to create a blockade in the way of the administration, I for one cannot make up my mind to vote for new taxation until I am convinced fully that it is impossible to reduce the large amount allotted to military expenditure. Retrenchment should be made as far as possible, and I think there will not be a single Honourable Member in this House who, consistently with the trust reposed in him by the public, would be willing to allow any further taxation and to vote for all the demand unless he is fully satisfied that it cannot be helped. We have been supplied just this morning in this very House with a memorandum,

which I must frankly say I had no time to read, and it is quite possible that Government may have given some satisfactory explanation therein for increasing the military expenditure. My Honourable friend, the Military Secretary, has stated that we require very good equipment for the army, on the most up-to-date scale. I perfectly agree with him that the Army should be as strong as possible; but at the same time we should look to our purse as well. No doubt foreign invasion or internal disorder may threaten the country; but with equal force I would say that financial bankruptcy too is no less a calamity for the country. I would suggest that if possible the military authorities should postpone some of the expenditure for this one year and incur it next year. The great reason given for the high military expenditure is the situation on the frontier; but I submit that the frontier situation has well-nigh always been just the same and I fail to see why we should have an abnormal expenditure this year. Our army was not large before the war; still they proved up to the mark and we supplied men and money; and there is no reason to fear that if another exigency arises during the ensuing year we will not do the same; we can be asked to vote for further expenditure, to levy further taxes if necessary for that purpose, and I think each one of us would be perfectly willing to vote for such a thing at any time if any unforeseen war or any such contingency arose. But to vote—or rather to support such high military expenditure in the face of the present circumstances, well, I personally cannot see my way to do it.

Something has been said about internal disorders and that we might have something to fear from non-co-operation. I would submit, that each one in this House knows fully well that the first principle of the non-co-operator is non-violence, and up to this time most of the non-co-operators have been non-violent. In face of this fact we cannot say that we think there is any danger from the non-co-operators.

If the Indian Army has proved itself to be up to the mark during the great German War, I do not see why it should not again be up to the mark now; and I do not see why we should go on increasing expenditure on that side without trying to curtail it as much as possible.

Sir, there are many ways of reducing military expenditure, and they are surely worth trying. Two great things are the Indianising of the Army and adopting the Territorial system. We have been crying for these for a pretty long time. To-day we are told that Government is ready to make an experiment. With all due deference, I may say, that I think the time for making experiments is long past and the time has come for real action. I may be forgiven if I make a little digression here on an allied question just for a moment. His Excellency the Commander-in-Chief has told us that the Government is prepared and is willing and is trying to give many more King's Commissions to Indians. I would like to know how many King's Commissions have up till now been given to Indians

Sir Godfrey Fell: May I say, Sir, that that information was given in reply to a question in this Assembly about a week ago.

Bhai Man Singh: Further, I would like to know how many Sikhs have been given the King's Commission in spite of the fact that they have provided the finest Army. Taking all this into consideration, the facts given to us are, I think, very meagre, and we cannot be satisfied with these results achieved up till now. I wish that the Government will see their way to mend matters.

[Bhai Mān Singh.]

If the present situation regarding the grant of King's Commissions is to go on, I may say frankly that the present military men are not satisfied with their present lot and will not be satisfied until they are given a freer chance of getting to the higher posts.

The questions of Indianising the Army and of introducing the Territorial system have been discussed by my learned Honourable friend, Sir Sivaswamy Aiyer, and I need not go over those details again. But I may add that even Sir K. G. Gupta in the Esher Committee's report has laid great stress on the point that in order to reduce the military expenditure it is necessary to Indianise the Army.

Coming to the other items of expenditure I would submit, Sir, that there seems to be more room for economy. I need hardly repeat the necessity for practising the strictest economy at this juncture and we should try to save every pie that we can possibly do. Now, Sir, as my Honourable friend, Mr. Neogy, pointed out, so many subjects have been transferred to the provinces and for that reason we expected a large reduction in the Secretariat staff. When the provinces are managing their own affairs the burden on the Imperial Secretariat is expected to be less, but I am astonished to find instead that instead of any reduction having been made there is some increase in the posts. Taking the Home Department, there is a whole staff of officers on special duty; the expenditure during the last year under this head was Rs. 26,200, and under the present Budget we find the total expenditure of the officer on special duty along with his staff comes to Rs. 95,000, practically a lakh. As my friends have pointed out, there is similarly the post of another Inspector. Again, in the Home Department, instead of one Deputy Secretary we are asked to vote for two Deputy Secretaries, which would mean an extra expenditure of about Rs. 23,000 a year. Again, in the Education Department, though education proper is not only a provincial but a transferred subject and though naturally on that account we can expect some decrease in the staff, I find, with all apologies to my friend, the Honourable Member for Education, that one of the Assistant Secretaries on Rs. 400—1,250 has been converted into a Deputy Secretary drawing Rs. 1,600—1,700, whose total pay is Rs. 19,400; thus I find that instead of Rs. 22,860 under the Budget estimate last year there is a demand of about Rs. 31,000 this year. I now come to the Finance Department, and I hope the Finance Member, the Honourable Mr. Hailey, will excuse me for that; I find there is not only no reduction, but posts that have been created very lately, say within the last one or two years, have not been abolished. If I mistake not, the Joint Secretary's post was created only two years ago; similarly, there are two officers on special duty that cost about Rs. 40,000 a year. So, taking all these facts into consideration, with due deference to the Finance Department, I do not find that any economy has been even tried in that side.

Coming again to the Railway Board I see there is now a President and two Members. If large Departments like those of Finance and Home can be run by worthy and distinguished Members like the Honourable Mr. Hailey and the Honourable Sir William Vincent, I cannot understand why the Railway Department cannot be run if we had only one Honourable Member at its head.

In this way, there will be a saving in the salaries of the two Members of the Railway Board as well as of some of their Secretariat staff. Now, Sir,

there are some, or rather many railways which are worked by companies and according to the contract, their charge could be taken over by Government by giving them 6 months' notice. Well, Sir, if the Government were to take charge of these railways by giving them the required notice, it would mean a saving of 68 lakhs of rupees out of the surplus profits to be paid to the companies for six months. If we amalgamate some of these lines with the others, it will be possible to reduce the expenses incurred for supervision, etc., about a crore would altogether be saved. Apparently the items I have pointed out would look very small in themselves, a lakh from this Department, two lakhs from that and so on, but taking them all altogether, the total might come to more than a crore and a half. It also makes clear that no strong efforts are made to practise strict economy by reducing some of the highly paid posts and relieving the revenue to some extent. When I am speaking of taking charge of the railway lines run by companies, I am conscious of the fact that a committee has been appointed and is taking evidence on the point, but since to-day we are asked to vote for new taxes, and we have to look first to the interests of the tax-payer, I think I am perfectly justified to press that point even at this stage, and of course to the best of my knowledge that committee is not expected to look at the situation from the tax-payer's point of view.

Now, Sir, coming to the question of capital expenditure in connection with the new Delhi and other demands, I may submit, that it is a common principle of economy that if I have got less money to-day I should invest less, and if I am to invest in capital I should only invest in those things that may pay me by way of profits and I should shrink from expenditure on any other thing whatsoever as far as possible. Keeping that principle in view, I request Honourable Members to keep that principle in view while they are voting on those items in the Budget.

Now, Sir, I have to make a few remarks on the question of taxation . . .

The Honourable the President : Taxation is a large subject to be dealt with within the time at his disposal, which has already been exceeded.

Mr. P. P. Ginwala : Sir, before I make a few remarks on the Budget, I would like to say that before I left Burma I naturally enquired of some survivors of those who once sat on the Legislative Council of India as to what they did with the Budget. I asked one of them 'What do you do with the Budget?' He said, 'If you want to do anything for Burma, don't touch the Budget.' So I then said 'How do you manage it?' He said, 'There is a very good gentleman there, he is very amiable and very obliging, you go and see him, and you say what you want for Burma and I am sure he will give it to you'. Of course, I need hardly say, that he was referring to the Honourable the Finance Member. Of course he said 'You will have to satisfy him that you have a good case'. I asked him how that was possible and he said, that the gentleman would be satisfied if I said that I came from Burma, for there was so very little done for Burma that if I asked him for any little thing, he was sure to do it. I am glad to say that besides the qualities which he ascribed to the Honourable the Finance Member, I have found from what I have seen of him in this House, that we could not have a better Finance Member than the Honourable Mr. Hailey. He is willing to hear complaints and is ready to redress them if he saw his way to doing so. I regret, I did not follow the advice given me this time but probably before the next Budget is ready, I may have to go and

[Mr. P. P. Ginwala.]

see him about these things privately. In the meanwhile, I should like to draw attention to three or four aspects of the principles of the Budget which appear to me to affect my poor province, and the House will bear with me if they think that I am taking a parochial view of the Budget. First of all, last year we read in our newspapers a number of very encouraging articles, one of the newspapers is conducted by my Honourable friend to my left, Mr. McCarthy, promising that we were within reach of a railway between India and Burma. We had heard of it for the last 20 years or so, and I was very sceptical whether it was possible that it could be true. I thought, however, that after all something might be true in that connection, and I came here quite prepared to see that a few lakhs would be devoted for accelerating the progress of the railway between India and Burma. To my disappointment I found that there was no such thing, and I now understand, of course I am subject to correction, there is not the least chance of its being taken in hand for many years to come on the ground that it is not likely to be a paying proposition for India. Well, Sir, in fairness, am I not entitled to ask whether you are going to construct a railway between Burma and India only if you find it a paying proposition? You constructed railways before and, I believe, you have lost large sums of money over them, and you are still constructing them in other parts of India and losing money and therefore that is no reason against the construction of a railway between India and Burma. Even the survey which was going to be taken in hand, I understand, has been given up now. I hope, Sir, that the Honourable Member for Railways will in his speech give us his views in connection with the construction of this railway. We have been waiting 20 years and we are not an inch further than we were before and I think it is time this matter is seriously taken in hand.

And then, Sir, there is one item about which the other day I asked a question. Even the Honourable the Military Secretary was unable to understand it or rather that he appeared not to understand the position. It was in connection with this Military Frontier Police—the Burma Military Police. I believe, Assam and Burma are the only two unfortunate provinces which have got to carry on their frontier defence by means of this military police. It was conceded that 68 per cent. of our total expenditure on the military police was due to the defence of the frontier and I believe, it was also conceded that a grant from the Government of India was to make good this amount to us. I find, Sir, that in the demand for grants there is a sum of 45 lakhs in round figures which Burma is going to get in connection with this from the Government of India. I hope, Sir, that that figure is only a provisional figure, because I am quite certain that if it is based on any previous figures you are bound to go wrong. Since you had your figures last a very large amount of expenditure has been incurred in connection with the improvement of the military police forces and, if this figure is not rectified when you are in possession of all the information, Burma stands to lose at least 15 to 20 lakhs. Then, Sir, there is this question of the income-tax. I am not referring in any way to the fact that income-tax has become an imperial levy subject to certain adjustments. What I am referring to is this, no figures are given here in your Budget from which I can see what the contribution of Burma is going to be on that account to the Central Government. I understand, Sir, that the Government of India have now decided, that instead of a certain percentage on the assessed value, we are going to contribute a certain lump

sum, which is based on the figures of 1920-21. Now, Sir, we were rather more fortunate in that year than other provinces which I see have been complaining of trade depression. In our province, so far as the income-tax was concerned, we had a bumper year, and the amounts we collected exceeded by far what was expected. If you are going to accept those figures as the figures on which you are going to base this contribution, you will take from us a much larger sum than we are likely to collect, with the result that there will be a deficit which will have to be paid out of our own revenues to complete this contribution, and I trust, Sir, that if the Honourable the Finance Member finds later that the situation is such as to necessitate our paying to the Government of India any sum above the amount which we realise he will revise his figures.

There is one other point, and that is this question of the rice profits. Now, Sir, I have been trying to follow this rice profits account. I don't want to go at present into the history of that question at all, but we claim, and it is now generally admitted, that we are entitled to a sum of 9 crores and a quarter of rupees from the Government of India by way of rice profits. Our case is, that this is a debt which the Government of India owes to our province. Now they have admitted that the sum is payable to us—this 9 crores and a quarter. But they say, that we must wait until they are in a position to pay us. Of course, it is said that the amount, is lying to our credit. But we are also told that when we want it, we have got to give them notice that we want it and, if it is convenient to them, they will pay it. There are many methods of keeping accounts and this may be very good from the point of view of the Government of India, but I submit, that we are right in saying that it means a loss of nearly 54 lakhs of rupees a year to Burma. If the Government of India, instead of keeping our 9½ crores as a deposit in their cash account, could transfer it to its debt account and pay us 6 per cent. interest, we would gain to the extent of 54 lakhs a year. We are not asking you to make us a present of any interest. We are asking you to pay us interest which you owed us, and which you would have to pay if you had to borrow this money in the open market. Of course, it may be said that other provinces do not get interest on their cash balances. True, Sir, but this is not an amount which at all ought to have been in your cash balances account. This is an amount which you had taken from us and, now that you admit that you are not entitled to it and when you are willing to give us that amount, I think it would be unfair to a young province like Burma that you should not pay the interest whilst you enjoy the use of our money. I trust, the Honourable the Finance Member will see his way to change this method of keeping his accounts so that it may be more favourable to Burma than it has been in this instance.

Mr. B. S. Kamat: May I suggest, Sir, that the time-limit should be cut down to 10 minutes so as to give everybody a chance of speaking.

The Honourable the President: Order, order. It has been put to the Chair that the time-limit for other speakers be cut down to 10 minutes. I do not take the responsibility of doing this. But the Honourable Member can put it to the House.

Mr. B. S. Kamat: I beg to move that the time-limit of 15 minutes be cut down to 10 minutes in the interest of those speakers who want to address the House, and, secondly, I wish also to suggest that the House should sit longer.

The Honourable the President: Order, order. That is quite a different proposition.

The question is, that the time-limit for speeches be reduced from 15 minutes to 10 minutes.

The motion was adopted.

Khan Bahadur Zahir-ud-Din Ahmed: Mr. President, I am new to the job, I have come here to learn and not to impart knowledge. I am not a '*subjanta*' man like most of my Honourable friends here. I know that the art of governing is a thing which cannot be learnt in a few days. It takes years and years to learn how to administer a country. I have read History a little from which I learnt of all the peoples on the face of the earth, it was the British in the modern age, as the Romans in the old, who excelled in it. I know this if I go to teach them a lesson in this branch the men in the know will enjoy the fun most. I have half of a century's knowledge of the British administration of India. I saw a good deal of improvements during these fifty years. I saw Railways, Steamer services, Post and Telegraph offices and other improvements cropping up everywhere. Dacoits, Robbers and Thugs and Pindaries gradually disappeared. Out of chaos and anarchy, peace and order were evolved internally everywhere and the country was saved externally from invasions. All these required money and if the country is to improve and we want security, we must pay for the same.

I never saw any Government Members present here before, neither have I interviewed them since I have come here. I do not know them by name. I do not know who is who. There is a Persian saying '*Sagae Jard Brathera Shogal*', which means all yellow dogs are consins to the jackals. They—I mean the Government Members—are, one and all, the same to me, but I know this, they will be as faithful to their duties as the dogs are to their masters and they will be as sharp and intelligent to escape from their enemies as the jackals do. Besides this, I have seen their conduct collectively in this House, and I am much struck by the same. Moreover, they are amiable in their manners, and conciliatory in their tone and language. I wish the House could copy the same. They have been very careful in protecting the interests and privileges of the representatives of the nation. These officials who watch our interests so very well can never do wrong to the nation itself whose interests are trusts in their hands. I think I can take it for granted that they have devoted their expert knowledge in drawing up the Budget. They have no doubt taken the fact into consideration that India is too poor for further taxation. I believe, finding no other alternatives, they have had recourse to this mode of balancing the Budget. If I am to suggest any improvement, I may receive the retort 'A fool has rushed in where angels feared to tread.'

But, all the same, I desire to appeal to them in one matter which is this. I ask them to watch that the interest of India may not be subordinated to that of Great Britain and the Colonies. That is, India may not be exploited in the interests of the other countries.

In times of emergency, such as the late war, it cannot be otherwise; but in ordinary times, India must be protected. The interests of Great Britain are world-wide and for these India, which is not interested, should not be made to pay. The Indian army should now be only sufficient for India's needs or a little more. I am not for weakening the army. Of all the countries on the face of the earth, India has suffered less from the ravages of the war and it was

due to India's having a strong army to start with. A strong army is always cheaper to the nation in the long run. An oyster must have strong shells to protect itself, such is the condition of India.

I come here as a representative of the Mussalman population of the Dacca Division consisting of over 8 million souls. The Government Member will correct me if I am wrong in my figures. These people are mostly agricultural and deeply in debt to the *mahajans*. As soon as they gather their crops, including their foodstuffs they sell almost all to pay their *mahajans*. They again borrow from their *mahajans* from time to time throughout the year for their needs. The food grain is cheap comparatively speaking when the crop is gathered and sold by the cultivators. As soon as they are in the hands of the second-hand dealers, they enhance the prices, sometimes double them. It always so happens that these cultivators have to purchase in the end their own products, specially rice, from the second-hand dealers at double the prices at which they parted with them only a few months before; hence the export of rice does not help the cultivators but the second-hand dealers who are also *mahajans* and purchase the rice very cheap. The price is inflated twofold or threefold when the export commences.

People talk of Bolshevism coming from Russia. I can assure you, Sir, that Bolshevism will not come from outside, it will crop up spontaneously from inside unless the cultivators are protected from the *mahajans* who are oftentimes also the second-hand dealers of their products. The obsolete Bengal Government have started Co-operative Credit Societies and not trade unions, as this House recommended, which though in their infancy are doing immense good to the cultivators and are saving them from the clutches of the *mahajans*. But no steps can be taken to protect the cultivators from the second-hand dealers. If the cultivators could only export their products, then India would be a changed country. Much of the miseries of these people would long ago have disappeared. Truth is stranger than fiction. These cultivators themselves do not want the foodstuffs to be exported outside the country as I have said before. They have to pay double or even more than the price they got for their own products. It is a very difficult problem to understand and none but the suffering cultivators can unravel this tangle.

During the last two years, I have seen with my own eyes men and women eating kitchen sweepings and sharing the same with the street dogs. It was a heart-rending sight, human beings and dogs eating together the same discarded food. I wish I could show you, Sir, the sight. Such being the state of affairs, export of foodstuffs, especially rice, will only add to their sufferings and it is for the Government Members to judge whether new taxes can be imposed on such people. If no other alternative is possible, I ask, I appeal to the Christian sense of the Government Member to remove the taxes even within the year, if there be any improvement in the finances before the end of the year.

I do not at all congratulate the Member in charge. Rather I blame him for trying to draw milk out of a dead cow and doing this miracle almost successfully.

I told you, Sir, some time before that my friends of Dacca called me a Member of the Lunatic Asylum, but I have not told you why. There is a reason, which is this. I am now a neighbour of the Dacca Asylum. I say, not only a neighbour, but some time an inmate of it. I used to stroll inside the place during my offtime, with the permission of the authorities there, and

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used to hear arguments, debates, and saw divisions and adjournments taking place there. This was all the experience that I got in this line. Unfortunately, I have left all my Dacca notes behind. Hence I cannot say where I have heard superior arguments, whether in Dacca or in Delhi. However, I am taking the notes back from Delhi with me and I will compare them with the notes that I took during the last three years in my native town and which, I am sorry, I have left behind. If I live till the next session, I will be able to tell you, Sir, which experience has benefited me most.

Moreover, I suffer from lapses of memory and frequently go to sleep in the midst of the debates and when I suddenly get awake I forget myself where I am; whether I am in the Asylum at Dacca or in the Assembly at Delhi. I admit, Sir, that yesterday and also to-day I had lapses of memory several times and that too, without going to sleep. My Honourable Colleagues, the M.L.As. will excuse the ravings of a diseased brain.

Mr. Amjad Ali : I rise to a point of order, Sir.

Khan Bahadur Zahir-ud-Din Ahmed : There is nothing out of order (turning to Mr. Amjad Ali)

The Honourable the President : The Honourable Member must address the Chair. (turning to Mr. Amjad Ali). What is the point of order?

Mr. Amjad Ali : In referring to the Budget the Honourable Member was referring to M.L.A. by which he means Member of the Lunatic Asylum. This he has used to-day and the other day. I do not know what bearing this has on the Budget under discussion.

(At this stage, the Deputy President, Mr. S. Sinha, took the Chair for a short time.)

Babu J. N. Mukherjee : If I rise at this stage of the debate, it is solely with the object of emphasizing one or two points which have not to my mind either been so far sufficiently debated or which may require to be considered from a view point which may be different from that of the official Members of this House. In introducing the Budget for the current year on the 1st March 1920, the Honourable the Finance Member, speaking of the future, observed :

‘As for the future, the revenue of India are steadily and surely expanding and their expansion affords a guarantee of their adequacy to meet such problems of development as immediately confront the administration of the country. Our pre-occupations lie rather in the provision of ways and means to meet our capital liabilities.’

The public thus got the idea, and not unnaturally, that at least during the first year—the year of inauguration—of the reformed legislature it would be given an opportunity of considering from its own point of view the administrative situation and to take part in the creating of liabilities necessitating the raising of funds by fresh taxation to meet such liabilities. The Honourable the Finance Member, while suggesting last year that it would be necessary in the near future to meet the first of the heavy liabilities created by the short-term loans, *viz.*, the repayment of 19 crores of war bonds that would fall due in August 1920, did not foreshadow the imposition of fresh taxes in the year 1920-21 or 1921-22. No one can doubt the soundness of the financial proposition that no country can continue to live indefinitely on its overdrafts.

Does this proposition, however, necessarily mean that the Government of India could not even for a year of financial uncertainties and surprises improvise means to tide over the difficulty even for a short time to enable the reformed legislature to vindicate its existence as such? A considerable body of the people as non-co-operators are anxious to demonstrate to the world that the reformed legislatures of the country do not represent the country at large, that the Council have no real voice in the determination of administrative measures, and that no good can be expected out of the reforms. It is very unfortunate, therefore, that the inauguration of the reformed legislature of the Central Government should synchronize with the imposition on the people of fresh taxes of a varied description.

Was it impracticable for the Government to wait for at least a year to allow the country to settle down into normal conditions; and for the extraordinary fluctuations of exchange to resume their ordinary course, before fresh proposals for taxation of a considerable character were placed before the country for its acceptance? Taxes once imposed are seldom removed. They continue, sometimes, even when the causes which induced them are more or less removed. A revenue swollen by fresh taxation into larger proportions often gives rise to an inclination to fix up expenditure in accordance with its dimensions, even though the increased taxation may continue to entail hardship on the tax payer. Proposals for fresh taxation might seem, therefore, to be more in keeping with the altered character of the Councils, if they were made when the new Councils had been seated in their saddle; after the mists, created in the world of business by abnormal conditions, had found time to drift away, and the Indian unrest due to the non-co-operation movement had abated, at least in part, as it is bound to do in the near future. The imposition of fresh taxes at this time of unrest and uncertainty seems, therefore, to be very inopportune. Of its many results, one will be that it will give those who are not friendly towards orderly progress a fresh handle to work their plans. The financial situation which has been pleaded in justification of the imposition of fresh taxation, has in some measure been the creation of the Executive Government of the country. There is a feeling abroad that the very large increase in the pay and emoluments of the various services could have been greatly obviated if greater care had been resorted to and Government action in this behalf had been less precipitate.

The situation in the world of exchange is believed to be largely due to the action taken by Government in this connection.

And now this House is asked to assent to the Budget, and to the proposals for fresh taxation. The choice which the House can exercise on this matter is, however, of a very limited character. It cannot create an impasse by refusing to vote for the Budget. The only thing it can do is to indicate, in a very small way indeed, the inclination of its non-official mind about it. It cannot control the situation.

The necessity for the reduction of the military expenses of the country has been, I believe, fully demonstrated by other speakers. I do not wish to pursue this subject any further beyond saying, that, if I remember aright, recently in the House of Commons, a motion was adopted to the effect that the introduction of the Air Force would lead to a large reduction in the maintenance of the Army. This is a question which I suppose we can place before His Excellency the Commander-in-Chief for consideration. Unless this matter of reduction be constantly kept before the official mind,

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no permanent financial improvement seems to be practicable. One cannot forget that there is a fixed relationship between the tax-paying capacity of a people and the scale of its administrative costs. The more strain is put upon this relationship, the greater is the discontent in the country.

A sifting inquiry into the possibilities of retrenchment of expenditure should, therefore, be made by a committee composed of officials and non-officials as early as possible.

As regards the proposal for fresh taxation, it may be stated, that any increase in the value of post-cards, and of postage stamps for letters and newspapers, will be keenly felt by the poorer sections of the community and will result in a restraint upon the circulation of newspapers. The Honourable the Finance Member has himself felt the harshness that the proposed measure will entail, and has made his proposals with some reluctance. The proposed customs duty on imported matches, as also the taxes on foodstuffs and fodder, will also be felt by the people at large.

The resources of the people of India cannot bear comparison to those of the British Isles. It will serve no useful purpose, therefore, to institute any comparison between the two.

Coming to the question of railway expansion, one cannot but admit that expenses incurred under this head

The Deputy President : The Honourable Member's time is now up.

Mr. N. M. Samarth : Sir, within the short time available to me I will not traverse the ground which has been already covered by other speakers. But I can scarcely resist the temptation to speak a word or two upon the speeches we have heard from His Excellency the Commander-in-Chief and more especially from my Honourable friend, Sir Godfrey Fell. I have nothing to say but to express my regard for the sincerity with which His Excellency the Commander-in-Chief appealed to us on the score of the military exigencies at the present juncture. But, I am afraid, Sir Godfrey Fell missed the point of the whole criticism. What was really at the back of the minds of the Members of this Assembly may be thus stated: if we are going to have so many crores of rupees spent on the army services, we would not grudge a single rupee if members of the Indian community were going to share equally with the British in the training and equipment of that Army. That was the question. Sir Godfrey Fell said that he would have been glad if the Army Estimates were allowed to be voted upon so that he could easily get the assent of the House but that he was prevented from doing so. We hope that the day will dawn when he will be before this Assembly asking it to vote upon the Army Estimates. As things stand, nothing that we can do, nothing in this academic discussion which we have had for two days, is going to reduce by even one rupee the Army Estimates. But if the Army Estimates were to be voted upon, may I ask him if this House would have ever voted one crore, 28 lakhs and 74 thousand rupees on the Royal Air Force Service when not a single Indian officer is going to be appointed to that Royal Air Force? May I further ask him, if the Army Estimates were going to be voted upon, 8,05,000 be allowed to be spent on the Quetta Staff College at which no Indian is admitted?

Sir Godfrey Fell : May I correct the Honourable Member? The Honourable Member has made two misstatements in the last minute and a half. In

the first place, although there are no Indians serving in the Air Force as flying men, I would point out, as I have already done, that the recruitment to the Air Force rests with His Majesty's Government and we have no information whatever to show that the Indian is not equally eligible with the European for service in the Air Force. As regards the Quetta Staff College, it is equally open to an Indian holding His Majesty's Commission as it is to a British officer.

Mr. N. M. Samarth : The remark has been received by some with applause. I regret to say that the explanation has not satisfied me. If the King's Commissions are to be given to us only in accordance with the recommendations of certain officers, well, I for one, do not think that those Commissions are going to come to us to the extent and in the way that some of those who applauded the remark seem to fancy. Well, I will not pursue the subject further. I only want to show that if these Army Estimates were going to be voted upon, surely many of these items would not have found favour with this Assembly. That contingency is not going to take place for another ten years and I do not know whether even at the end of ten years that power will come to us.

It has been said that all this expenditure was absolutely necessary having regard to the menace on the North-West Frontier which the military authorities have to meet. Well, if there is really an invasion or any war, then, under the Act, notwithstanding anything in the section relating to the Indian Budget the Governor General has been given power, in cases of emergency, to authorise such expenditure as may, in his opinion, be necessary for the safety and tranquillity of British India or any part thereof. Anything that we may vote here will, in that case, be absolutely useless. The military authorities have practically the power, with the sanction of the Governor General, to pounce upon any demands for current expenditure that you may now vote, any taxation for ordinary revenue that you may vote, to the extent that it may be necessary in cases of emergency for the safety and tranquillity of British India or any part thereof. All this debate on the Military Budget is but an academic discussion and, although I am glad that an opportunity has been given to this House to discuss it, I know, as everybody else here knows, that we have absolutely no control over these crores of rupees.

I will come now to the Budget, and may I say, Sir, to the Honourable the Finance Member in a spirit of friendly criticism that I wish very much that what I think is an obsolete and antiquated method of presenting the Budget could be changed. In the House of Commons the Indian accounts are presented in a sheet and in a form in which, as in a mirror, you see at a glance what the estimates are. You get the accounts for 3 years and the Budget estimates in a small sheet. I think I have got it somewhere. Here it is. It is a small sheet, in which the whole thing, as in a mirror, is given, and I wish that method could be adopted here next year, the more so, having regard to the provisions of the Act. In the House of Commons, for instance, there are what are called Consolidated Fund charges under Statute. So a similar system might be introduced here to have a Consolidated charge which will include separately all the items under section 25 of the Government of India Act, 1919, that is to say, those on which this Assembly will not be able to vote, namely, interest and sinking fund charges on loans; expenditure of which the amount is prescribed by or under any law; salaries and pensions of persons appointed by or with the approval of His Majesty or by the Secretary of State in Council; salaries of Chief

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Commissioners and Judicial Commissioners ; and expenditure classified. by the order of the Governor General in Council as :

ecclesiastical ;

political ;

defence.

At a glance, the whole Assembly will know what portion cannot be touched and what portion has got to be voted upon. Let us have those figures separately instead of being scattered here and there so that Members are put to the trouble of totalling up all those items. Just give us separately the portions to be voted upon. I hope that the figures will be presented to us in future in that form. My difficulty, for instance, is this. I was going through the figures.

The Honourable the Finance Member as well as Members of this Assembly will be pleased to refer to pages 120 and 121 of the Budget. They will see at the top that it is the statement of the expenditure charged to the revenues of the Central Government in India and in England. Look at the item, Posts and Telegraphs Capital Account charged to Revenue. Item No. 18, 'Capital Outlay on Posts and Telegraphs,' 2 crores, 10 lakhs and 2 thousand rupees. Now, Sir, I, for one, think that there is here some blunder. I cannot understand how capital outlay can be debited to revenue. Either I am wrong or it is a curious method of book-keeping which passes my comprehension. If I am right, then there has been clearly a blunder and possibly out of this amount something like one crore and a half or more will be available to us as savings,—I mean, available to us as less of a deficit than has been shown in the Budget. I hope the point will be cleared up. I make this suggestion simply because I want the accounts to be presented in the manner in which they are presented in the House of Commons. I will now pass on to another matter.

Many Honourable Members have commented upon the taxes. All I need say is that although the best attempt has been made by the Honourable the Finance Member, possibly in a hurry, to devise a sort of taxation which will cover the deficit, it is surprising that while certain things among which are included clocks and watches, glass bangles, worn by Indian ladies, beads and false pearls, toys, required for children and umbrellas are classed as luxuries and liable to a duty of 20 per cent., in the other schedule in which articles are liable to a duty of 11 per cent., I find jewellery and jewels, precious stones, unset and imported cut, and so on. I should think that the schedules are capable of a great deal of improvement.

There are one or two more points which I wish to make.

The Deputy President : The Honourable Member's time is up.

Mr. B. S. Kamat : Sir, I shall begin my observations by presenting one or two queries to the Honourable Mr. Hailey in order to ask him to elucidate certain points in his Budget statement. We are told that this is a Budget of deficits. I should like to know why an entry regarding interest on the Gold Standard Reserve is not shown on the credit side. This amount which comes to something like 3 crores is not credited to revenue. If it

were so credited, I think our deficit would be reduced by that amount. Secondly, I should like to ask the Honourable Member another question regarding interest receipts, namely, interest on the Paper Currency Reserve. Why is it not appropriated to revenue also as usual. If an amount between something like 2 and 3 crores had been thus appropriated, it would further reduce our deficit by 2 to 3 crores, or in all 6 crores. A third question which I would like to ask is what has been the result of the recovery of something like £5 millions which was pending from His Majesty's Government in the year 1920 on account of the capital value of war pensions for the Indian troops.

Now, I should like to supplement the remarks which Mr. Samarth made regarding the presentation of this Budget and also the form in which it comes up before this House. Looking to the form of the Budget in the House of Commons and the Consolidated statement submitted there, I rather think that one point which my friend missed was this. We should like to see in the next year's Budget at any rate a consolidated statement in some place of the total assets and liabilities of the nation. It is perfectly true that under the head of Interest, the national debt of India has been shown, that is to say, the Public debt of 3 per cent., Loan 3½ per cent., 4 per cent., 4½ per cent., 5 per cent. and 5½ per cent., but as the Budget is the national balance sheet of the country, I think all these public debts ought to be brought under one head in one place somewhere as our liabilities and on the other side we ought to know our assets, *viz.*, capital outlay on railways, canals and other things. If a form like this is given we shall be in a position to know the solvency of the country and how we stand financially.

Now, having made one or two observations about these points, I should like to turn to the Budget itself. The whole issue before the House is whether the Budget has been framed on sound financial lines, on sound canons of finance. Now, as the whole House knows the dominating principle of this Budget is the military expenditure; and I ask the House whether looking to the progress of the country it is or it is not desirable that the dominating principle should be the military expenditure, or the moral and material welfare of the nation. I believe, the military authorities have been looking at the whole question from the point of view of pure defence. The Honourable Sir Godfrey Fell this morning told us that no civilized country neglects its defence. I admit it. I agree to it. May I ask him in return, is there any civilized country on the face of the earth which neglects its production of wealth, its national industries, the development of the moral and material welfare of its people, as we neglect it here in this Budget? If 62 per cent. of the national income goes for military defence alone, it means that we are starving the other development of the country. I believe, we have to look at the Budget from two points of view. Firstly, we have to look at it, I admit, from the defence point of view; and secondly, I think, we have to look at it from the general point of view of the welfare of the people, and I believe, that what the military authorities are missing is the second point in the Budget. Sir Godfrey Fell this morning told us that in Japan military expenditure had gone up something like 300 per cent. I believe, merely abstract comparisons like that are fallacious. Has he told us in the same way how much Japan is spending every year on her industries, on her ship-buildings, on the national production of wealth, on national health and other services? If he could give us those figures, then I can understand the comparison. Has he given us the figures of the total national income and the income per head of the Japanese

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people? Unless, therefore, we know these things, it is rather idle to make a comparison of that sort and say that their military expenditure has gone up by 300 per cent.

Then, again, we are told that some years ago the percentage of the military expenditure to the national income in India was something like 44 per cent. Sir Godfrey Fell told us. So far as I recollect, though I have not got the volume of the late Mr. Gokhale's speeches with me now, I think it was in a speech of Mr. Gokhale's in this Imperial Council some years ago—I think on the Budget of 1903-04—it was distinctly stated that in those days the military expenditure was about 36 per cent. and not 44 or 45 per cent. I am only stating from memory and I speak subject to correction. If that is correct, then I say the jump from 36 per cent. to over 51 per cent. is very high and unjustifiable. We have been told by His Excellency the Commander-in-Chief and by Sir Godfrey Fell that it was only after a good deal of scrutiny that the military strength of the Army, both Indian and British, has been fixed at what is considered to be the irreducible minimum. Now, with all due deference to the ideas of defence, I ask, is there any country which maintains in its army this costly agency? He has been good enough to place in our hands this morning a statement of the military expenditure and the increases of late years. If we turn to paragraph 2, page 5, of that statement, we find that the increases to the post-war pay of the British soldiers amount to something like 6 crores of rupees; he has told us also that the total strength of the British troops is 70,000 soldiers. Now, compare the figures for the Indian troops during the same time. The increases on account of the Indian soldiers during the same time comes to only 24 lakhs of rupees. Now, I ask in all seriousness, is there any country in the world which maintains an army agency so costly as that, that is to say, the increase in expenditure during the same time for the British soldiers numbering 70,000 is 6 crores, while the Indian Army numbering something like 2,29,000 gets an increase of only 24 lakhs? Can there be any country which maintains an expensive army like this? We agree that the defence of the country is a paramount necessity, but we do not agree that this is the irreducible minimum of British forces; neither do we agree that His Majesty's Government can lay down what the percentage of the British troops should be. If we turn again to page 6 of the statement, he has told us that there exists at present a semi-contractual obligation on the part of India to employ a certain fixed number of British troops. I think we are entitled to ask in consideration of that statement what that fixed number is. If that fixed number is below 70,000, then we can claim, with all deference again to the ideas of defence, that the number of British troops be reduced to that smaller number as is fixed by contract. He has not given us that number, and, therefore, I think his mere statement that there exists at present a semi-contractual obligation in the matter of our maintaining so many British soldiers is a more or less misleading statement.

Now, Sir, in answer to Sir P. S. Sivaswamy Aiyer, Sir Godfrey Fell told us, or rather the Commander-in-Chief told us, when referring to the question of Indian officers, that if proper education were given to them there would be no objection to giving them the King's Commission. I may tell both the Commander-in-Chief as well as Sir Godfrey Fell, that if the treatment in the army is good, I believe, hundreds of educated people from very good families

in India would come forward for Commissions provided Government were willing to offer Commissions in large numbers. If there is a large ratio of Indian officers introduced into the army, then, I believe, we can keep down the expenditure on the military side with all due consideration for the efficiency of the army. The whole thing, Sir, is this. Are we to accept the dictum of the military authorities regarding defence as the final word? Or is it the governing principle that the final word should be with this House and with the civil portion of the Government of India? It is perfectly true that experts have their own opinions. But there are experts and experts. In this connection, Sir, I wish to know whether it is a fact or not that the Army Commission in 1879 laid down the relative proportion of the British troops and Indian troops to be maintained in India as one to two. What is the proportion to-day? We find in the answer which was given by Government to one of the questions here lately that the total number of British troops maintained in India is something like 70,000, and the number of Indian soldiers is 2,29,000, a proportion of 1 to 3, against the proportion of 1 to 2 laid down by the Army Commission in 1879. Now, my point is this, if we are to accept expert military advice, are we to believe in the advice of the Army Commission on an abstract question like this, or are we to accept as the final word the opinion of the present military experts of the Government of India? The thing, Sir, is this. In no country has the military or naval expert the last word. Take, for instance, the United Kingdom. The first Lord of the Admiralty is the naval expert, but the final word is with the House of Commons which votes the estimates; and we are not, therefore, justified, with all due deference to the military adviser's opinion, we are not justified in taking their estimate as the final and true estimate for the military defence of the country. We must have a reconsideration of the whole point and the whole military expenditure must be certified by a committee such as the one which has been suggested already, in view of the facts which I have brought about. In fact I think there ought to be a small committee for the investigation of the national expenditure, after the pattern of the special committee which was appointed by the House of Commons a few years ago to consider the national expenditure of the country. As it is, we are running into deficits and we are simply living as it were from hand to mouth by means of additional taxation. That is not sound finance. That is not progress. In view of the progress of the country, I do think, if at all we vote any expenditure for the present year, at any rate let us vote it with this distinct understanding that the additional taxation which we are levying this year is only for one year and not for permanent purposes. In fact, before we very closely scrutinise and find out whether Government is spending all the money at its disposal in the proper manner for the progress of the country, I think we should not vote any further taxation at all.

Again, what are we to say to the principle involved in the demands of the Government? I find that the total amount demanded for national industries, I mean all-India industries, is only 6 lakhs. 60 crores have been provided for the railways, including working expenses; 17 crores have been provided for capital expenditure on railways, while for all-India national industries only 6 lakhs have been provided. Is it not important that we should provide more sums in order to develop our industries, in order to improve our national health and education? I do not think the whole of this Budget is conceived in that spirit; the whole spirit of the framing of the Budget is only defence and

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nothing else. I do say, therefore, that we have to consider the whole thing in a different light entirely, *viz.*, the progress of the people and also the training of the people for the military life, so that after some years to come we can reduce our military expenditure and build up the national progress with the money at our disposal.

So far about the military Budget. There is one word which I wish to speak about the exchange question. I echo the sentiments which have been given expression to by Mr. Manmohandas Ramji regarding the remarks of the Honourable the Finance Member with reference to the commercial morality of the Indian merchant. I strongly resent and I respectfully protest against those remarks in the speech of the Honourable Member. I believe those remarks are both unjust in spirit and inopportune in time; and if the Indian merchants are driven as in Bombay and other places to withdraw from their contracts, it is because—I shall not say, the promise—but because of the policy of the last two years of the Government of India. I do not mean to say that Government is responsible for the action that they took, but I believe that by the policy of exchange which they were pursuing for the last two years they were morally responsible; and if that is the state of things, I do not think we should hold the Indian merchants in any way responsible for the attitude which they have recently taken up in Bombay and elsewhere. These are all the remarks that I have to make. Regarding the fresh taxation, I do not agree that we should increase the postal rates.

In the military expenditure Budget we have been told that long before this House has passed

The Honourable the President : The Honourable Member may move that as a motion.

Pandit Radha Kishan Das : Mr. President, the Honourable the Finance Member, referring to the Members of this Assembly, has in an extremely lucid and able speech remarked—‘For the future they will have to share that responsibility. If we incur expenditure, it will be under their mandate. If we impose taxation, it will be by their vote.’ He was further pleased to observe—‘I am confident that this House will endeavour to rise to the height of the responsibilities now devolving on it. The world will be watching to see how we satisfy this, perhaps the most critical test of the capacity of a representative Assembly’.

From the speeches made in this House, I trust the Honourable the Finance Member is satisfied that he can have no cause to complain that his confidence in this Assembly was misplaced. Whatever may be his opinion of the soundness or otherwise of those speeches, there could not be the slightest doubt that the Members of this House showed that they realized their responsibilities in a marked degree. Sir, we feel, we could not merit the confidence reposed in us by our countrymen, if we did not at the earliest opportunity we get, express in unambiguous terms our sense of keen disappointment at the appalling state of things foreshadowed by the Budget for the coming year.

In this country, whilst it has rightly been the claim of Government that it has secured the people against external aggression, and conferred on them peace and security, perhaps equally justly it has been the complaint of the people that Government has sadly missed opportunities of ameliorating their

economic and material condition. It is not, Sir, a matter of astonishment and regret, that in spite of a long spell of peace and security and in spite of occupying the fortunate position of having been the wards of the most powerful and enlightened Trustee in the world, the people of India to-day cannot manufacture even such ordinary articles of daily necessity as needles and umbrellas. We have to depend for them and for other articles of necessity on the tender mercies of foreign countries. This fact has always oppressed my mind and I have frankly expressed it to my English friends, official as well as non-official. They have generally tried to console me with the reply that the cause of this backwardness must be traced to inherent defects in the people of India. I have no doubt that that is their honest opinion. But, Sir, I must confess that I have never been convinced by this argument and I always thought and still think, that even assuming all possible shortcomings in a ward, the guardian too had some duties for which he was responsible. The ward, however, has now attained to years of majority and claims an equal partnership which has been practically conceded.

We fondly hoped that with the advent of reforms the old order was to change and that Government, which all these years had been so solicitous for our peace and security, would henceforth adapt itself to new circumstances and begin to make up for its past deficiencies by energetically applying our resources to the improvement of our material and economic condition. Does the present Budget justify that hope?

We are solemnly told that the Budget provision for military expenditure has been taken at 62.20 crores out of an actual revenue of 110½ crores, i.e., we are to spend more than half of our actual revenue to secure peace and security at the expense of everything else. This ratio of military expenditure to the revenue is altogether unprecedented in any civilized country in the world. Peace and security are no doubt great blessings, provided they bring in their train economic and material prosperity and all those things which make life worth living. Otherwise, they only tend to breed a nation of serfs with, perhaps, an exception of one or two Honourable Members one of whom is desirous of creating a Hell—for the offending Frontier Tribes. This House, I take it, is practically unanimous in protesting against this huge military expenditure. Eloquent appeals have been addressed to His Excellency the Commander-in-Chief to cut down the expenses on the Army as far as it lies in his power, and I hope and trust, that Government would see its way to satisfy public opinion in the matter.

I entirely associate myself with the suggestion made by more than one Honourable Member of this House that in future the services of the sons of the soil should be more largely utilized in the army. Besides effecting economy, which is so badly needed, this Reform would have far-reaching consequences. India would then not only be able to defend herself, but would in a moment of emergency be a tower of strength to the British Empire. As to proposals for fresh taxation, the price of cloth is already unbearably high and an increase of tariff duty on cloth, would, I am afraid, make it still more unbearable to the poor, unless the spinning-wheel of Mahatma Gandhi were to successfully come to their rescue.

The House would, I hope, agree with me when I say that the matches too are articles of necessity and an increase of taxation on them would tell heavily on the poor people. I am in hearty sympathy with the increase of duty on liquors.

[Pandit Radha Kishan Dass.]

I would be simply delighted, if they were banned altogether from our country when our finances could permit of it.

I am also in full sympathy with the proposal to raise the general *ad valorem* duty of 7½ per cent. to 20 per cent. in the case of motor-cars, motor-cycles, tyres, silk piece-goods, fireworks, clocks, watches and musical instruments, etc. Umbrellas, however, are not articles of luxury; they are a necessity in the hot sun of India and during the rainy season and I strongly urge that there should be no increase of duty on them.

It is only right that the present import duty on foreign sugar, as well as on cigars and cigarettes were raised.

Coming to railways, this House, I hope, would be unanimous in opposing any increase of duty on firewood and fodder. From the observations that fell from the Honourable the Finance Member, during the course of the speech of my Honourable friend, Mr. Joshi, it was a great relief to learn that he did not contemplate raising the fare of 3rd class passengers.

As to the abolition of the half-anna postage for letters, and raising to half an anna the quarter-anna post-card, as well as the proposed increase of rates on registered newspapers, I cannot do better than quote the eloquent words of the Honourable Mr. Hailey himself:

‘I fully appreciate the objections which I know that this House will feel to altering the present postal rates, and personally I shall be very sorry to see the pice post-card and the half anna rate for letters abandoned. Cheap postal communications are of the highest importance to this country, and there is no doubt that the fact that we have probably the cheapest postal service in the world has been of immense benefit in aiding the country’s progress.’

One may very well sympathize with the Honourable the Finance Member that in spite of his personal predilections to the contrary, the exigencies of his office and the extravagant and erroneous military policy of Government compel him to tap all possible sources of revenue.

Before I resume my seat, I congratulate the Honourable Member for the extremely lucid and frank way in which he has presented the Budget.

Rai Bahadur Bishambhar Nath: Sir, I have to make only a few observations on the Budget for the year 1921-22 presented for our consideration. There is no doubt about it, that the Honourable the Finance Member has taken great pains over the subject and has in his own way tried to be as economical as he could for which he deserves our thanks. Surrounded by adverse circumstances he has not been unmindful of popular suggestions in finding means to make the two ends meet. Indian public opinion has for a long time pointed towards the cotton goods imported into this country for the purpose of taxation, and I am glad to see the Honourable Finance Member has fallen in line with the popular agitator, though for the present only, with the object of producing additional revenue. It is true, the step taken by him is accompanied by great nervousness. He unnecessarily cries out that in imposing the tax he had no ulterior motive of a protective or any other kind. Nor in my humble opinion was there any need of the repeated apologies which he has offered to the United Kingdom. If Great Britain rendered services to the rest of the Empire, including India, by taking

upon her shoulders the burden of the war, no less did India do so for the sake of Great Britain. I wish the Honourable Finance Member were more bold and had plainly told Great Britain that the fiscal policy of India would in future be determined more in India's interest than that of any other country. Is not the deficit of 19 crores, which the Finance Member is seeking to make up, one of the consequences, however partial and remote, of the Great War in which India participated no less in the interests of the Empire than that of herself? But, as I have said, I am thankful to the Honourable the Finance Member, whatever his motive, in taking a step in the right direction.

Sir, I share with the Government the anxiety for national defence. I am one of those who would like to be forewarned as well as forearmed. I do not believe in an inefficient army, nor do I believe in the wisdom of digging the well when the house is on fire. But it is injurious to take an exaggerated view of a danger, or to create an alarm when there is no ground for it. Defending his military bills of 58·20 crores, the Honourable the Finance Member says: 'The Government could not be prepared, without the most careful examination, to agree that in the present state of affairs in Central Asia with matters standing as they do between ourselves and our immediate neighbours on the north-west, and indeed in view of certain factors within India itself, a further reduction of our fighting forces in justifiable'. I beg to submit that our immediate neighbours in the north or the north-west have always been regarded unfriendly, but they have never dared to beard the British lion at least on our frontiers, much less can they do now when they are disintegrated and confused by dissensions amongst themselves. As for the factors within India itself, they are only a bugbear. I for one do not see any, unless you mean the political agitation that is going on in the country. But is increase in the fighting units, or in other words, the enormous expenditure on the army the remedy for putting an end to the political agitation, particularly when it is carried on peaceful lines? Rather it is the other way on. The more disproportionate the expenditure on the army the more starved are the branches of administration calculated to develop the moral and material advancement of the country. Inadequate education, bad sanitation, and undeveloped material and moral resources lead to discontent, which in turn gives rise to political agitation. The real remedy lies in redressing the grievances of the people and not in increasing enormously the expenditure on the army. But it is said the growth in expenditure on the army is due to its being more efficient. The Great War has not been fought in vain, it has given some lessons to us. Yes, one of the lessons given by the war to the world is that Indians will always be loyal to England and during the days of her adversity they will forget their grievances and rally round her like a man. Was not India bled white, in the words of Lord Hardinge, at a very critical period of England's history? How many European soldiers were left in our country when the war was going on? Admixture of British and Indian troops is desirable, but there must be a reasonable ratio fixed between the two, and the expenses on the former must not be allowed to be disproportionately large. The pay of the British soldier has been increased nearly 200 per cent. since 1914. The average pay of the British soldier in India in 1913-14 was Rs. 420 per annum, and in 1921-22 it is Rs. 1,210 per annum. If the emoluments of the British soldiers cannot be decreased, why not decrease their number in the Indian Army and substitute for them Indian soldiers. Do you make our army more efficient by recruiting soldiers practically beyond the British India proper? Do you make it efficient by not establishing military colleges in India for

[Rai Bahadur Bishambhar Nath.]

training superior officers and throwing them open to all the Indians? Do you give a sufficient number of King's Commissions to Indians? Sir K. G. Gupta has truly remarked in his note of dissent to the Esher Committee report—

‘That ever since the assumption of the Government by the Crown there has been a steadily widening difference in policy between the civil administration and the army organization. During the last half century, measures have been taken to extend the Indian element in the higher branches of civil administration, and in later years to introduce the principle of representation in the Legislative Councils which culminated in the statute of last year. On the military side, however, the tendency has been to make the grip closer, tighter, so as not only to keep the Indians out of all superior positions but also practically to exclude them from the artillery and various other services which form essential branches of the army organization.’

Sir, the fact is that the enormity of military expenditure is complicated and a chronic disease, for the last forty years has absorbed more than 50 per cent. of our total expenditure. It requires a careful diagnosis and a more drastic remedy to stop its parasitical growth than the ordinary pruning knife of the Honourable Member of the Finance. A word more, Sir, about the proposed taxation and I have done. The deficit of rupees 19 crores stares rudely in our face. I agree with the Honourable Finance Member that it must not be met by loans. Curtailing our expenditure and increasing our revenues is the safest course to adopt. But, in doing so, let us not be hard on the necessities of life, particularly those of the poor. The net income from the railways is estimated to be less than what it used to be on account of the increased wages given to the employees. Here, again, would it not be proper to substitute Indian element in place of costly European in the superior service of the various departments of the railways. Expenses can thus be reduced. But anyhow coke, firewood and fodder should not be further taxed. Nor do I approve of the *ad valorem* duty on umbrellas which are a necessity in this country rather than a luxury. Increased postal rates are equally objectionable, particularly the abolition of the half anna postage for letters, and raising to half an anna the quarter anna post card.

In conclusion, I have only to request the Government to appreciate the public criticism a little more than they do at present. I do not like to weep over the spilt milk, but I cannot help observing that if the Government had not disregarded the public criticism made in this Council and outside it, in regard to its exchange policy, had it not persisted last year in the sale of Reverse Councils, even after it was seriously warned not to do so, the financial troubles with which it is confronted would not certainly have been so acute as they are to-day. It is to be hoped that the Government would no longer tamper with the exchange of the country and would take the representatives of the public in greater confidence than they have been doing hitherto.

Mr. Mahmood S'Chamnad Sahib Bahadur: Sir, so much has been said about this unfortunate Budget there, is hardly any remark left to be offered by me. Some Honourable Members showered encomiums upon the Honourable the Finance Member for the lucidity and clearness with which he presented his Budget, though in the very same breath they tore him to pieces for this merciless masterpiece. Many learned Members having criticised the Budget in detail, I would not have stood up, had I not feared being misunderstood. I am not an expert either in casting a Budget or in criticising it. I shall not detain the House long, but will only make some general remarks about

one or two items. Now in dealing with the Budget let me first of all refer to the so-called currency muddle which Mr. Bomanji has chosen to call 'organised loot'. Is this not after all owing to a miscalculation? It is true, this misguided action of the Government has caused severe loss to several people besides bringing in a large deficit in the Budget. Can one be condemned for wrong judgment, if there was no dishonest motive? To err is human. The Government is after all human.

The next item that looms large in the minds of the people is the extraordinary military expenditure for which I don't see my way to exculpate the Government. Can anyone contemplate with equanimity that a large percentage of the net income of the country is to be spent on military alone? Is this not unprecedented and unparalleled? Is there any country in the world that spends even half as much on military? When even Great Britain, which has got a world-wide Empire to defend, spends only a much lesser proportion of her revenue on her soldiers, is it justifiable that the Indian Government should squander so much of their revenue in maintaining an army which has been condemned as being much more than what is actually necessary for defending her borders and maintaining internal peace.

Well, another anomaly is : it was said 'The actual combatant strength for the post-war army, at which we arrived last summer, is actually somewhat lower than that of 1913-14. It is for that strength that we have provided in the Budget'. If this is so, then how is it that the provision required for the ordinary charges of the army in India in 1920-21 mounts up to 58.20 crores? It is also said 'We have had to provide 129 lakhs to cover the cost of certain recommendations of the Esher Committee.' Let us grant four times that amount. Even then the difference is very large. Then, what is it owing to? It has been pointed out that 'there were two obstacles to making such reductions', and that 'Government could not be prepared to agree that in the present state of affairs in Central Asia, etc., a further reduction of our fighting forces is justifiable.'

Now, what is contended is that the present state of affairs in Central Asia, etc., was brought about not by India but by Great Britain and all the consequent charges for these affairs in Central Asia, Middle East, Near East, or wherever it is, must be borne by Great Britain. I do not mean to say we should not contribute anything to the military expenses of our senior partner at all. We are paying for our Imperial connection more than many of the colonies. I think also that India will not object to pay her share like the colonies when the scheme for an Imperial navy is launched. But what I submit is, we should not be forced to pay for an unnecessarily large army with an ulterior motive of subjugating other nations for their oil-fields or anything else, to satisfy the ambition of Imperial Britain. Therefore, I say, Sir, this war estimate must be so trimmed as to make it not much bigger than what is quite necessary for the defence of the country.

Another suggestion I wish to make regarding the retrenchment of military expenditure is the reduction of British troops in India. It has already been pointed out from an economic point of view that for every British soldier employed in India, we could employ four Indian soldiers, without any deterioration in efficiency. Sir, half the force now maintained, in my opinion, is quite sufficient for the defence of the country and the maintenance of order. Moreover, if we will not send any soldier from India to subdue other countries and nations, none will ever think of attacking India at all. This is a point that

[Mr. Mahmood S'Chamnad Sahib Bahadur.]

ought to be borne in mind. My Honourable friend, Dr. Gour, said yesterday that there was no fear of Bolsheviks coming to India. We would turn them back and so on. Well, I do not agree with him. For Bolsheviks are not to come here from anywhere else. Such heavy burdens placed upon the poor peasantry and masses year after year will automatically transform them all into Bolsheviks. They are not a different kind of creation. Did the Gogs and Magogs of Russia, the so-called Bolsheviks that pour into the plains of Azerbaijan and Irak come from anywhere outside Russia?

Sir, other items in the Budget have already been sufficiently criticised by many able Members, and so I do not wish to say anything more on them.

Now, as regards fresh taxation, I am quite against the idea of burdening the country with any new taxation at all except so far as they are protective. But the items for which the people will always remember us—by cursing us of course—are the abolition of the half anna postage for letters, raising to half anna the quarter anna post card, surcharge on goods traffic, such as, fire-wood, food-grains, and fodder, and duty on cotton umbrella and sugar.

What I propose to the House now is to vote only on condition of the whole military question being reconsidered with the help of expert non-official opinion. Otherwise, reject it altogether. It is true we have no voice in military expenditure. But how else can we show our disapproval? Mere talking and speech-making will not help any more. That stage is passed. Now we are invited to take an active and substantial part in the administration of the country. Sir, I wish, so as not to be misunderstood, to assure the House that I am not actuated by any other motive than that of impressing upon the Government the imperative necessity of curtailing the military expenditure. I may also tell the House that I am one of those who believe that the continuance of British connection with India is an imperative necessity without which the peaceful administration of the country will be impossible.

Well, many of the Honourable Members have already committed themselves by condemning the Budget and asking the House to reject it. Now, as His Excellency the Commander-in-Chief has given an assurance to comply with our request, I request the House to consider well before voting on the Budget, as this is the only way of showing our approval or disapproval of the military expenditure and other non-votable items.

Sir, before I close, I wish to thank the Government for having allowed us to express our views on the military Budget, and the Honourable Mr. Hailey, for his frankness and plain exposition of facts. With these remarks, Sir, I resume my seat.

Munshi Mahadeo Prasad : Sir, the financial statement presented before this House is such that we cannot congratulate ourselves on it. It comes to us like the legacy of an extravagant and indebted predecessor and we, as administrators, are asked to make both ends meet. Our task is worse than that of the official assignee of an insolvent, who has the right to curtail dividend in proportion to the divisible assets in his hands. But we have to create assets for liabilities over which we had no control and with regard to the majority of which we have no right to discuss or to vote upon.

The result of the exchange rate and of the Reverse Councils has been unfavourable to the country. The discharge of the 1921 Loan and the making of a provision for sinking fund for other loans, have been staring us in the face. The depression in trade is another factor demanding solution. It is in these untoward circumstances that we have to provide for a deficit Budget as I may call it. This deficit is one which had foreshadowed its advent and had its parallels also in the past. Owing to the straitened financial condition due to the great war and its after-effects, every one of us had to feel the pinch on his private finances. Traders in imports who were well off are feeling the gravity of the situation due to depression in their respective trade circles. No amount of argument or reasoning or criticism seems to save the situation. We have to face it although very disappointedly. The Honourable the Finance Member has to be congratulated on the frankness of his statement, but, I am afraid, as a veteran Finance Member, he might have underestimated the Budget on its side of receipts.

The Army Budget and the sudden rise in the cost of administration have been dealt with by the Honourable Members yesterday and to-day. After the speech of His Excellency the Commander-in-Chief I need not dwell at length over them. I shall only submit that the general public will feel it with great disappointment. Our resources for material, industrial and national development of the country are curtailed.

There are three stages of a Financial Statement and Budget: (1) Presentation, (2) Discussion, (3) Voting on Demand. We are on the second stage. In the light of the discussion of the Budget we have to formulate principles and then to vote if necessary on demands and make provision for getting more money by taxation.

I am glad to learn that the military expenditure will undergo a review and revision and I hope the result will be a retrenchment. I may remark that Indian element if introduced on a better footing in all lines and avenues of service, military and civil, will cause very useful economy and bring about a better relation with the people whose loyalty has stood test in the Great War. I would also submit that the principle of action should be co-operation by and to the Government to guide in the future.

As to taxes, I would submit, that the means suggested by the Finance Member avoids direct taxation and may be acceptable to some. We must see all the items proposed and the convenience of the majority of the poor in levying fresh taxation.

The country is poor and its resources should be very sparingly touched. This is a matter for discussion before this House to-day and also on the 17th instant when the Bill will be taken into consideration to amend the Customs and other Acts.

We must try to make retrenchments as far as possible and then find means for the rest. The taxation proposed should not be permanent, but only for such time as the conditions may make it indispensable, say for one financial year.

In conclusion, I would respectfully submit, that in formulating taxable heads the poor resources of the rural population should be carefully considered. The import duty on foreign sugar should be raised still more in the interest of the rural population. Post-cards, half anna postage and freight on fodder and fuel should be left alone. I do not agree with Mr. Price on the abolition of deterrent measure on export of wheat and rice.

These are the few remarks that I beg to offer on the Budget.

Mr. B. P. Singh: Sir, after I have carefully heard my friends speaking yesterday and to-day, I need not take up the time of the Assembly by repeating the arguments already advanced. But, Sir, I think it my duty to endorse the remarks by only making an appeal to the Members of this Assembly to request His Excellency the Commander-in-Chief with one voice, to make a sincere effort again to reduce the military expenditure, which I am confident will not go in vain. As regards postal taxation, I am at one with the other speakers, who have preceded me, in thinking that the price of the post-card should not be raised and the half anna envelope should not be discontinued. As pointed out by the Honourable the Finance Member himself, 'cheap postal communications are of the highest importance in this country', but I disagree with him in thinking that they are a luxury which the country can no longer afford.

Similarly, I cannot refrain from remarking that any increase in goods rate in respect of such articles as food-grains, fire-wood and fodder will tell upon the pockets of the poor classes also. This increase had better be avoided.

As regards taxes on matches, I may be permitted to point out that the taxes if levied as proposed would mean that the price for the inferior class of matches will be more than that of the superior class.

The last increase in the rates of the Telegraph and the Railway fare which was brought into operation to meet certain deficits is still in force. Considering that the word 'temporary' is very elastic, I would suggest that the period of the taxation proposed, if at all levied on goods carried by Railway and postal service, should not exceed one year as it is intended to meet the present situation only.

I agree to the increase on import duties on luxuries and liquors and I would have welcomed them more if it had been proposed that they should be doubled.

Rai Badadur S. P. Bajpai: Sir, the task of the Members of the Assembly to-day is by no means an easy or enviable one. On the one hand they have to prove their fitness for responsible work by dealing with the Budget as practical men and on the other they have to zealously protect the interests of the people by looking carefully into their economic condition. We are all aware, that the Budget for the year 1921-22 has met with universal condemnation in the Indian Press. It has been characterised as dismal, gloomy and disappointing.

The epithets will certainly look quite appropriate when we notice a huge deficit of 18½ crores, unprecedented military expenditure of 82½ crores against an estimated income of 110½ crores and fresh proposals for taxation.

To my mind, Sir, no new purpose will be served by entering into a discussion as to how far the losses suffered are due to the exchange policy pursued by the Government last year. Say whatever you may, the fact remains that the exchange muddle has done incalculable harm to India's business and has brought to the grave many a famous business-house in the country.

Turning to the practical side, I notice with pain that in spite of the protests of the educated Indians, the military expenditure of the country has been growing by leaps and bounds.

It appears from His Excellency the Commander-in-Chief's speech, that the combatant strength of the army has already been reduced. Be

that as it may, the fact remains that the military expenditure of India is out of all proportion to its revenues and must be considerably retrenched. India cannot afford to spend 50 per cent. or rather more on the upkeep of an army for maintaining peace and order in the country. I am quite conscious of the peculiar position of India and am always ready to support the Government in maintaining peace and order in the country and protecting the frontiers from the raids of the tribes living on the Afghan border ; but, I think, it is still possible to reduce the military expenditure if the Government trusts us, if it sees its way to Indianise the army, and if it throws open King's Commissions to Indians, who, be it remembered, loyally stood by it as one man even against Turkey, during the dark days of the war. I would also suggest that no time should be lost to raise a citizen army in India.

Sir, I feel and feel strongly that the administration of India, both civil and military, is top-heavy for a poor country like ours. We ought to set our house in order if we want to exist. With this object in view, I shall most respectfully suggest that time has come to form a committee of this House to advise the Government to retrench the expenditure wherever possible. It will not do to resort to fresh taxation every year.

India is already over-taxed. I may inform the House that Local Bodies at least in the Provinces of Agra and Oudh, are formulating
5 P.M. schemes to tax the people. Provincial Governments will also have to devise ways and means to raise money if transferred subjects are to be administered beneficially.

All this burden will eventually fall on the poor Indian tax-payer. The condition of the masses is really deplorable. Those of us who have got landed property know the real state of affairs.

Nearly 80 per cent., of the people in the villages live on one meal a day which consists of barley or gram bread and salt. They have practically no clothes to wear and no houses to live in. Is it fair, I ask, to tax these people directly or indirectly ? I, for one, say, no. I would have certainly voted against the proposals for taxation but I fear I shall embarrass the Government if I do so. I, therefore, suggest that the deficit may be met partly by floating a loan and partly by resorting to taxation. The proposed taxation should remain in force for one year only unless the Retrenchment Committee fails to make definite recommendations to reduce the expenditure. Five crores required for extraordinary military expenditure and initial expenditure on New Delhi might be obtained by floating a loan. With regard to specific proposals for taxation I shall make the following suggestions for the consideration of the House and the Honourable the Finance Member :

- (1)* The general *ad valorem* duty may be raised from 7½ per cent. to 12½ per cent.
- (2) Duty on imported liquors may be doubled.
- (3) Ordinary umbrellas, watches and clocks should not be treated as articles of luxury. In a tropical country like India, umbrellas are indispensable for about 8 months in a year.
- (4) Duty on imported sugar should not be less than 15 per cent.
- (5) Fodder, fire-wood and food-grains should be exempted from railway surcharge proposed in the Budget. Fodder and fire-wood are

[Mr. S. P. Rajpai.]

already sufficiently costly and it will not be desirable to make them still more costly.

- (6) Half-anna postage for letters and quarter anna post-cards should not be abolished. Besides affecting the poor, the proposal, I am afraid, will give an impetus to the non-co-operation movement. Therefore, I think, it will be desirable to abandon the proposal.
- (7) Many Indian Newspapers still do not pay their way. I think it will be very hard for them to bear the extra burden thrown on them by raising the initial rates for Registered Newspapers.

The Honourable Mr. W. M. Hailey : (On rising to speak was greeted with applause) I take that manifestation, Sir, as a sign of relief that a long debate is drawing to its final stage. Now, Sir, I have in my hand so many notes of what has been said to-day, notes which refer to so wide a range of subjects, that I am sure that my Honourable friends here will not accuse me either of lack of attention or of discourtesy if I must perforce omit to notice many of the criticisms which have been delivered in the course of this debate. I shall make no further prelude; and will go as quickly as possible to my task. There are some points I shall purposely pass over; I shall not, for instance, linger to answer the demand made by Mr. Majumdar that we should cease to take the water out of our rivers for irrigation purposes, instead of leaving them (as I conjecture is his desire) for aquatic recreations. My Honourable friend Mr. Sarma must be left to explain his reluctance to give up 26 million acres of canal irrigation. There is a second class of question, Sir, of much more serious importance, but which I must also pass by. I cannot notice, for instance, although I should wish to do so, Mr. Neogy's claim for a smaller provincial contribution from Bengal, or, for the abandonment to Bengal of our jute export duty, amounting to something like 2½ crores of revenue; that must be argued separately since it does not arise explicitly out of the Budget.

There is a third class of matter which I have noted, but which I must also omit, not because it is unimportant or out of place, but because it will fall more properly into discussion when we come to deal with a later stage of the Budget debates. I mean the suggestions that have been made such as that of Mr. Spence regarding the substitution of primage for a surtax, or that of the exemption of mill stores put before us by Mr. Rahimtulla and Sir Jamssetjee Jeejeebhoy; further, such questions as those relating to the definition of the size of boxes of matches, or the inclusion of bicycles among luxuries to which Haji Waziuddin referred. The House will, I think, find it more convenient to deal with these points when we come to the Finance Bill.

There is a fourth and perhaps the most prolific class of criticism with which I do not propose to deal, namely, that relating to military expenditure. Sir Devaprasad Sarbadhicari asked me why I had left it to His Excellency the Commander-in-Chief to justify military expenditure. I ask the House whether it was not proper that I should do so? When we have with us a soldier of his reputation, of his administrative ability, and if I may add also of his value to the nation, was it not proper that I should leave it to him to justify the expenditure which we have decided to put in our Budget for the Indian army in the coming year? The Executive Council of India is, at all events when it comes to face the rest of the world, a united body. Many questions arise for discussion within it, and when these questions happen to

involve fresh expenditure, they are seldom not passed by without considerable debate; sometimes, our debates even go to a length in which our sense of duty to our views overtakes the dictates of amiability. But, Sir, when these questions have been discussed, re-discussed and decided, then the decision is that of the Government of India as a whole. I think that some Honourable Members here suggested—at least they seemed to me to suggest—that the claims of military expenditure have been so great that I was unable myself to defend them. Now, Sir, I have refrained from defending them, not because I could not, or would not do so, but exactly for the reason I have given. It is the constitutional procedure at Home, and it should, I think, be the constitutional procedure here that each head of expenditure should be defended, not by the Finance Member, but by the head of the Department which that expenditure concerns. If that practice is correct, military expenditure could have no abler, no more responsible exponent, than His Excellency the Commander-in-Chief.

Now, having cleared away these preliminaries I come to one criticism of which we have heard a great deal in the course of this debate, and which I must answer. I ventured, when I addressed this House on March the 1st, to refer to the increased responsibilities of this Council in regard to the Budget. I pointed out that Government no longer had the undivided responsibility for it. That statement has been criticised by more than one Member; it has been asserted that the responsibilities of this House really come only to this, that it is asked to provide taxation, while it has been denied the power to vote on the great bulk of the expenditure proposed to it. We have had put to us various calculations as to the proportion which votable bears to non-votable expenditure. Mr. Rangachariar told us there were only, say 24 crores of what he termed 'touchable' expenditure. Mr. Joshi said there was only one-fourth; I think that was also repeated by Colonel Gidney. Now, Sir, I have had an exact calculation made by my friend Mr. Aiyar, and I think the House would be very well advised, when it desires an exact statement of facts and figures to do what we always do in our Department and that is implicitly to trust Mr. Aiyar. His calculation is, that the votable expenditure charged to revenue is just over 94 crores, and that charged to capital is 18 crores, total 113 crores. Non-voted expenditure charged to revenue is 105 crores, and charged to capital about 6 lakhs, making a total of just over 105 crores. The law has been framed not by us, but by Parliament; and these figures will, I think, dispose sufficiently of the charge that the House is allowed no sufficient voice in the expenditure of the Central revenues of India. Now, Sir, as to the second point. One very common charge against our Budget proposals is that, though we put it forward as a Budget of economy, it is really a Budget of extravagance. Mr. Venkatapathiraju even went so far as to use a term which has been used a good deal in England, but of which I am proud to say we have heard less in India; he accused us of squander-mania. Frequent references were made in the course of the debate to the new departments we have added, to the constant new officials we have appointed, and that in a year of deficit. Now, Sir, what new departments have we added? Arrangements are being made for the constitution of the Industries Department under my Honourable friend, Sir Thomas Holland. Does the House desire that we should not proceed with the proposals of the Industries Commission? I may point out that that department when constituted will be smaller in size than the temporary Board of Industries and Munitions of which it will take the place. Reference has been made to our extravagance in appointing an officer who is called the Inspector of Offices.

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I was astonished to hear that criticism coming from gentlemen from Bengal, because the officer in question was employed by the Bengal Government and by the High Court, and Bengal gentlemen should know the value of such a post. We created it on the report of the Llewellyn-Smith Committee; we agreed with that Committee in believing that this appointment would not only be invaluable to the proper working of the Secretariat, what is more important, we considered it likely to assist us in effecting considerable economies. Now, if it is put to us that an officer is likely to effect economies and the officer is not, although he is an expert, unduly expensive in himself, are we to refuse to attempt these economies? I may say, I think, with authority that one result of the appointment of this officer was that we were able to use his services in an examination of the strength of the temporary staff which was kept up in several branches in Simla, and I think a saving has already been effected of about two lakhs of rupees in one department. If the House would like after that to vote for his removal, it will still have an opportunity of doing so; but I think that it would not be well advised if it did.

Then, Sir, we are told that our own administrative budget shows extravagance because we have not allowed for the fact that the advent of the Reforms will result in many of our departments having reduced work. We are told that the Education Department must be reduced, that the Revenue Department will have little to do, possibly even that the Home Department, can be cut down. That may be so, Sir. For the present, however, I can say that with some considerable experience of the Government of India—for I think I first officiated here in 1899—and also with some experience of administrative work in the provinces, I have not myself known a time when work has been so persistently heavy, as it is at present in the departments of the Government of India. The reason of course is this, that we are changing all our arrangements, we are breaking up all our old rules; and it would be difficult at such a moment to make reductions in the staff. When we see the effect of the Reforms, then it will be time to consider retrenchment in the Secretariat offices. But I can give the House an assurance, an assurance born of some experience and of the possibilities of effecting economy, that just at the present moment it would not have been possible for us to budget definitely for a reduction.

Then, we have been further told,—I do not want to dilate upon the point, Sir, since Mr. O'Donnell has already dealt with it—we have been told (I think, by Mr. Rangachariar in particular), that we showed no signs of firmness, no spirit of economy, in the large increases we have given to our establishments. Mr. Rangachariar traced the whole of our miserable downfall to the concessions given to the superior services. Now, let me repeat again to the House the figures which go to form those increases. The Imperial services have received 1 crore and 10 lakhs; the Provincial services $\frac{1}{2}$ crore, and subordinate services, Imperial $4\frac{1}{2}$ crores and Provincial 6 crores. Now, I ask again, with Mr. O'Donnell, does anybody seriously pretend that these large increases to the subordinate establishment were due to the greed of our Imperial services? I remember the debates in the Imperial Council on the subject of the Post and Telegraph services. I recall how we were told that we were deliberately starving these unfortunate

men. The Honourable Member says: 'You should have been firm' from the first, and his speech almost carried an implication that those who organised industrial labour or took up the cause of our subordinates (shall I say Mr. Baptista and Mr. Wadia?) were in a species of conspiracy with the bloated bureaucrat for raising wages all round. I advise any one who argues like this to try a similar firmness in his own domestic circle or in his own factory, and then see the result; we tried to be firm on one or two occasions in connection with our own subordinate services and we were forced to give way, and I doubt not that a similar experiment elsewhere would have the same result. Finally, on this particular point, I merely wish to repeat what I said in answer to a question this morning. I take no great credit for it in any way, but I do quote it as evidence of the spirit with which we drew up this budget, *viz.*, that although departments had already cut down their demands as low as possible, they were still further reduced by my department by another 3½ crores. As for the future, Sir, we have been asked whether we intend to have a Retrenchment Committee. Well, Sir, we have the Standing Finance Committee of the House; and I would suggest that, before the House appoints another Committee or asks for the appointment of an outside body, that committee should first see what it can do in the way of retrenchment. There are all our figures before it; we are willing to meet it as often as it cares to sit and supply it with the fullest information; and I should honestly welcome a report from it regarding the possibilities of present retrenchment. Meanwhile, Sir, we have to prepare a budget. We have been offered many solutions of our difficulties. In regard to the Army, for instance, we have had proposed to us the wholesale substitution of Indian officers for British officers (though indeed their pay is the same), and the substitution of a territorial force for the regulars engaged for internal defence. But I must come back to this point, that we must have a definite budget for the present year. What we require here and now, Sir, is not visions but provision of funds; and I have to ask the House what provision it will make.

Now, let me leave the expenditure criticisms and come to the larger questions of finance. Before I do so, I want to clear from the minds of Honourable Members some doubts that may have arisen from certain remarks that have been made to-day, and which are of sufficient importance to claim attention here. Mr. Samarth criticised strongly our manner of showing all Post and Telegraph expenditure in the revenue account. As I said in my Budget Speech, we are going into these figures with the aid of experts from Home, and when we have made a proper separation of capital from revenue expenditure, we shall be able to initiate a proper capital account. I can relieve Mr. Ginwala's mind regarding the provisional nature of the sum assigned for expenditure on military police in Burma. I cannot, however, give him any kind of hope that we can give Burma the interest on the rice money. I think the general feeling of the House will be that Burma has been lucky to get the whole of its rice money, and should be content with it without asking the interest on it also.

Mr. Kamat asked us what we propose to do with the interest on the Gold Standard Reserve and with the 3 crores interest on the Paper Currency Reserve securities. The former interest of course goes to the Gold Standard Reserve itself, the latter by the law passed last September will go to the reduction of our unbacked Currency Bills. I can relieve also Mr. Spence's mind of the doubt he expressed in regard to our

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exchange transactions with the War Office. These are adjusted entirely at the current rates of the day. He asks us to amortise the $3\frac{1}{2}$ per cent. loan. Now, Sir, with regard to that, I can only inform the House at this stage that we have agreed to meet experts on the subject and to see what steps can be taken to improve our $3\frac{1}{2}$ per cent securities. For the present, I can promise no more than that. He suggested that we should return to our former practice of investing a moiety of our Paper Currency Reserve in railways. There was, Sir, a time up to about 1896 or 1897 when we had 42 per cent. of our reserves in our own securities, but at the time when war broke out, we only had 10 crores in our own securities, against a total note issue of 75. I would refer him to our discussions on the Paper Currency Act of last September; it was then decided to limit our investments in our own securities to 20 crores. To exceed that figure would require the alteration of a law which was, I think, accepted at the time as a sound and suitable disposal of our paper currency reserve investments. One other point Sir Jamsetjee Jeejeebhoy suggested that the London money-market might be more generous to us in the matter of loans, because we had large funds there which we gave out from time to time on loan to the market. I think that he has in his mind recollections of a controversy of some years ago. At all events, I can say that at present we keep in London little more than till-money; our usual balances there are not more than 4 or 5 million, and I do not think there has been a time in these twelve months when our balances have been greater than six. With the constant demand on the Secretary of State for current payments, that leaves very little margin for making loans to the London money-market.

Now, Sir, as regards the larger question of exchange which has been so much debated in the course of this discussion. Many critics have not accepted my claim, that our own exchange policy has not been responsible for the present trade depression, for the present excess of imports, for the present defect in exports. Mr. Jamnadas in particular,—and I think he found support from Mr. Shahani and am certain that he did from Mr. Shabbuddin—told us that our artificial rate of exchange has hampered export. Well, Sir, this is a matter of opinion. But in order that the House may form a correct opinion, I would like it to remember that before the Currency Committee reported the rate of exchange was already 2s. 4d. and that when silver subsequently rose, exchange must almost inevitably have risen in any case. The responsibility thus cannot be entirely ours. There was a high rate at the time that we adopted our policy, and that would inevitably have been followed by even a higher rate even if that policy had not been adopted. Mr. Jamnadas told us also that our anticipations that the balance of trade would remain in our favour was shared by no one; he told us indeed that we were fully warned to the contrary. He told us, in particular, that Mr. Dalal had so warned us. Well, Sir, I took the trouble after hearing his speech to look up the Minority Report again, and I should be very grateful to him if he were to point out the passage in question, for it has escaped my search. I believe there was a general opinion in India that we were in for a trade boom which would last for a good twelve months; if warnings were delivered to us at the time regarding the evanescent nature of the prosperity which we saw before us, then they were so few and rare that, I am afraid, they escaped not only our attention, but that of most other people. Now what are the real facts regarding what some Honourable Members here have called the exchange muddle? Mr. S. Chamnad-

went further and applied an expression of which we heard a good deal some time ago, namely, 'organised loot.' Well, Sir, if Mr. S.'Chamnad wishes to use that expression again, I would strongly advise him to look up the answer I gave to a question which an Honourable Member put me two or three days ago, and read carefully through the names of the gentlemen who hastened to profit by this 'organised loot.' I see, Sir, my Honourable friends from Bombay appreciate the meaning of my allusion! But the question I have set myself, and propose to answer now is this; what has been the effect of what has been called the exchange muddle, on the budget of this year? I am not talking of its effect on our sterling resources, nor of its effect on our commitments for the future. I ask what has been its effect on the budget of the present year, because it is the present year's budget on which we are now debating and with which we have to deal. A great deal of prejudice has been created throughout the country,—I am not going to charge any particular Member of this House with this—but a great deal of prejudice has been created by statements that we have lost a vast number of crores by selling our Reverse Council Bills, and have a large deficit in consequence. Well, I want to put that to the test. How much additional taxation have we been obliged to propose now on account of what some of our friends described as our mistakes in regard to selling Reverse Councils? Let me take the items. You have $5\frac{1}{2}$ crores of loss on exchange. That of course is not due in any way to our Reverse Council policy. That merely represents the actual cost that we anticipate we shall have to meet in sending money Home. We may, as Mr. Spence says, have under-estimated the cost, but the cost will not be in any direct way due to what we did last year. Then you have $2\frac{1}{2}$ crores increase in interest charges owing to the larger issue of Treasury Bills to the Paper Currency Reserves, and 3 crores loss owing to the ear-marking of interest on Paper Currency Reserve investments to the discharge of our Treasury Bills issued to the Paper Currency. Now little, I will not say none, but very little of that can be attributed to our selling of Reverse Council Bills. This loss is due mainly to our carrying out the Currency Committee's recommendations in another matter, that is, the substitution of Indian Treasury Bills for British Treasury Bills and the ear-marking of the interest to the reduction of created securities. The only portion of next year's deterioration which can be attributed to the Reverse Council Bills policy is the interest on that portion of the issue of Indian Treasury Bills to the Paper Currency Reserve which exceeds the deficiency in the reserve due to the re-valuation. That, I submit, is an accurate statement of the case. Well, Sir, that loss may come to about 75 lakhs a year at most, perhaps a little less.

Therefore, I would ask Honourable Members here and their friends outside, when they hear people talk of the way in which Government has thrown crores of rupees into the sea, and adding the implication that because we have thrown these millions of rupees into the sea, we must have to tax the country heavily for it,—if they hear such insinuations, I beg that they will stamp them as incorrect.

So far I have been dealing largely with questions of controversy, and points of difference arising out of the acceptance of the Currency Committee's policy and our manner of trying to make that policy effective. The vital question to many Members however is rather this; what has been the effect of that policy after all on the mercantile community? What can we do to help the

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importers in the difficulties in which they are now involved? I think that the mercantile community, whose views were expressed by Mr. Price, found perhaps at the same time their fullest exponent in Mr. Manmohandas Ramji. Mr. Ramji strongly deprecated the use of certain expressions which occurred in the speech which I made on the 1st of March. He said that I had attacked Indian commercial morality. Now, Sir, I have never attacked Indian commercial morality, and nothing that I said on that occasion could justify the assertion that I had done so. What I did say was, that commercial morality in my opinion would forbid wholesale repudiation. I added that if there were wholesale repudiation it would affect India's international credit. I hold to both those statements and it is not necessary for Mr. Ramji to remind us that the credit of India's merchants stands as high as that of any merchants in the world. I will not admit that I attacked or meant to attack the morale of India's merchants; for I am well aware of the high morality that prevails in the best commercial circles in this country, and should not seek to disparage it. I am glad of one thing at all events, i.e., that Mr. Manmohandas Ramji has repudiated a suggestion that was made to Government, namely, that Government itself, in other words, the general tax-payer should bear the losses of the difference in exchange owing to the fact that Government has not made good its policy and has thereby led importers into entering into large bargains which they cannot now comply with. Lest the House should misunderstand anything that has been said on the subject, I desire to add that that proposal was not put forward in a Resolution placed before the Associated Chambers of Commerce. I understood him (perhaps incorrectly) to say that he had noticed that I had thought fit to attend a meeting of the Associated Chambers of Commerce and, Sir, if I did think fit to do so, I have no doubt that there are a good many commercial men who will agree that it is a good thing that Government, purblind and hidden away in the cloistered recesses of Delhi and Simla, should send Members down to attend such Conferences. The proposal as I say was not put forward to by one of the Chambers of Commerce, but was mentioned to the Conference as having been recommended by the Sat Narain Association of Karachi. I gather that Mr. Price, who also spoke on the same subject, is in accord with Mr. Ramji in repudiating that proposal

Mr. E. L. Price: Sir, I never heard of the suggestion before.

The Honourable Mr. W. M. Hailey: I am sorry, Sir, if I introduced Mr. Price's name; if he has hitherto not heard of the proposal, then if when he gets back to Karachi that proposal is put before him, I feel I shall find another supporter.

Repudiating then this suggestion, Mr. Manmohandas Ramji put forward his own remedy. He suggested that we should convene a committee which would represent both shippers and importers and should seek from them a solution of the present difficulties, great difficulties which everybody acknowledges to exist. The present difficulties between the importers and the home

Mr. Manmohandas Ramji: If I may be allowed to say one word about it, I never asked the Government to call a committee. I said we attempted

to ask the Chamber of Commerce to come to some arrangement. In my first statement I said that we had not approached Government and would not approach Government.

The Honourable Mr. W. M. Hailey : I am sorry Sir, if I misunderstood the Honourable Member and I can then very easily pass from that point, for I feel that from him I have support in the belief that direct action by Government could not very profitably be taken in that connection. Mr. Price, Sir, appealed to us in feeling terms to do what we could to set this unhappy position right. Now, Sir, I was moved, and no one could help being moved, by that appeal. Need I say that if we could see any remedy, if we could see any solution, in any action that we ourselves could take, we should do our best to adopt it? It is only because we have not ourselves seen any immediate solution for the present trade depression in any action that Government could take, that we have decided that for the present we must remain inactive. I admit that it is not a happy conclusion, or one which we can welcome. But Mr. Price put before us definite and concrete proposals. He does not believe in any system of international credit. He believes, however, that we could restore the position by removing the restrictions on the export of food-grains. Now, Sir, the House is already aware from debates that have taken place in the Council, that the restrictions on the export of rice at all events are little more than nominal. As regards the restriction on the export of wheat, I would remind the House that in a Communique issued by us we announced that we would allow not more than 450,000 tons to go out before the 31st of March, and therefore we have felt ourselves bound to maintain that restriction up to that date. If the Honourable Member can do anything to convince the urban interest that restrictions on the export of food-grains are a bad thing to India, let me tell him that he would have a supporter in the Finance Department. For the restriction is not a financial one at all, Sir, it was imposed purely for administrative purposes. Then, Sir, he would re-introduce the tax on silver. I only want the House to realise that strong as was Mr. Price's condemnation of the evil effect of the free import of silver in weakening our exchange, its actual effect on the balance of trade is not so great as the warmth of his condemnation would lead one to suppose. In the month of January, the import was valued at only 78 lakhs of rupees. I cannot believe that 78 lakhs of rupees would have any permanent or pronounced effect on the balance of trade. If the import goes on, however, it is clear that it might have a very real effect on the balance of trade; and I should then have to go down to Bombay, which has always been a very strong advocate for the free import of silver, and which resents our touching in any way the precious metals,—I should have to go down to Bombay and ask them whether they thought it was advisable to re-introduce the tax on silver. Then, finally, it is suggested that we should remove the export duty on hides and tea. That is a proposal which has found an answering echo, Sir, from Mr. Spence and Mr. Pickford. I shall say little about that export duty here, because other occasions will arise in the course of the budget debates. I would only remind the House here that it would cause a gap of about a crore and a half of rupees. It may be true, as Mr. Pickford says, that we are unduly optimistic in hoping to get that revenue this year from hides and tea; but the immediate point for me is that something up to a crore and a half of rupees would disappear from the budget and would have to be made up somehow.

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Now, Sir, I come to another important question, also a question, which has been a great deal commented on by men highly qualified to speak on the subject in this House, I mean our provision for railways in the coming year. Sir Frank Carter, no doubt, voiced the universal opinion of the Presidency-towns, when he said that our proposals are entirely inadequate to meet the pressing demands for Capital expenditure on railways. That is certainly the view which has been largely held in the Press. It is the view which has been pressed upon us by the Chambers of Commerce. I do not, I may say, agree with all Sir Frank Carter's figures. He has told us that we had never acted up to the recommendation of the Mackay Committee that we should spend 12½ millions a year. But in 1913-14 our budget was 12½ millions, followed by an appropriation in 1918-19 of 17½ millions and in 1919-20 of 21 million £. He hoped that we would not reduce that small provision of 15 millions which is put in the budget. I see no reason why we should do so; if the House accepts the provision, nothing short of a national calamity should make it necessary to remove it. As we ourselves recognise, it is not a magnificent provision for railways; but I must again put to the House the difficulty of raising fresh sums of capital money on a large scale unless we are prepared to pay exorbitant rates for it. I must again put to it, as I had to put to it in the course of the debate on Mr. Rangachariar's motion the other day, the effect which such a measure would have on our 3 and 3½ per cent. securities and therefore, on the immediate credit of the Government in its loan market. For the present, therefore, I can see no chance that we should be able to increase that sum of 15 million £.

I have been dealing with loans. That brings me to another suggestion put forward to-day, a suggestion which I hope has made the blood curdle of every sound and orthodox thinker in this Assembly. It is the proposal that instead of trying to make our accounts square this year either by reducing our expenditure or by increasing our revenue we should meet our immediate obligations by a loan. I have already given to the House the reasons why I think we should not raise even for productive purposes a larger loan than that which I have placed in the Budget, and those reasons, of course, apply with even greater force against any extension of our loan programme, in order to meet recurring expenditure. If, as a matter of fact, we were not successful in extending our loan, then we should be obliged to supplement the deficit by Treasury Bills, in other words, by adding to our floating debt, and if we could not raise Treasury Bills, we should have to resort to printing unbacked currency notes. I had ventured to hope, that on March 1st I had put forward the arguments against any such unsound and unhealthy way out of our difficulties with sufficient force and emphasis to prevent such suggestions being repeated. May I ask Mr. Sircar and Mr. Shahani, what, if we attempt to meet our difficulties by loan now, what we are going to do next year? You may make some retrenchment; but that cannot meet the whole case; and if you are going year after year to meet deficits by loan, you are adopting a course which you would not follow in your own domestic finance, nor in your private business finance. I maintain that you are not justified in urging Government, responsible as it is for the general finance of this vast country and all that this implies, to adopt a course which you would rightly consider unsound in your private concerns.

Now, Sir, I have spoken at some length, because I have been anxious to meet the points that have been raised by many Honourable Members. But the House is entitled to stop me with a definite question. It is entitled to say, 'You have heard what we had to say on the subject of your proposed expenditure and the arguments we have used against your proposed taxation; what are you now going to do? Are you going to reduce your military budget? Are you going to cut down military and civil expenditure sufficiently to make it unnecessary to proceed with your scheme for increased taxation, or at all events, to reduce considerably your scheme for increased taxation?' I appreciate fully the fact that many items of our proposed taxation have been opposed in the debate in this House. I appreciate that our proposals in regard to the surtax, so far as it embraces firewood, fodder and fuel, are not in favour. I realise that our proposals in regard to postage have met with strong criticism. There is, on the other hand, except in details, little opposition towards the proposed increase in tariffs. I do not think that the House can ask that I should give an immediate answer to-day on the question of what immediate action we shall take. We have, in the first place, to await the results of the numerous amendments of which we have received notice in regard to the demands for grants; that is to say, we want to get through the 'supply' stage first of all, and see how far our proposals for expenditure will stand the votes of the Assembly. It is only when we have finished with demands for grants, that we can be in a position to make an announcement to the House as to the effect of these votes on our proposals for taxation. That, Sir, is my answer to that immediate question.

I must now detain the House no longer. I am beginning to feel that I perhaps stand before you to-day in a double capacity. When I spoke on March 1st, I was only the Finance Member. But my family, who I am glad to say, keeps me up to date in these matters, informs me that a newspaper has stated since then that I am the 'enemy of mankind.' Now, Sir, I do not resent Press criticisms, for I have always found myself that they supply one with just that touch of humour which is necessary to carry one through the sometimes dull routine of official life. But I mind it the less, on this occasion, because the House has not approached this Budget, nor we as its author, in at all the same spirit. The House has approached the Budget in a spirit which I am glad and proud to welcome. If I refer to the matter at all, it is only because I have detected outside this Chamber, and I think once or twice also in this Chamber, a suggestion that we on our side were not sorry to be able to place upon this House their share of the responsibility what some here have called this gloomy and unsatisfactory Budget. Now, Sir, if anybody here in this House really feels this, I say that it would show a less generous spirit than I have been accustomed to find in this House. We the representatives of Government here are not able to dissociate ourselves in any way from the Legislature in which we sit and for whose support we must now look. It is because we feel this, that we have been perfectly frank with the House, perfectly frank and perfectly honest. We have put forward a Budget which we believe to be honest throughout, honest in its attempt to take a broad view of our difficulties, honest in its attempt to keep down fresh expenditure for the present year, honest in its attempt to place the burden on the shoulders that can best bear it. I say that we have done our best to be honest with you; and I protest against any suggestion that we can now take up any attitude which would dissociate our interests from yours. I realise, Sir, that there may be many points in which this House will differ from us

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in regard to taxation. There may be points in regard to which they may desire to curtail our expenditure. But I can only hope that as Carlyle once finely said, though the difference between us may remain, it will remain a difference of opinion only. Let no one believe for an instant that our objective and your objective in this or any other matter is, or can be, different.

Rao Bahadur T. Rangachariar: May I point out, Sir, with reference to the statement of the Honourable Mr. Hailey as to the figures for voted and non-voted on page 123, we find that 24 crores 55 lakhs are submitted to vote and 104 crores and 13 lakhs are not submitted to vote.

Mr. A. V. V. Aiyar: May I draw attention, Sir, to the footnotes on pages 116 and 117 of the Budget Statements which show that there are large items of expenditure inclusive of 58 crores on account of working expenses of railways which are shown as voted and appear as deduction from revenue. If these items are taken into account, the figures quoted by the Honourable Mr. Hailey are quite correct.

The Assembly then adjourned till Wednesday, the 9th March 1921.