

6th March, 1923

**THE  
LEGISLATIVE ASSEMBLY DEBATES**

**(Official Report)**

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**THIRD SESSION**

**OF THE**

**LEGISLATIVE ASSEMBLY, 1923.**



**SIMLA  
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1923.**

# Legislative Assembly.

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THE HONOURABLE SIR FREDERICK WHYTE, KT.

## *Deputy President :*

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MR. G. H. SPENCE, I.C.S.

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CAPTAIN SURAJ SINGH, BAHADUR, I.O.M.

# CONTENTS.

	PAGES.
<b>WEDNESDAY, 21ST FEBRUARY, 1923—</b>	
Member Sworn . . . . .	2601
Statement laid on the Table . . . . .	2601—2608
Message from the Council of State . . . . .	2609
The Criminal Law Amendment Bill . . . . .	2609—2649
The Cantonments (House-Accommodation) Bill . . . . .	2649—2650
The Indian Cotton Cess Bill . . . . .	2650—2662
<b>THURSDAY, 22ND FEBRUARY, 1923—</b>	
Questions and Answers . . . . .	2663—2671
Unstarred Question and Answer . . . . .	2671
Statement of Business . . . . .	2672
Report of Committee on Arms Act Rules . . . . .	2672
N.-W. Frontier Committee's Report . . . . .	2672
Discussion of Resolutions raising the same question . . . . .	2673
Resolution <i>re</i> Hypothecation of Revenues . . . . .	2673—2699
Statement of Business . . . . .	2699—2700
Messages from the Council of State . . . . .	2700—2701
Resolution <i>re</i> Status of Indian Settlers in Kenya . . . . .	2701—2715
Resolution <i>re</i> Secretary of State's Despatch on Indian Autonomy . . . . .	2715—2736
<b>SATURDAY, 24TH FEBRUARY, 1923—</b>	
Members Sworn . . . . .	2737
Questions and Answers . . . . .	2737—2747
The Workmen's Compensation Bill . . . . .	2747
The Indian Income-Tax (Amendment) Bill . . . . .	2747
The Indian Cotton Cess Bill . . . . .	2748—2754
The Indian Official Secrets Bill . . . . .	2754—2784
The Exclusion from Inheritance Bill and the Hindu Law of Inheritance (Amendment) Bill . . . . .	2784
<b>MONDAY, 26TH FEBRUARY, 1923—</b>	
Member Sworn . . . . .	2785
Questions and Answers . . . . .	2785—2788
The Code of Criminal Procedure (Amendment) Bill . . . . .	2788—2802
The Indian Penal Code (Amendment) Bill—(Amendment of Sections 362 and 366) . . . . .	2802—2828
The Indian Stamp (Amendment) Bill . . . . .	2829—2838
The Government Savings Banks (Amendment) Bill . . . . .	2838—2842
<b>TUESDAY, 27TH FEBRUARY, 1923—</b>	
Questions and Answers . . . . .	2843—2846
Unstarred Questions and Answers . . . . .	2846—2852
The Workmen's Compensation Bill . . . . .	2853—2859
The Indian Income-Tax (Amendment) Bill . . . . .	2859—2861

TUESDAY, 27TH FEBRUARY, 1923—*contd.*

Resolution <i>re</i> State Management of Railways in India . . . . .	2861—2881
Message from the Council of State . . . . .	2881
Resolution <i>re</i> State Management of Railways in India . . . . .	2881—2903
The Mussalman Waqfs Registration Bill . . . . .	2903

## WEDNESDAY, 28TH FEBRUARY, 1923—

The Prisoners (Amendment) Bill . . . . .	2905
Statement laid on the Table . . . . .	2905—2913
Resolution <i>re</i> Separation of the Railway from General Finance . . . . .	2914—2923
Conference <i>re</i> Regulations under the Electoral Rules . . . . .	2923
Meetings of Legislative Assembly . . . . .	2923

## THURSDAY, 1ST MARCH, 1923—

Question and Answer . . . . .	2925
Budget for 1923-24 . . . . .	2926—2945
The Indian Finance Bill . . . . .	2945

## MONDAY, 5TH MARCH, 1923—

Member Sworn . . . . .	2947
Questions and Answers . . . . .	2947—2961
Unstarred Questions and Answers . . . . .	2961—2965
Incheape Committee's Report . . . . .	2965
Message from the Council of State . . . . .	2965
General Discussion on the Budget—(First Stage) . . . . .	2966—3018

## TUESDAY, 6TH MARCH, 1923—

Questions and Answers . . . . .	3019—3025
Unstarred Questions and Answers . . . . .	3026—3027
Governor General's Assent to Bills . . . . .	3027
Message from the Council of State . . . . .	3028
General Discussion on the Budget—(First Stage) . . . . .	3028—3093

## THURSDAY, 8TH MARCH, 1923—

Draft Notification <i>re</i> Emigration of Unskilled Labour to Mauritius . . . . .	3095—3096
Questions and Answers . . . . .	3096—3108
The Prisoners (Amendment) Bill . . . . .	3108
Election of Members to Public Accounts Committee . . . . .	3109
Demands for Supplementary Grants . . . . .	3109—3110

## FRIDAY, 9TH MARCH, 1923—

Member Sworn . . . . .	3111
Questions and Answers . . . . .	3111—3129
Unstarred Question and Answer . . . . .	3130
Particulars <i>re</i> Lump Retrenchment Figures . . . . .	3130
Messages from the Council of State . . . . .	3131
The Criminal Law Amendment Bill . . . . .	3131—3133
The Indian Penal Code (Amendment) Bill . . . . .	3133—3138
Resolution <i>re</i> Emigration of Unskilled Labour to Mauritius . . . . .	3138—3168

**TUESDAY, 27TH FEBRUARY, 1923—*contd.***

Resolution <i>re</i> State Management of Railways in India . . . . .	2861—2881
Message from the Council of State . . . . .	2881
Resolution <i>re</i> State Management of Railways in India . . . . .	2881—2903
The Mussalman Waqfs Registration Bill . . . . .	2903

**WEDNESDAY, 28TH FEBRUARY, 1923—**

The Prisoners (Amendment) Bill . . . . .	2905
Statement laid on the Table . . . . .	2905—2913
Resolution <i>re</i> Separation of the Railway from General Finance . . . . .	2914—2923
Conference <i>re</i> Regulations under the Electoral Rules . . . . .	2923
Meetings of Legislative Assembly . . . . .	2923

**THURSDAY, 1ST MARCH, 1923—**

Question and Answer . . . . .	2925
Budget for 1923-24 . . . . .	2926—2945
The Indian Finance Bill . . . . .	2945

**MONDAY, 5TH MARCH, 1923—**

Member Sworn . . . . .	2947
Questions and Answers . . . . .	2947—2961
Unstarred Questions and Answers . . . . .	2961—2965
Incheape Committee's Report . . . . .	2965
Message from the Council of State . . . . .	2965
General Discussion on the Budget—(First Stage) . . . . .	2966—3018

**TUESDAY, 6TH MARCH, 1923—**

Questions and Answers . . . . .	3019—3025
Unstarred Questions and Answers . . . . .	3026—3027
Governor General's Assent to Bills . . . . .	3027
Message from the Council of State . . . . .	3028
General Discussion on the Budget—(First Stage) . . . . .	3028—3093

**THURSDAY, 8TH MARCH, 1923—**

Draft Notification <i>re</i> Emigration of Unskilled Labour to Mauritius . . . . .	3095—3096
Questions and Answers . . . . .	3096—3108
The Prisoners (Amendment) Bill . . . . .	3108
Election of Members to Public Accounts Committee . . . . .	3109
Demands for Supplementary Grants . . . . .	3109—3110

**FRIDAY, 9TH MARCH, 1923—**

Member Sworn . . . . .	3111
Questions and Answers . . . . .	3111—3129
Unstarred Question and Answer . . . . .	3130
Particulars <i>re</i> Lump Retrenchment Figures . . . . .	3130
Messages from the Council of State . . . . .	3131
The Criminal Law Amendment Bill . . . . .	3131—3133
The Indian Penal Code (Amendment) Bill . . . . .	3133—3138
Resolution <i>re</i> Emigration of Unskilled Labour to Mauritius . . . . .	3138—3168

# LEGISLATIVE ASSEMBLY.

Tuesday, 6th March, 1923.

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

## QUESTIONS AND ANSWERS.

### POLICE DUTIES IN LEGISLATURES.

467. \***Mr. E. A. Spence:** (a) Is it a fact that since the creation over two years ago of:

- (i) The Imperial Legislative Assembly;
- (ii) The Council of State;
- (iii) The Chamber of Princes;

no extra Police have been entertained for duty at these Chambers?

(b) In consequence is it a fact that the local Police both in Simla and Delhi have to perform this extra work at the expense of their sanctioned duties with the result that all have to work long hours overtime throughout the entire Session of 2½ months twice a year?

(c) If the facts are substantially as stated, is Government prepared to take the matter into consideration?

**Mr. E. Burdon:** (a) No extra police force has been entertained solely on account of the creation of these Chambers, but one of the factors which influenced the Government of India in determining the strength of the Delhi police force has been work in connection with the Sessions of the Legislature and other special duties during the Delhi winter season. Last year the total strength of the force was increased with a view *inter alia* to strengthen the reserve. In Simla also the strength of the police force in the summer is based partly on the ceremonial and other duties required to be performed. A small guard is provided from the local force with the exception of a few sergeants who have been drafted in from outside for the purpose.

(b) During the Delhi Sessions a proportion of the men have to be withdrawn from their normal executive duties, and no doubt some of them are on duty for longer hours than usual but the duty at the Chambers is not continuous or arduous, though responsible, and compensation is afforded by lighter duties in the summer at Delhi and in the winter at Simla.

(c) Government are not aware of any present necessity of changing the existing arrangements but will make further enquiries.

### HEDJAZ PILGRIMS.

468. \***Haji Wajihuddin:** Are the Government aware of the sufferings and hardships that Hedjaz pilgrims generally underwent last Haj season on their journey from Mecca to Medina?

**Mr. Denys Bray:** Government are not aware that Hedjaz pilgrims generally underwent sufferings and hardships, but have heard with grave concern that in certain cases Indian pilgrims had legitimate cause for complaint.

GOVERNMENT OF INDIA SECRETARIATS.

469. **\*Baba Ujagar Singh Bedi:** (a) Is it a fact that all proposals for additional staff required in the various Departments of the Government of India are placed by the Departments concerned before the Finance Department, for scrutiny and sanction, and that similar proposals emanating from the Finance Department are sanctioned by the Department itself?

(b) If so, do the Government propose to lay down that such proposals emanating from the Finance Department, should be scrutinized by the Home Department or some other Department before they are finally sanctioned.

**The Honourable Sir Basil Blackett:** (a) Yes.

(b) Such proposals are considered in that branch of the Finance Department the business of which is to scrutinize proposals for new expenditure. I have no reason to think that this branch scrutinises proposals emanating from other branches of the Finance Department with any less care than in the case of proposals emanating from other departments. I do not consider that the course suggested by the Honourable Member would be likely to result in any economy.

HIGH COURT JUDGES.

470. **\*Khan Bahadur Saiyid Muhammad Ismail:** (a) Will the Government be pleased to state the number of Judges permanent and additional sanctioned in the High Courts of India including Burma?

(b) Will the Government be pleased to specify their names and nationalities with the date of their appointments?

(c) Will the Government be pleased to state in how many High Courts of India there are Muhammadan Judges already appointed with their dates of appointment?

(d) If, in case, there is no Mussalman Judge appointed in any of the High Courts of India to state the reason why none has been appointed since 1921?

**Mr. E. Burdon:** (a) The total number of Judges in all the High Courts in India, including Burma, is 75.

(b) and (c) The Honourable Member will find all the information he requires in the various civil lists.

(d) The Honourable Member is referred to the answer which will be given to part (a) of his next question.

JUDGES IN PATNA HIGH COURT.

471. **\*Khan Bahadur Saiyid Muhammad Ismail:** (a) Will the Government be pleased to state the reason why no Muhammadan Judge was appointed to the Bench of the Patna High Court since the year 1921 permanently, also to state the reason and the circumstances under which that Muhammadan Barrister who was appointed to officiate after Mr. Justice Atkinson's death was not confirmed in 1920-21 and instead of his being confirmed an Englishman was brought from Straits Settlements?

(b) Is the Government aware that in the Patna High Court 2 Additional Judgeships have been created after Puja vacation and that out of the 2 appointments made, the claims of really qualified Muhammadan Members of the Legal Profession have been completely ignored? If the reply be in the affirmative, will the Government be pleased to give full reasons for ignoring the claim of qualified Mussalman from selection?

(c) Is it a fact that one Mr. Abdur Quadir, Bar-at-law, who had already acted as officiating Judge of Punjab High Court for several years had been made to resign? If the facts be true will the Government be pleased to state the real circumstances of such a contingency?

(d) Will the Government be further pleased to state who has been appointed in the vacancy thus caused?

**Mr. E. Burdon:** (a) Permanent appointments to the High Courts are made by His Majesty under section 101 of the Government of India Act. Courts of Justice are not representative institutions, and the main consideration in filling up vacancies in high judicial appointments must always be that of efficiency: subject to this the claims of Muhammadans no less than those of members of other communities receive due consideration.

(b) The reply to the first part of the question is in the affirmative. As to the second part of his question the Honourable Member is referred to the answer given to (a) above.

(c) No. He left the Court on the termination of his appointment.

(d) Does not arise.

WORKING OF BENGAL AND NORTH-WESTERN RAILWAY.

472. **\*Khan Bahadur Salyid Muhammad Ismail:** (a) Will the Government be pleased to state the control which they exercise over the Company-managed and the Company's own Railway called the Bengal and North-Western Railway?

(b) Will the Government state if they are aware of the circumstances under which this Company is causing serious inconvenience to the passengers, by the unpunctual running of the trains without any arrangement for the foodstuffs over the line between Katihar and Cawnpore and its several other branches?

(c) Do Government propose to take any step to impress upon the Company the necessity, (1) of improving the Rolling Stock, (2) of making suitable arrangements for water supply and foodstuffs at every Railway Station?

(d) Is the Government aware of the very serious inconvenience caused to the passengers when crossing the river between Digha and Pahleza Ghats owing to the absence of a platform and a passenger-shed at the newly constructed station at Digha Ghat which have been shifted from its original position causing a very serious inconvenience to the frequent travellers crossing the Ganges between Digha and Pahleza Ghats starting from Patna Junction Railway Station?

(e) If the reply to the above be in the affirmative, will the Government be pleased to state why the Railway Station Digha has been shifted from its old situation?

(f) Is the Government aware of the fact that while in Mokamah and Semaria Ghats, Bengal and North-Western Railway ferry stations, sufficient autolux lamps are provided for convenience of passengers, none is



provided at Pahleza Ghat and Digha Ghat although steamers are plying not less than 3 times between the two latter Ghats during the night and that the absence of brilliant light causes serious danger to the passengers in getting in and out of the Steamer?

**Mr. C. D. M. Hindley:** (a) The Honourable Member's attention is invited to Appendix A of the Administration Report on Indian Railways, 1921-22, Volume I, copies of which are available in the library.

(b) and (c) The working of the Bengal and North-Western Railway was recently the subject of a special enquiry by the Senior Government Inspector of Railways, Circle No. 3, Lucknow, in conjunction with the Agent, Bengal and North-Western Railway, and certain representatives of the Bihar and Orissa and United Provinces Governments. The result of this enquiry showed that the Railway Administration was paying careful attention to the convenience of the public and was willing to meet all reasonable demands. The grievances which exist are chiefly due to the fact that during the war period it was extremely difficult to obtain materials, and Government are satisfied that the Administration is doing its best to bring the line up to a high standard.

(d), (e) and (f). Government have no information but enquiry will be made.

#### TIRHOOT STATE RAILWAY.

473. **\*Khan Bahadur Saiyid Muhammad Ismail:** (a) Will the Government be pleased to state the method and the system under which the Tirhoot State Railway is being managed?

(b) Is the section under the direct management of the Government? If so, what was its income between 1920 and 1922, and the consequent expenditure in the upkeep and maintenance? If the section is not directly managed how is it managed and what guarantee the Government provides?

(c) Will the Government be pleased to state the total number of high-paid employees, with their nationalities, employed over the Tirhoot State Railway; also to state how far and how long the management of the Bengal and North-Western Railway overlaps that of the Tirhoot State Railway Section?

**Mr. C. D. M. Hindley:** (a) and (b). The Tirhut State Railway is managed and worked by the Bengal and North-Western Railway Company. For the terms of working the Honourable Member is referred to the History of Indian Railways, a copy of which is available in the Library.

(c) The Bengal and North-Western Railway Company employ conjointly the higher paid staff required for this section and their own main line. In regard to the concluding portion of the question the Honourable Member will find full information in the History of Indian Railways already referred to.

#### ROLLING STOCK ON TIRHOOT STATE RAILWAY.

474. **\*Khan Bahadur Saiyid Muhammad Ismail:** Will the Government be pleased to state if the Tirhoot State Railway maintains any independent Rolling stock or the Bengal and North-Western Railway stock is running over the section? If the fact of the Bengal and North-Western Railway stock running over the section is true, will the Government be pleased to state the conditions under which they are utilised.

**Mr. C. D. M. Hindley:** The Bengal and North-Western and the Tirhut State Railways are worked as one system and rolling stock is provided and worked in accordance with the requirements of the whole system. The capital cost of the stock is allocated to the two railways in proportion to their respective average gross earnings.

CONCESSION TICKETS ON RAILWAYS.

475. **\*Khan Bahadur Saiyid Muhammad Ismail:** (a) Will the Government be pleased to state the reason and the circumstances under which the concession tickets for the 1st and 2nd classes that used to be issued during Poojah and Christmas vacations have been discontinued by the authorities of the East Indian Railway?

(b) Will the Government state if such discontinuance of practices requires sanction of the Railway Board in case of Company-managed Railways or the Company-managed Railways are themselves competent to exercise such authorities?

(c) If the reply to the first part of (b) is in the affirmative, will the Government be pleased to state the reason as to why such sanction has been accorded?

(d) Do Government propose to take immediate step to direct the East Indian Company to adhere to the old system of issuing return 1st and 2nd class tickets at reduced rates according to the practice that was in vogue a few years before and also to issue concession return tickets during the Poojah and the Christmas holidays?

**Mr. C. D. M. Hindley:** (a) In consequence of the abnormal conditions caused by the War the concessions allowed during the Poojah and Christmas holidays to 1st and 2nd class passengers had to be withdrawn. The East Indian Railway Administration, however, granted this concession during the last Christmas holidays.

(b) and (c) The grant and withdrawal of concessions of this kind are within the competence of Company-managed railways.

(d) The Honourable Member is referred to the answers given to questions Nos. 145 and 292, on the 17th and 29th January, 1923, respectively.

RESERVED ACCOMMODATION ON EAST INDIAN RAILWAY.

476. **\*Khan Bahadur Saiyid Muhammad Ismail:** (a) Will the Government be pleased to state if they are aware that the practice prevalent a few years before in the East Indian Railway of reserving 1st class compartments by paying 3 fares and 2nd class compartments by paying 4 fares respectively has been supplanted by charging actual fares of 4 tickets in case of 1st class and 5 tickets in case of 2nd class compartments, respectively?

(b) If the reply be in the affirmative will the Government be pleased to state the circumstances under which this change in practice has taken place and also whether such a change had been contemplated after taking the approval of the Railway Board?

(c) Do Government propose to issue instructions to the East Indian Railway to continue reserving 1st class compartments by paying 3 fares and

2nd class compartments by paying 4 fares for the period of their contract which will expire in December, 1924?

**Mr. C. D. M. Hindley:** (a) The reply is in the affirmative.

(b) The change was introduced with the approval of the Railway Board, not only on the East Indian Railway but on all the other important railways, and was one of the measures adopted to increase railway earnings and to ensure the best use of the accommodation available in the interests of the general travelling public.

(c) The reply is in the negative.

#### ACWORTH COMMITTEE'S RECOMMENDATIONS.

477. **\*Khan Bahadur Saiyid Muhammad Ismail:** Will the Government be pleased to state how far effect has been given to the unanimous recommendations of the Acworth Committee contained in Volume 1 of their Report, also to state specifically if their recommendations, *vide* paragraphs 156 to 172 of the Report *re*: the constitution of the Rate Tribunal have been given effect to? If not, why?

**Mr. C. D. M. Hindley:** It is impossible to give a comprehensive reply to the Honourable Member's question. The Acworth Committee dealt with the whole subject of Railway Administration and management and their suggestions have been systematically considered and given effect to wherever possible at once. A good many of their proposals involved, however, large changes in policy and there are some cases, including the recommendation regarding the constitution of a Rates Tribunal, still under the consideration of Government. This question of establishing a Rates Tribunal involves matters of very great financial and administrative importance and it is not in the general interest should be hurriedly decided.

#### EMBARKATION PORTS FOR HAJIS.

478. **\*Khan Bahadur Saiyid Muhammad Ismail:** Will the Government be pleased to state as to what steps have been taken by them to give effect to the promise made by Sir Henry Sharp last year during the course of the debate over Haji Wajihuddin Saheb's Resolution *re*: making Calcutta the port of embarkation for the Hajis intending to go on pilgrimage to Hejaz? If no steps have been taken as yet in the matter, do Government propose to expedite opening Calcutta as the port of embarkation for the pilgrims going to Erak and to Hejaz?

**The Honourable Mr. A. C. Chatterjee:** The Honourable Member is referred to the answer given yesterday to a similar question put by Haji Wajihuddin.

**Mr. K. Ahmed:** Is there any likelihood of opening the Chittagong port for the embarkation of pilgrims and other passengers who want to go to Hedjaz and other places?

**The Honourable Mr. A. C. Chatterjee:** I said yesterday, Sir, in reply to a similar supplementary question that the supplementary question did not arise.

**Mr. K. Ahmed:** The question contained, Sir, the wording: "do the Government propose to expedite opening Calcutta as the port of embarkation for the pilgrims going to Erak and to Hedjaz"?

**Mr. President:** If the Honourable Member wants information regarding the port of Chittagong, he should put his question on the paper and then he will get an answer.

PILGRIMS FOR JEDDA.

479. **\*Khan Bahadur Saiyid Muhammad Ismail:** Will the Government be pleased to state if it is a fact that at the port of embarkation at Bombay the pilgrims proceeding to Jedda have been compelled to buy return tickets? If it is so, to explain the reason and the circumstances?

**The Honourable Mr. A. C. Chatterjee:** So far as the Government of India are aware no such compulsion is being exercised.

INFECTIOUS DISEASES HOSPITAL ON KUTAB ROAD.

480. **\*Mr. W. M. Hussanally:** (a) Is it a fact that the building at Delhi on the Kutab Road, now used as Municipal Infectious Diseases Hospital and through the compound of which the new road passes, was originally a mosque?

(b) If so, when, under what circumstances and with whose permission was it handed over to the Municipality to be used as a hospital?

(c) Do Government propose to hand it back to Muhammadans to be used as a mosque?

**The Honourable Sir Malcolm Hailey:** (a) The building in question has some times been described as a tomb, but is generally believed to be a disused mosque dating from the time of Feroz Shah.

(b) This derelict Nazul building was transferred by Government to the Municipality in 1873, and put into order by that body for use as a Hospital for patients suffering from Infectious Diseases. It has therefore been used for this purpose for the last 50 years.

(c) The Infectious Diseases Hospital can no longer be located on this site because the new alignment of the Kutab road passes through the compound. When the road works are completed it is proposed by the local authorities to hand over this building, as well as another mosque and tomb in the same compound, to a responsible local Muhammadan Association which already administers several mosques, if the Association will accept the charge.

INFECTIOUS DISEASE HOSPITAL, DELHI.

481. **\*Khan Bahadur Saiyid Muhammad Ismail:** Is the Government aware that there exists in the town of Delhi on the Pahargunj road a Hospital for the infectious diseases owned by the Municipality which is situated in a building resembling an old mosque, an Imambara or a shrine and is surrounded by a graveyard? Will the Government be pleased to make a statement after necessary enquiry as to the origin of this building and also as to how it was used before its present occupation by the Delhi Municipal Infectious Diseases Hospital?

**The Honourable Sir Malcolm Hailey:** The Honourable Member is referred to the answer just given to Mr. Hussanally's question.

## UNSTARRED QUESTIONS AND ANSWERS.

ESTABLISHMENT OF OFFICE OF CONTROLLER, MILITARY ACCOUNTS, MEERUT.

222. **Mr. Mohammad Yamin Khan:** Will the Government be pleased to give information as to the following matters—

- (a) How many candidates did pass in the departmental examination held on 5th November, 1921, for appointments as clerks in the Controller's Military Account Office, District Meerut?
- (b) When and at how much salary was the person who stood first appointed?
- (c) When and at how much salary were the persons who stood 2nd, 3rd, 4th and 5th appointed respectively?

2. Is there any difference in pay of European and Indian clerks in the Department mentioned in the preceding question?

3. Up to what time have the clerks to work in the Controller's Military Account Office, District Meerut?

**The Honourable Sir Basil Blackett:** (a) 186.

(b) On Rs. 50 per mensem from 3rd December 1921.

(c) The individuals who stood 2nd and 5th at the examination were already in Government employ as temporary clerks and were confirmed from 1st March and 1st April 1922 on pay at Rs. 90 and Rs. 70 per mensem respectively. Those who stood 3rd and 4th are employed as temporary clerks on Rs. 50 each per mensem.

2. The reply is in the negative.

3. Working hours have recently been changed from 10-30 A.M. to 6 P.M. to 10-30 A.M. to 5 P.M.

### BURMA MEAT TRADE.

223. **Lala Girdharilal Agarwala:** (a) Is the Government aware that the United Provinces Legislative Council and the Central Provinces Legislative Council have passed Resolutions to stop the Burma Meat Trade?

(b) Whether the Government of India have approved of those Resolutions and from what date effect has been or will be given to either of them?

**Mr. J. Hullah:** (a) Yes.

(b) It is not known what action, if any, was taken by the Government of the United Provinces on the Resolution passed by the United Provinces Legislative Council. The Government of India did not take any action in the matter. As regards the Resolution passed by the Central Provinces Legislative Council, the Government of India suggested to the local Government that action might be taken under the Central Provinces Slaughter of Animals Act, if they considered it desirable or necessary to do so. The Central Provinces Government have taken the requisite action under that Act—*vide* the Rules published on pages 565 to 568 of the Central Provinces Gazette, Part I, dated the 3rd June 1922. These Rules probably took effect from the date of their publication *viz.*, the 31st May 1922 but the Government of India have no definite information on the subject.

## INDIAN CATTLE WEALTH.

224. **Lala Girdharilal Agarwala:** Have the Government taken any steps or do they propose to take any in the near future to protect and improve the cattle wealth of India?

**Mr. J. Hullah:** The matter is primarily one for the local Governments, whose attention has been drawn to the importance of the matter.

## IMPROVEMENT OF CATTLE.

225. **Lala Girdharilal Agarwala:** Do the Government propose to undertake any legislation for protection and improvement of cattle in India?

**Mr. J. Hullah.** The answer is in the negative.

## SLAUGHTER OF CATTLE.

226. **Lala Girdharilal Agarwala:** What safeguards if any are at present provided in India by any law or rule against indiscriminate slaughter of cattle, especially pregnant animals, animals in milk, and prime cattle?

**Mr. J. Hullah:** The Honourable Member is referred to the Central Provinces Government's Notification No. 1236-955-XIII, dated the 31st May 1922, which appeared in the Central Provinces Gazette of the 3rd June 1922. The Government of India have no information of any other regulations on the subject but they shall try to secure all available information in regard to it.

## CATTLE IMPROVEMENT BILL.

227. **Lala Girdharilal Agarwala:** Will the Government be pleased to lay on the table for the information of the House my last Cattle Improvement Bill and the letter of the Government as a result of which I was prevented from asking leave of the House for its introduction?

**Sir Henry Moncrieff Smith:** The Honourable Member is referred to the answer given on the 1st February last to Babu Ambica Prasad Sinha's unstarred question No. 132.

## GOVERNOR GENERAL'S ASSENT TO BILLS.

**Mr. President:** I have to acquaint the Assembly that His Excellency the Governor General has been pleased to give his assent to the following Bills passed by both Chambers of the Indian Legislature:

The Malabar (Completion of Trials) Supplementing Act, 1923.

The Cotton Transport Act, 1923.

The Indian Mines Act, 1923.

The Indian Boilers Act, 1923.

The Indian Factories (Amendment) Act, 1923.

The Indian Naval Armaments Act, 1923.

The Indian Paper Currency Act, 1923.

The Repealing and Amending Act, 1923.

The Cantonments House Accommodation Act, 1923, and

The Workmen's Compensation Act, 1923.

## MESSAGE FROM THE COUNCIL OF STATE.

**Secretary of the Assembly:** Sir, the following Message has been received from the Secretary of the Council of State:

“ I am directed to inform you that the Council of State has at its meeting held on Monday, the 5th March, 1923, agreed without any amendments to the Bill further to amend the Married Women's Property Act, 1874, which was passed by the Legislative Assembly on the 15th of February 1923.”

**Mr. President:** I appoint for the purposes of to-day's debate a period of 15 minutes for each speech.

## GENERAL DISCUSSION ON THE BUDGET.

### FIRST STAGE—*contd.*

**Sir P. S. Sivaswamy Aiyer** (Tanjore *cum* Trichinopoly: Non-Muhammadan Rural): Sir, last year I presumed upon your forbearance and the kindness of the House and wearied the House with some detailed criticism of the Military expenditure. I do not propose to repeat that course this year. I have no intention of occupying the attention of the House for more than a very few minutes, and it is due for two reasons. In the first place, ill-health has prevented me from examining the Budget with any care. In the second place, the Inchcape Committee has done its work so well and so thoroughly that it would be a work of supererogation to go over the same ground. I desire to associate myself with the tribute of praise that has been so deservedly paid to Lord Inchcape and his colleagues for the splendid work they have done on the Retrenchment Committee, for the thoroughness and promptitude with which they have done their work. But whatever the intrinsic merits of their recommendations might have been, they would have lost very greatly in value but for the concurrence of His Excellency the Commander-in-Chief. I congratulate Lord Inchcape and his colleagues and I congratulate the House on the fact that the Committee have been able to secure the whole-hearted co-operation of His Excellency the Commander-in-Chief in the work which they have done on the Retrenchment Committee and in the recommendations which they have made. Sir, last year I did not refer to one or two things to which I might have referred. One is the question of the Indianisation of the auxiliary services as a possible avenue of retrenchment; I did not dwell upon it for the reason that I thought that the fruits of that policy in the way of retrenchment would be rather gradual and slow. But I think it high time that that question should be examined. It is a matter of regret that the question of the admission of Indians to the auxiliary services—a question upon which this House passed a Resolution when considering the report of the Esher Committee—should be still under the consideration of the Imperial Government. I remember reading in the papers an answer given by Mr. Burdon to a question put to him as to what had been done upon the Resolutions passed by this House in 1921 on the Esher Committee's report. The net result of the answer, as I gathered it from the papers, was that upon those Resolutions which did not count, this Government had been able to secure the orders of the Government at Home, but on anything that really did matter, it was said to be still under correspondence. I must express my very great regret at the delay which has taken place in this matter. We all recognise the great difficulty there is in breaking the

ice—I would say the huge ice barrier of War Office conservatism—but I do hope that His Excellency the Commander-in-Chief will use every means in his power to press this question again and again upon the attention of the Imperial Government and not desist until he obtains favourable orders. It is one of those matters—upon which our Resolutions were passed with the entire concurrence of His Excellency the Commander-in-Chief, and with the approval of the Government of India, and it is a matter of great disappointment to me—and I am sure to the whole Assembly—that upon a matter like this there should have occurred this unconscionable delay of over two years in coming to a decision. I hope it may be possible for His Excellency to signalise his term of office by announcing the decision to give effect to these Resolutions and by making an effort to carry them into effect. Some of these recommendations which the Inchcape Committee have made may possibly have caused His Excellency the Commander-in-Chief some searchings of the heart, but I ventured on the last occasion to appeal to His Excellency as a statesman and I am glad to find that His Excellency has not been slow to respond. He has co-operated in a most whole-hearted fashion with the Retrenchment Committee. But even a layman like me cannot reconcile himself to all the proposals for retrenchment which the Inchcape Committee have made. Some of my colleagues on the non-official side will perhaps be surprised to hear this note of disapproval. The question to which I wish to refer is the proposal to effect a retrenchment in the matter of providing improved accommodation for the Indian sepoy. There were proposals under consideration for reconstruction and improvement of the Lines of the Indian sepoy. I have seen several of these barracks and Lines myself on the way to Khyber, at Peshawar, at Rawalpindi and other places, and I may say that some of us take better care of our horses than the Government of India takes of the Indian soldier. They live in miserable quarters, through which the burning rays of the sun or the burning winds or the cold of the winter pierces, in huts with thin walls and thinner roofs open to all the inclemencies of the weather. I know that one of my colleagues here suggested that it was a training in endurance for our troops. Logically it should be carried to the point of having an army of emaciated saints, but I do not think that that is a sound policy. If you want to make good use of your soldiers as fighting men you must keep them in good condition; and it is not the way to get the best value for your money or the best service you can for the country to expose your soldiers to the inclemencies of the weather, hot or cold, or to make them suffer such privations and hardships. The Inchcape Committee proposes that you should revert to the old arrangement of hutting grants, a system which I have no doubt must have been obviously unsatisfactory and must have been given up on that account. It is somewhat like the silledar system in the Indian Cavalry which has been abandoned. The system is bound to result in very unsatisfactory housing conditions. I was rather sorry therefore to read this recommendation but I reconcile myself to it on the ground of hard times, and I do hope that when our finances improve this question of the reconstruction and improvement of the sepoy's lines will be one of the first to engage the attention of the Government and to receive the sympathy and support of this Assembly.

Another matter in which I should like His Excellency to use all his influence and bring it to bear on Headquarters is that of an equitable, if not a lenient, adjustment of the capitation charges which have risen to an amount nearly three times what they were before the War. We are



[Sir P. S. Sivaswamy Aiyer.]

well aware that prices have risen though during the last year or so there has been a tendency to a slight fall. But the rise in the capitation grant even to £25, which I believe is the latest provisional rate adopted is something which goes very much to swell our non-effective charges, if I may perhaps call them so, and goes to swell our military expenditure. It is that which induced my Honourable friend Sir Dinshaw Wacha to move his proposition for the reconsideration of the Army amalgamation scheme in the other House; I do not believe that the annulment of the amalgamation scheme will effect any greater economy in the recruitment of soldiers. While I do not share that view I feel that this question of the capitation charges is one which has to be hammered at and hammered at till we get an equitable, if not a lenient, adjustment of the charges. I hope that in view of the value which England derives from the experience acquired by her soldiers in India under diverse conditions and the improvement in their fighting qualities, if not in view of our financial condition, the Imperial Government will find itself able to take a broader view of the question and effect a more satisfactory settlement, I mean satisfactory to us.

Sir, I now proceed to make a few observations upon the question of the policy of leaving an uncovered deficit. Speaking for myself, I do not like this policy of leaving an uncovered deficit, and I do hope that the House will not be inclined to follow the course which it adopted last year as a rough and ready expedient for bringing pressure to bear on Government for the purpose of enforcing economy and for the purpose of bringing about measures for retrenchment in our expenditure. But there are two ways of avoiding this policy of deficits. The first way is to avoid a deficit altogether or to minimise it. The other way is to cover the deficit. The Finance Minister told us that the recommendations of the Inchcape Committee had not all been received, that the last instalment was to be received only after the presentation of the budget, and that they had not had time to fully consider all the recommendations. I hope that the interval that has intervened since the presentation of the budget and will intervene before the date when the Finance Bill will come on for consideration will be utilized by the Honourable the Finance Minister for the purpose of exploring every possible avenue of retrenchment, every possible direction in which it may be feasible to bring the Inchcape Committee's proposals into effect in the course of 1923-24. This would be the most satisfactory method of avoiding the policy of uncovered deficits. The next thing is that, if there is an unavoidable deficit, it has to be covered somehow. It is unfortunate that the Finance Minister should in his inexperience of public opinion in this country, though I am sure he has been assisted by his colleagues in this matter, have thought of resorting to the enhancement of the tax on salt. I hope that the Government will not persist in pressing for this form of taxation. In theory a tax upon the necessaries of life is objectionable; politically it is most unwise. I hope therefore the Government will discover some other expedient. I remember it was said by my friend the Honourable Mr. Innes on another occasion that the salt tax had always been looked upon as an ultimate reserve. But there are many powers which you have in reserve which you can never think of using. Could anybody dream of imposing a salt tax in England, or of reviving the window tax or reviving the hearth tax? Of course the British Parliament is constitutionally omnipotent; it can do anything; there are many things which we can theoretically do but which are not practical politics. Well, fortunately or unfortunately, the salt tax will have to be

looked upon as no longer available for enhancement in the financial scheme of this country. There are many things which it is theoretically possible to do, but which are not practicable. To give an analogous case, though not in the sphere of taxation, it is possible for you to reduce the suffrage, but you can never think of raising it again. The question is not so much whether the salt tax will be such a burden upon the consumer that he cannot bear it. It may be or may not be; it is not necessary for me to say whether this one anna per head per annum is going to be the last straw upon the camel's back or not; but it is one of the accepted axioms of politics in this country that the salt tax is an odious impost, and the result of a resort to this piece of taxation will be that the Government will lend a handle to the agitator, and it is not always the wisest thing to ignore the agitator. We have sometimes to take account of his doings and their probable reactions on the public. I hope therefore that the Government will not persist in proposing this method of covering their deficit. Let them think of something else. It may be said, "well, we have explored other ways, our resources are limited, this is the only thing we can do; can you propose anything constructive?" I confess that in my present state of health it is beyond my effort to think of something else. Perhaps it is a fault, but I am sorry I cannot suggest anything. But I daresay the Finance Minister with all the experience he has acquired in the Treasury, and his colleagues with their large administrative experience will be more fertile in suggesting expedients than it is possible for me to do.

**His Excellency the Commander-in-Chief:** In the altogether exceptional circumstances under which this year's budget has been presented it is hardly necessary for me to give a detailed exposition of the military estimates for 1923-24. The basis on which these estimates have been framed is already known to Honourable Members of this House from the Report of Lord Inchcape's Retrenchment Committee and from those portions of the Finance Member's speech of the 1st of March which related to military expenditure. I do not propose therefore to deal with various individual criticisms and queries which have been made by previous speakers in this discussion, except to say that the suggestion of one Honourable Member that the Commander-in-Chief still has several crores of rupees in his pocket ready to take the place of the salt tax is a surmise entirely without a shadow of foundation. Another Honourable Member referred to the possibility of reducing the military budget in the future to 50 crores, as was envisaged in one of the paragraphs of the Inchcape Committee's Report. I should like, however, to emphasize the fact, stated in that Report, that the Commander-in-Chief did not subscribe to this recommendation—and I may add that it is unlikely that he will do so. I am sorry that I was not here this morning in sufficient time to hear the commencement of the speech of my Honourable friend sitting on the opposite bench (Honourable Sir P. S. Sivaswamy Aiyer), but I did hear two suggestions made by him, one in reference to the improvement of the barracks for Indian soldiers, of which he has some knowledge, and in which I am in entire agreement with him, the other in which he referred to the capitation grant, and again he has my entire sympathy, and I quite agree that the present temporary arrangement under which the sum has been agreed upon as between the Imperial and the Indian Government is not satisfactory, and I shall use my best endeavours to bring about a final and equitable arrangement. Now I will confine myself in what I have to say to-day to the larger issues of this

[H. E. the Commander-in-Chief.]

problem, and in the few observations that I propose to make, I will endeavour to explain, for the information of this House, the considerations of general policy, military and otherwise, which have rendered possible the economies which are now contemplated. Speaking broadly, the Army estimates of 1923-24 represent the consolidated work of the past year. That time has been largely devoted to a searching investigation of the possible reductions in military expenditure. This House is aware that last summer the Government appointed a Committee under the presidency of my Honourable colleague Mr. Innes to examine the question of reducing the cost of the staff at Army Headquarters. This Committee was followed by the Braithwaite Committee appointed in the autumn for the purpose of recommending economies in the Quarter Master General's Services, and also for the purpose of preparing material for the more comprehensive inquiry which Lord Inchcape's Committee was about to undertake. The Braithwaite Committee included in its numbers Lieutenant-General Sir Walter Braithwaite, then the Commander-in-Chief of the Western Command, Honourable Members representative of both Houses, both this House and the Council of State, and Lieutenant-General Sir Walter Campbell, who has just been appointed Quarter Master General. The composition of the Committee in itself is evidence of the thoroughness with which the Government were determined to attack the question of retrenchment in the great spending departments of the Army, and I should like to take this opportunity of acknowledging the great value of the work that these important Committees performed with great skill and understanding and in a remarkably short space of time.

Finally, of course, we have had the inquisitions of Lord Inchcape's Committee in which the proceedings and recommendations of the two previous Committees have been merged. Now, I must assume that Honourable Members of this House have made themselves acquainted with those portions of the Retrenchment Committee's Report which deal with military expenditure. Those who have done so will realise that the reductions proposed are real and substantial, that the whole field of military expenditure has been thoroughly explored and that a considerable reduction in the number of fighting troops, both British and Indian, stands in the forefront of the Committee's recommendations. I think I have on a previous occasion impressed on this House that no considerable reduction in military expenditure in India could be effected without cutting down the number of fighting troops. Last year I told the House that under the conditions then prevailing I could not agree to a reduction in the fighting strength of the Army and I gave my reasons for holding this view. On the present occasion you will find it stated in the Report of the Retrenchment Committee that the reductions in military expenditure include reductions in troops, and that this has been generally accepted by myself. It may be thought by some that my present attitude is inconsistent with that which I felt bound to adopt last year. I wish, therefore, to make it quite clear that, in giving my general concurrence to the Retrenchment proposals, I have been influenced primarily by the financial considerations which must have an important bearing in determining the general policy of the Government. The Finance Member has described very graphically the perils and the dangers of our financial position, and I have been greatly impressed by the paramount need of balancing our Budget this year. I further realise that conditions, both internal and external, have much improved during the past twelve months

and that we are justified in taking risks which we should have been wrong to incur a year ago. At the same time, I do not, and cannot, admit that the Army is either too strong or too efficient for the needs of India. The equipment of the Army has not yet reached the standard of completeness which this Assembly by a Resolution passed in connection with the Esher Committee's Report itself postulated. Again, I do not admit for one moment that the military expenditure of the recent past has been unnecessarily high, and I should like to refer the House in this connection to the observations which the Retrenchment Committee themselves have made on that point. In paragraph 3 of Lord Inchcape's Report the following remarks will be seen:

"We appreciate the great difficulties with which the military authorities in India have had to contend during the transition period from war to peace conditions, when large armies had to be demobilised concurrently with re-organisations undertaken in the light of the lessons of the war. Hostilities with Afghanistan and operations on the frontier intervened whilst demobilisation was in progress and the growing cost of the Army coupled with the deterioration of the general financial condition of the country have more than once necessitated complete revision of the schemes proposed for the future composition, organisation and distribution of the Army in India."

I recognise, on the other hand, that India's first necessity is to achieve a balanced Budget and that no substantial advance can be made in other departments of the State until the financial position has been stabilised. There are times when risks must be taken. The reductions which have been proposed and to which I have agreed do involve a certain degree of risk from an exclusively military point of view, but they are risks which, in my opinion, the Government are justified in taking when confronted with the financial disaster which an unbalanced Budget would force upon this country. I can confidently say with a full sense of my responsibility, as Commander-in-Chief that the risk is one that, in the circumstances, I am prepared to advise the Government of India to accept. The House will appreciate and is well aware of the marked improvement that has taken place in India during the last twelve months both in the external and in the internal situation, and I may remind the House of what I impressed upon them last year, namely, that, before I could conscientiously recommend a reduction in our military forces, there must be a definite and a permanent cessation of violent civil disorder. A great change for the better has taken place and we are in a very different position now compared with 1921-22, when the Moplah rebellion had only just been quelled and the Government were faced with possibilities of serious disturbances elsewhere. It will not be necessary for me to detain the House by any technical comment on the details of the retrenchment to which I have given my general agreement. The facts and proposals which will chiefly interest Honourable Members of this Assembly are clearly stated in the Retrenchment Committee's Report, and a further discussion of them on this occasion would serve no useful purpose, more particularly as it is only the reductions in infantry which have received the approval of His Majesty's Government.

The proposed reductions in Cavalry and Artillery are still under consideration, and no definite conclusions have yet been arrived at. There is, however, one point of special interest and importance which I would wish to emphasise strongly. If the reductions contemplated are carried into effect they will leave practically unimpaired the fundamental organization of the Army in India. This organization has been introduced since the War in the light of the lessons learnt during the War. In collaboration with the Retrenchment Committee I have aimed at a reduction

[H. E. the Commander-in-Chief.]

of a kind which will give the maximum saving of expenditure and do the least possible harm to our military machinery of defence. Obviously the preservation of the fundamental structure of the Army in India is a matter of vital concern both to India as a whole and to the representatives of India in this House. If the structure remains, it is always possible to add to it and to reinforce it in case of emergency.

I should like to take this opportunity of assuring the House that the present organisation of the Army in India is highly efficient and is one of which India may be justly proud. I say this deliberately; and I would add that the system is the result of the devoted efforts of the most efficient body of Staff officers that the Indian Army has probably ever possessed at any period of its history—officers who have been trained during the War, whose capacity was proved in the War and who are imbued with the lessons of the War. The passage I have already quoted from the Retrenchment Committee's Report indicates very clearly the difficulties which they have had to surmount, and the condition of the Army in India to-day redounds very greatly to their credit. I have seen unmistakable evidence of it myself recently in the inspections of troops both on the parade ground and under training. The standard of efficiency has shown a very marked improvement since I came to India some two years ago, and if further evidence were required it is to be found in the results which British and Indian troops on field service have recently achieved in Waziristan.

In conclusion I would say one further word on Waziristan. Last year I referred to the halo of doubt and uncertainty which obscured the situation in that part of the Frontier. I hazarded the opinion that the solution of that difficult problem lay in the subjugation of the Mahsuds by force of arms and the construction of roads through their country. This policy has been and is being carried into effect, and there are definite indications—I cannot say more at the moment—that as a result the object of our policy will be achieved at no very distant date. If a final settlement can thus be effected, and I have every hope that it may, we shall be able to withdraw our military forces during the coming autumn, leave the control of the country in the hands of our Frontier Political officers and thus effect a very considerable saving in our next year's Budget. But in the meantime we shall have built our roads and thus be in a position rapidly to support the Scouts and Khasadars and assist the friendly section of the tribes in case of trouble. Mr. Bray has already explained to you very fully the details of the situation and the general policy of the Government. I need therefore say no more, except that in my view there is a reasonable hope of peace in this turbulent country and a considerable reduction in our financial commitments. I hope the House will weigh carefully the considerations which I have tried very briefly to place before them and will appreciate the efforts which the Government and their military advisers have made at the first propitious opportunity of reducing the burden of military expenditure. We have effected it without sacrificing the essential requirements of Indian defence; but a limited degree of risk is involved. The improvement in the internal and external conditions of the country is such that in my opinion the Government is justified in accepting that risk in order to attain financial equilibrium. (Cheers.)

**Mr. T. V. Seshagiri Ayyar** (Madras: Nominated Non-Official): Sir, the Honourable the Finance Member has been congratulated so often that it is not necessary to add to the volume of the praise bestowed on him. My own, Sir, is rather a personal one. I congratulate him upon the anxiety he has shown to grapple with a difficult problem, upon the spirit which has animated him and upon the skill with which he has brushed aside many a difficult problem. Sir, this is not the time for bestowing praises when you have only fifteen minutes to deal with the whole situation; therefore I shall proceed at once to speak on some of the subjects which I intend placing before the House.

Before I proceed further, Sir, I must express the disappointment which is felt on this side of the House regarding the failure of Government to appreciate the endeavours of the non-official Members to set right the finance of the country. Sir, last year, notwithstanding ridicule, notwithstanding contempt poured upon us, some of my friends very valiantly pleaded for retrenchment, pleaded that the time had come when the overburdened offices of the Government should be shred of some of their officers. It was in consequence of that plea, I take it, that the Inchcape Committee was appointed, and therefore, Sir, it would have been but fair if the Government had recognized the efforts made by us to relieve them from a very embarrassing situation. No doubt, Sir, we find our reward in the Report of the Inchcape Committee; but it would have come very gracefully from the Government, if they had recognized that we had done our best to assist the Government out of a very difficult situation.

Sir, what do we find in reading the Report of the Inchcape Committee? That since the year 1913-14 the expenses of manning the various establishments have gone up over 100 per cent. in almost every department of the State. If you look, Sir, at the military expenditure, you will find that there the expenses have gone up from 1913-14, in 1920-21 by 120 per cent. In the case of Railways, it is over 90 per cent. In the General Administration it is 90 per cent. In the Civil administrative departments it is 100 per cent. Even as regards the Ecclesiastical department the expenditure has gone up by 75 per cent. Sir, if time were given us to discuss the Report of the Inchcape Committee, we are confident that we shall be able to show that the cuts should exceed far beyond the 19½ crores which the Committee have recommended; because the

Report shows that there are many avenues for effecting retrenchment which have not been touched by the Inchcape Committee. Before I take leave of the Inchcape Committee's report, I should like to point out one thing which the Committee has done and with which I do not think the House will find itself in agreement, and that is as regards the recommendation to cut down expenditure in the nation-building departments. As regards education and as regards some of the departments which are absolutely necessary for the progress of the country, there ought to be no attempt made to reduce expenditure; for example I am told that the expenditure relating to the Hardinge Medical College is to be reduced by a lakh of rupees. I think it would be a most serious thing to do, and I do not think the House will tolerate or that the country will tolerate the cutting down of expenditure in that department.

As regards the military, Sir, I would like to say a few words. Yesterday we listened to a very eloquent—I think it was too eloquent for this House—but a very eloquent speech from the Honourable Mr. Bray, and

[Mr. T. V. Seshagiri Ayyar.]

to day we have had a well-balanced and a carefully thought out utterance from His Excellency the Commander-in-Chief. If I have followed the utterances of these two responsible officers, and if it is possible for an arm-chair politician to join issue with such great experts, it seems to me, Sir, that they do not realise that there is a possibility of cutting down expenditure beyond those which the Inchcape Committee have recommended. His Excellency the Commander-in-Chief read out to us paragraph 3 of that Report. May I with his permission and with the permission of the House draw attention to the 4th paragraph in the same report? This is what the Committee say there:

"The expenditure which has been incurred in the past may have been inevitable, but the question is whether India can afford to maintain military expenditure on the present scale as an insurance against future eventualities. In our opinion the repeated huge deficits of the last few years in spite of the imposition of heavy new taxation have made it abundantly clear that India cannot afford this expenditure."

Sir, nothing can be more moderate, nothing can be more sober than this condemnation of the huge military expenditure which this country is shouldering. In peace time, when everything is normal, it is not necessary to finance this huge military expenditure; as my friend Mr. Bangachariar put it—an expenditure which costs you 50 per cent. of the income of the country. I think, Sir, that His Excellency the Commander-in-Chief and the Government at Home and the Government here should devise means by which a great deal more of this expenditure can be usefully cut down; I hope His Excellency the Commander-in-Chief will apply his mind to further cutting down the expenditure, so that this country may not continue to groan under this heavy burden which is sure to starve every other department of the State.

Sir, yesterday the Honourable Mr. Bray said that statesmanship abhors a vacuum and, if I followed him rightly, he seemed to suggest that it was the intention of the Government to civilise the Afridis. Now, Sir, if that is the settled policy of the Government, it is desirable that the House and the Government should realise what it would land us in. If you are going to fill up the vacuum, you will have to fill it up by untold sums of money and by the sacrifice of innumerable lives . . . .

**Mr. Denys Bray** (Foreign Secretary): If I may venture to interrupt, Sir. When I referred to the filling up of the vacuum I did not refer to filling up of the vacuum by a forward policy. I thought I made it perfectly clear.

**Mr. T. V. Seshagiri Ayyar**: The Honourable Mr. Bray says that it is not a forward policy that he advocated; but if I heard him rightly, he first said that there was one kind of forward policy which would go up to the borders of Afghanistan; he then said there was another kind of forward policy which meant civilising the Afridi. I think he said that, if I remember aright. Now if you are going to civilise the Afridi—I mean the Mahsuds—the result of it will be that this country will have to bleed white to the whitest limit. I think you will find that you will have to starve expenditure in every department of the State, if your scheme of civilising the Mahsud is to be taken in hand, and therefore I hope the Government will realise that it is impossible to proceed further in the path of civilising the Mahsud. I think some attempt ought to be made to cut down military expenditure in that direction.

Sir, there is another matter on which I should like to say only a word, and that is this: the Inchcape Committee has drawn attention to the fact that by bringing in the new Department of Railways, there will have to be a readjustment of the portfolios in the Government of India. I am glad the Inchcape Committee have not recommended the creation of another office, because that would be intolerable. I take it that the object of that Committee's report is that the existing offices should be readjusted. There may be eight Executive Councillors, not nine. If that is going to be undertaken—and I am quite sure it is going to be—I would make a suggestion, namely, that some of my Indian friends who are in the Executive Council may be trusted to discharge the duties of some of the administrative posts under the Government of India. I find sitting here day after day, the Honourable Mr. Innes, the Honourable Sir Malcolm Hailey and the Finance Member who are growing thin by the heavy work they have to do, and I find that my friends, the Honourable Mr. Chatterjee, the Honourable the Law Member and the Honourable Mr. Sarma are growing fat from want of work; and I think it is time that Government so arranges their work that one section may not grow thinner and the other fatter. The thinner men should have more rest than they enjoy. That is a suggestion which this part of the House is anxious should be conveyed to the Government and I am quite sure it will be considered.

There is one other matter which I should like to touch upon and that is railway policy. Sir, I would like to give the House some figures. Since 1858, in consequence of having to pay guaranteed interest, this country up to the year 1900 disbursed from the general exchequer something like Rs. 77 crores. From 1900 onwards there have been surpluses which resulted in giving to the country about Rs. 66 crores—I think my figures are correct—and there is still a deficit of Rs. 11 crores to make up. That is to say, the country has had to pay about Rs. 11 crores from the general exchequer so far as railways are concerned. Since the year 1921 and 1922 the income has again shown a tendency to go down and the result, I believe, is there was a deficit last year and there will also be a deficit this year unless some attempt is made to cut down the expenditure. As I said the expenses have gone up by more than 90 per cent., and it is desirable that a serious attempt should be made to cut down that expenditure. In this connection I may draw the attention of Government to the fact that in other countries some attempt has been made to reduce the rate of third class passenger fares. In England when they found that the income was not up to the mark, what they did was to reduce the fares; and I found the other day that in Mysore when they found that the income was going down they were going to reduce the passenger fares. I hope the Government will do something in the same direction. After all one must remember, although as was recommended by the Inchcape Committee it is desirable that our railways should bring in an income of 5½ per cent. on the capital outlay, that it is a public utility department; we have to manage this department in the best interests of the people who have to travel; that ought not to be forgotten, and I dare say that if we keep this in mind and reduce the passenger fares we will find that our income is larger than it is at present. This is a matter, Sir, to which the Honourable Mr. Innes will have to give his attention. One other subject more, Sir—I am not looking at the clock, but I am looking at the face of the President, and that is an index that my time is almost up—there is one more matter, Sir, on which I should like to say a word, and that is this. When the Honourable Sir Basil Blackett was appointed



[Mr. T. V. Seshagiri Ayyar.]

to his responsible post, there was a feeling in this country that on the question of exchange he was going to bring a fresh mind to bear and that he would settle the difficulties with which India had been confronted for a long time as early as possible. But his speech in introducing the Budget has been received with great disappointment all over the country on this subject. We have had what is called a settlement of 2s. exchange for a long time. That has been found to be altogether unworkable. Two years ago, Sir, in Bombay it was said that the merchants were not able to meet their commitments and that they were behaving dishonestly. The truth is that there has been such a fluctuation in the exchange that without being reduced to bankruptcy it was impossible for these merchants to have met the commitments into which they had entered. Commercial morality is suffering, the country is suffering and everything is being dislocated; a serious attempt must be made to stabilise exchange. I think, Sir, the time is very propitious for undertaking that step, and with the ripe experience which Sir Basil Blackett has upon this matter, I hope he would take upon himself at the earliest possible opportunity to settle this difficult question.

Sir, I wish to say a word more generally upon the various recommendations of the Incheape Committee. As I began by saying if one reads the report, it would be abundantly clear that they have not given attention to all the possible modes of effecting retrenchment in the country. It is felt on this side of the House that if, in carrying out the recommendations of the Incheape Committēe, some attempt is made to associate the Non-Official Members in effecting retrenchment, a great deal more can be done than can be done by the officials themselves. The officials... (At this stage Mr. President rose) Sir, I am sitting down in a minute. The officials, if they are left to themselves, are likely to feel tender towards their own subordinates. But if they are associated with Non-Official Members, they will find that their task is made easier and that they will not be subjected to the same amount of reproach as they would otherwise be.

**Dr. H. S. Gour** (Nagpur Division: Non-Muhammadan): Sir, about two years back, when first this Assembly assumed office, it was confronted with a deficit Budget, and the Members of the Assembly then pointed out what has since become obvious that the Government's first duty was to balance its Budget. We then pointed out that the military expenditure of the country had far exceeded its paying capacity. Last year, in the second year of our Budget, we once more returned to the charge. We pointed out that the military expenditure was excessive and that the appointment of a Retrenchment Committee was essential for the purpose of restoring equilibrium in the Government of India's Budget. Later on, we followed up this suggestion by tabling a Resolution for the appointment of a Retrenchment Committee and in the teeth of opposition on the part of the Government we carried that Resolution. The result has been the appointment of a Retrenchment Committee. My Honourable friend the Finance Member, when he speaks of the storm and stress through which his colleagues have laboured during the last two years, could not have forgotten that we were ploughing our lonely furrow in the first and in the second year of the Budget, pressing upon the Government the necessity of balancing their Budget and of retrenching their national expenditure. Ours was the voice in the wilderness in the first year and the second year, and it was only after we pressed to the vote and carried by our majority the Resolution on the appointment

of a Retrenchment Committee that Lord Inchcape's Retrenchment Committee was appointed. My friend Mr. Seshagiri Ayyar is perfectly right in saying that my Honourable friend must be suffering from lapse of memory if he has not adverted to what is written large upon the pages of the Indian Hansard. But, Sir, when we look at the question from the standpoint of the tax-payer, what do we find? The military expenditure, which stood in 1913-14 at 29·70 crores, had gone up in 1921-22 to 77·87 and in 1922-23 to 72·29 and in the Budget for the next year, after the reductions proposed, it stands at 62 crores. Last year we pointed out that in the Brussels Financial Conference it was resolved with the full concurrence of the Government of India and the representatives of the India Office that no nation could afford to pay more than 20 per cent. of its gross revenues on the upkeep of the Army, and even 20 per cent. was excessive. Now, Sir, if we apply that test, what is the result? The expenditure on the Indian Army works out at 44 per cent. of the gross revenue even if the recommendations of the Inchcape Committee are fully carried out; and it is more than double what the Brussels Conference regarded as perilous and leading to national bankruptcy. I have not forgotten, Sir, the gross revenues of the Government of India and of the Provinces. If they stand in the neighbourhood of 200 crores, this expenditure would still be far in excess of what was admitted to be the maximum at the Brussels Conference. Now, Sir, His Excellency the Commander-in-Chief has drawn attention to the fact that the Army of India cannot be reduced without due regard to efficiency. May I point out to His Excellency the Commander-in-Chief that immediately after the Mutiny the Army of India was re-organised and fixed at 65,000 British and 140,000 Indians and the Army to-day is 71,702 rank, 902 reserves, a total of 72,622, that is, 7,622 more than what was proposed at the close of the Mutiny, of British troops, and as regards Indians we have 170,968 rank, 15,529 reserves, a total of 186,497, that is, 46,497 more than what was settled as the maximum in the post-Mutiny re-organisation. May I point out, Sir, in this connection that those were the days when we had to take account of what was then characterised as the Russian menace, we had to take account of the frontier tribes, and we had also to take account of a hostile Afghan nation. We have now a treaty with His Majesty the Amir of Afghanistan. Russia is in the military sense no longer able to disturb the peace of this country, and so far as the frontier is concerned, the frontier remains to-day what it was in the post-Mutiny period. What justification, then, is there for the increase of the Army from those days to now? Then, Sir, in those days the principle laid down for the proportion of White and Indian troops was somewhere in the ratio of 1 to 2, and it was adhered to upon the assumption that the Indian troops might again break out into another mutiny, and therefore it was necessary to maintain a number of white troops as a counterblast. But, surely, Sir, after we have heard what His Excellency the Commander-in-Chief has said of the gallantry and loyalty of the Indian troops tried in the arena of war, what justification is there for maintaining that ratio between the white and brown soldier? His Excellency the Commander-in-Chief could not be unaware of the fact that the white soldier is the costliest soldier in the world. The Inchcape Committee have pointed out that he costs more than Rs. 200 a month, and he is therefore at least 5½ times as costly as the Indian soldier. This House therefore demands to know why the British soldier should not be replaced by the Indian soldier, and why the white British officer should not be replaced by the gradual process of elimination be replaced by Indian officers. That I submit is the only means of effecting economy in the military expenditure of this country. Frequent references

[Dr. H. S. Gour.]

have been made both by His Excellency the Commander-in-Chief and other speakers to passages in Lord Inchcape Committee's report. May I, Sir, read one sentence from the very first page of that report. It says:

“So long as peace conditions obtain, the first essential thing is for India to balance her budget, and this can only be secured by a very substantial reduction in the military estimates.”

The question therefore arises—Has there been a very substantial reduction in the military estimates? If Honourable Members will turn to the statistics I have given, they will find that far from there being any substantial reduction in the military estimates, the expenditure is far in excess of what it was a few years back. I have informed the House that in 1913-14 the percentage of expenditure to the total revenue stood at 23.5. In 1917-18 during the War year our expenditure was 43.14 crores, and Lord Meston in his Award fixed 42 crores as the normal military expenditure. But a few years later that expenditure had risen from 42 crores to the neighbourhood of 72 crores. What justification I ask is there for this appalling rise in the military expenditure? Lord Inchcape himself, or rather the Lord Inchcape Committee write with reference to military expenditure in the following terms:

“Since 1913-14 the fighting efficiency of the Army has been enormously increased by the introduction of modern rifles, machine guns, etc., and that a large portion of the Army is maintained for internal safety.”

I listened, Sir, to a lecture delivered by His Excellency the Commander-in-Chief and there he pointed out that roughly speaking one-third of the Indian Army was maintained for the internal security, that another third was what are called covering troops and the remaining one-third was for frontier and other defences. Now, Sir, I beg to ask, why should not this internal security force one-third of the Army maintained for the maintenance of internal security be replaced by the police. I ask why should the military be maintained for the purpose of securing internal peace which is primarily the object of the police? Honourable Members will bear me out when I say the mere maintenance of this Army is an incentive to the civil authorities to draw upon the military in time and out of time when it is not necessary for the peace and security of the country that they should be drawn upon. It is the duty of the civilians to maintain peace and order in the country and if they require any extraneous assistance they can have the armed and unarmed police, but it is not the primary function of any army, much less a national army to maintain internal peace and order. That I submit is not the function of any army in the world and it should not certainly be the primary function of the army in India. If this fact is borne in mind, we shall have a very substantial reduction in the military expenditure of this country. I have already pointed out that if the British troops are replaced by Indian troops, and if the Army is reduced by one-third and replaced by police, armed and unarmed, the cost would then approximate to what this country is able to bear. But when I read in the Honourable the Finance Member's speech a reference to the fact that the Army in India must not be altered so as to essentially impair its structure and organisation, I felt some doubt whether the policy of the Government of India is not to perpetuate the policy adumbrated at the close of the Mutiny and since persisted in in spite of the protests of the people's representatives in this country. Turning, Sir, from the military to the civil side what do we find? We find that in almost all the departments the

administration consumes the bulk of the nation's revenue. Let me give Honourable Members some startling figures. I shall only trouble the House with the figures for the last four years. In Posts and Telegraphs in 1920-21 the income was 9.61, expenditure 7.57, profit 2.04, percentage of expenditure 78; in 1921-22 income 9.55, expenditure 8.98, profit diminished to .57. Expenditure rose to 94 per cent. In 1922-23, income 10.23, expenditure 9.53 profit dwindled to .70, expenditure stood at 93 per cent. In 1923-24 the Budget under discussion, income 10.71, expenditure 8.68, profit 2.03, percentage of expenditure 80. Now, in this connection what do the Inchcape Committee recommend? They recommend a reduction of 1.37 out of 9.53 crores; net reduction 50 lakhs. Now take another department—Customs. In 1921-22 income in crores 34.40, expenditure 65.87 lakhs, percentage 19.1. In 1922-23 income 42.80 crores, expenditure 72.74 lakhs, percentage 18. In 1923-24 income 45.09 crores, expenditure 77.19 lakhs, percentage 18. Now take again the Income tax department and the figures here are still more startling. In 1921-22 income 18.74 crores, expenditure in lakhs 20.50, percentage 1.0. In 1922-23 income 18.69 crores, expenditure 47.01, percentage 2.5 and now look at the next year's figures. In 1923-24 income 19.04, expenditure 63.79, ratio 3.3. And now take the railways the last of all.

**Mr. President:** I must warn the Honourable Member that he has exhausted his time.

**Dr. H. S. Gour:** I shall finish very soon. I shall give the Honourable Members the figures for railways. I shall only give for 1913-14 and the last year's figures, though I worked them out for the last 15 years. In 1913-14, gross receipts 56.31 crores, expenses 29.35, percentage 52. In 1921-22, gross receipts 81.69, expenses 65.66, percentage 80. In 1922-23 revised receipts 92.7, expenditure 66.33, percentage 72 and next year income 95.57, expenditure 6.51, percentage 69.6. I submit, Sir, that this is an excessive expenditure upon the raising of revenue and upon the management of the commercial departments of the Government of India. Lastly there are the recommendations of the Inchcape Committee. Following the same train of reasoning, Honourable Members will find that while the Retrenchment Committee have left the general administration, audit, Ecclesiastical and Political Departments almost untouched, they have attacked these scientific departments, such as education, medical, public health, industries and the rest. Now the General Administration expenditure in 1921-22 was 128.48.

**Mr. President:** I must ask the Honourable Member to draw his remarks to a close. He is still embarking on details.

**Dr. H. S. Gour:** I will take only two or three minutes more.

**Mr. President:** I have given the Honourable Member more than two or three minutes.

**Dr. H. S. Gour:** I will just point out that while in the general non-paying administrative departments the Inchcape Committee have made no substantial reductions, they have practically applied their axe to all the nation-building departments and cut out education, medical, public health, industries and the rest. I ask the House whether this is the right method of effecting retrenchment. I have no doubt that the House will unanimously support the proposal made by my Honourable friend Mr. Seshagiri Ayyar, namely, that the cuts should have begun first with the non-paying

[Dr. H. S. Gour.]

departments and not with the nation-building departments such as education, medicine and public health and I hope that the Honourable the Finance Member will bear that fact in mind. Finally Sir, while we have no doubt to congratulate the Honourable the Finance Member upon the lucid presentment of the Budget we cannot disguise the fact that we shall not be in a position to impose any addition to the existing salt tax. To use the expression I used in another connection the salt tax is *res judicata*. It was sought to be imposed last year and we vetoed it.

**Mr. A. V. V. Aiyar** (Finance Department: Nominated Official): It may be convenient to the House if I at this stage deal with some of the points which have been raised by Honourable Members in the course of the discussion yesterday and this morning. I know, Sir, that the time of the House is very precious to-day and I will make my remarks as brief as possible. If I have followed the discussions correctly, there is a general satisfaction with the amount of retrenchment which Government have found it possible to effect in next year's budget. There is, I believe, also a general agreement, with the possible exception of Mr. Chaudhri, that we should not leave any part of the next year's deficit uncovered. Some of the Honourable Members however hold a belief that this can be effected by further retrenchments beyond those already made and without additional taxation. Speaking on the last point, Sir, several Honourable Members yesterday referred to several hidden crores in the budget here and there, and one Honourable Member went so far as to suggest that the deficit was purposely put in to produce a false alarm. I wish this were the case. If I may say so, and I do so with great respect, I rather think that the comparatively favourable character of the budget has produced in the minds of Honourable Members a false sense of security. I claim some knowledge of the figures in the budget, and I have been at some pains since the discussion yesterday to discover some of these crores. I have not so far succeeded in discovering even lakhs, not to speak of crores of hidden money. I think, Sir, before these crores have been brought to light, it will not be safe for the House to act on the assumption that the crores are there.

Speaking of the Retrenchment Committee's report, I wish to solve two points in regard to which doubts appear to exist in the minds of Honourable Members. The first is that the deficit of  $4\frac{1}{2}$  crores inserted in the budget allows for all the retrenchments which the Government of India expect to be able to effect in the course of the next year. These consist of 260 lakhs of reduction in the budget figures for the next year which had already been taken into account in the civil budget. A further reduction of 4 crores which the Government of India entered in lump on the 1st of March pending distribution among the Departments and a further reduction of 5.75 crores in the military budget, a total of 12.35 crores. Therefore the deficit of 4.26 crores assumes that the Government of India will effect during the course of next year all the retrenchment proposed by the Retrenchment Committee except to the extent of the unavoidable delay involved in bringing them into effect. The second point refers, Sir, to the remark which fell from Mr. Seshagiri Ayyar this morning that the Retrenchment Committee have left unexplored several avenues of retrenchment. The Committee, of course, knew their business best, and as my friend knows, they have throughout the report entered certain figures which they think ought to go into the budget for next year; and if they left out any particular item for subsequent investigation it is because

they knew very well that they could not be brought into effect in time for the next year's budget.

Mr. Rangachariar, Sir, made certain specific suggestions which he thought would secure equilibrium in the budget without additional taxation. If I followed him correctly, he suggested a further reduction of military expenditure, a reduction of 1½ crores on the railways, a further reduction of 1 crore in civil expenditure and the removal of the railway annuities from the revenue portion of the accounts. I need not speak about military expenditure, because that has been dealt with by His Excellency the Commander-in-Chief. As regards railways, I am afraid the suggestion is based upon a misapprehension. It is true that the Retrenchment Committee proposed a total reduction of 4½ crores, but that was on the budget figures for the current year. Of that reduction 1.20 crores has already been given effect to in the original budget figures for the next year. So, with the lump reduction of 3 crores which we now propose, it makes a total reduction of 4.20 crores against 4.59 crores proposed by the Committee. The difference is thus 39 lakhs; a very different figure from 1.50 crores which Mr. Rangachariar mentioned.

As regards civil expenditure, Sir, the House will no doubt indicate in the course of the discussion of demands next week the particular directions in which they think further reductions possible. But as I have already said, the figures for which we propose to ask for the vote of the House are those which have been arrived at after taking into account all the reductions which the Retrenchment Committee propose. If therefore a further reduction of 1 crore is to be made it must be made in one of two ways, either by further reductions to the extent of 1 crore beyond those proposed by the Committee, or if the House thinks this possible, by bringing into effect the greater number of the recommendations of the Committee much sooner than Government anticipate it will be possible to do. Speaking frankly, Sir, I think the possibility of any further substantial saving in civil expenditure beyond that which has been put into the budget is very remote.

There remains, Sir, the suggestion about railway annuities. This question was considered last year and since then the House has had an opportunity of studying the correspondence with the Secretary of State on this question. It was placed on the table of this House in reply to a question by Mr. Joshi and it will be found printed in the proceedings of this House of the 6th September, 1922. The simple reason why we cannot accept that suggestion is that these annuities are of the nature of sinking funds and sinking funds are recognised to be a legitimate charge against current revenues. If Honourable Members will kindly read the Despatches printed in the proceedings I have referred to, they will find ample reason why we are not able to accept that suggestion. I may put another consideration in this connection before the House. The House will remember that the year before last in dealing with the budget here we transferred the capital outlay on the Telegraph Department from the revenue to the capital section of the accounts. Again last year we transferred to the credit of revenue the interest on currency reserve investments; and further this year we are putting to the credit of revenue the interest on gold standard reserve investments. The relief to revenue from these three sources totals 5.12 crores and I suggest, Sir, that we have gone sufficiently far already in the direction of securing relief to the revenue account by a mere manipulation of the figures.

[Mr. A. V. V. Aiyar.]

A few words, Sir, about the additional taxation proposed next year and I have finished. Speaking of additional taxation I am reminded of the fact that no less than 47 Honourable Members of this House gave notice of a Resolution early this Session recommending the imposition of additional taxation in order to wipe off the provincial contributions. It would be interesting, Sir, to watch the attitude of those Honourable Members when the Finance Bill comes up for consideration. If that Resolution was meant seriously, the proposal put forward by Government affords the surest way of achieving that object. If that proposal is accepted, it is reasonably certain that the contributions will be wiped off not in six years but in a shorter period. On the other hand, if it is not accepted, the remission of the provincial contributions must, as a corollary, be deferred to a more remote date.

Just two more points, Sir, which I wish to mention. Looking at the question of taxation from the orthodox point of view which Mr. Ginwala attributed to us yesterday, I cannot find, Sir, any other single source of taxation which will give us the money we want, that is 4½ crores. We will have to put together a number of expedients. Some of them are of doubtful expediency. We had instances of this yesterday. One Honourable Member proposed an increase in the cotton excise: it was received with murmurs. There were murmurs again when another Honourable Member proposed an increase in the import duty on cotton goods. Even if satisfactory substitutes are found, I will not be surprised if eventually the House finds that it has gone through the form of passing additional taxation without giving us the money we want.

One small point, Sir. Mr. Seshagiri Ayyar referred to a proposal of the Retrenchment Committee to reduce the contribution to the Hardinge Medical College. I may not have read the Report carefully, but I have not been able to find anything about it in the Report.

**Sir Montagu Webb** (Bombay: European): Sir, the Honourable Member in presenting his Budget claimed the privilege of a new Member. May I join with other Members of this House in saying that we heartily welcome him in our midst bringing as he does to the study of the problems on which we are engaged, not only a fresh mind to bear upon the Indian situation but one fortified and strengthened by personal familiarity with the far greater and more puzzling complications of money and finance on the Continent of Europe. I must at the outset express my whole-hearted admiration for the courage that he has shown in venturing to come to India at this particular juncture to help us in putting our monetary problems right. Undaunted by a long succession of most appalling deficits and also by a rupee,—a fickle, elusive rupee, capable of doing anything from a shilling to two shillings, he nevertheless has addressed himself to the work of gathering in the harvest of the past.—a harvest, as he truly and fairly said, sown by his predecessors, predecessors not only in India but also, I would add, at the India Office. The results have been very much what we had anticipated,—accounts wherein the revenue expectations have disappointed us, leaving us in a worse position than we were in a year ago, and a Budget containing the same old noxious features with which we have become so familiar in the past, yet another deficit, and yet another proposal for additional taxation! I should be concealing the truth, Sir, if I did not say at once that the Budget gave us rather a chill directly we heard it. But, on going through it, Sir, we find that after all it is not

such a bad Budget. In fact, I am inclined to think that possibly many people may think it a very good Budget. If perhaps it is not as good as all of us may desire, at any rate it has many good features and I hope this House will pass it, if not exactly in its present form, then perhaps modified in some small degree.

I take it, Sir, that nobody in this House would think of holding the Honourable Member personally responsible for the state of affairs in which we now find our finances. (*An Honourable Member*: "Not at all.") He very rightly and fairly protested that the two months in which he has been in this country were hardly sufficient in which to enable him to prepare a Budget. Well, Sir, if two months are not sufficient, what are we to say of the two or three days only in which Honourable Members have had to study the five thick volumes of statistics and material supplied with the Budget, including the large 300 paged volume of the Inchcape Report? I should like, Sir, at this moment to say that I have endeavoured to read through and study the whole of that Report and the first impression left on my mind is that this is the most valuable document that Government have published for many years past. Apart from the many penetrating and illuminating suggestions and comments on the work of the various Departments of Government made by the Committee, the fact that they have recommended a retrenchment of nineteen and a quarter crores in our expenditure is a great thing. If that retrenchment can be carried out without seriously affecting the efficiency of the administration, then indeed, Sir, will the Inchcape axe have fallen with effect. I think, Sir, that everybody in this House and the whole of the public of India should express their gratitude and indebtedness to Lord Inchcape and his Committee, all of them leading business men, who have devoted their time and talents to the solution of this problem and laboured so strenuously to bring about the desired result. And I think we ought not to forget, Sir, to congratulate Dr. Gour of this House, who is responsible for putting forward the motion on which this Retrenchment Committee was appointed.

Now, Sir, the Honourable the Finance Member said in his Budget speech that it was no use crying over spilt milk and that we should not expect him to go back and delve very deeply into the past. That, Sir, is quite true; but I will venture to recall one or two matters in the past in order that we may have a better understanding of the position with which we are now dealing. First of all, I would remind the Honourable Member that for over two and a half years after the outbreak of war, no War Loan was raised in India by the Government of India. Now, what was the effect of that omission? During that period the Government of India were paying out money the whole time on behalf of the British taxpayer without collecting any money in the form of loans to pay for the war. I do not know if it is everywhere realised in this House that the British tax-payer during the war paid this country very nearly two hundred and fifty millions sterling for services and goods supplied for war purposes. Now, the effects of paying out all that money in India without at the same time collecting the money in the form of War Loans were two. First of all, we very nearly at one time ran out of currency altogether. There was one never-to-be-forgotten Saturday in Bombay when the Currency Office very nearly suspended specie payments. That situation was followed by the issue of a large quantity of paper money, and an enormous coinage of silver to restore the currency. The ultimate result was that prices in this country were forced up to higher levels than



[Sir Montagu Webb.]

they might otherwise have reached had this particular financial policy not been carried out.

Now this condition of high prices is most important. For it is high prices which are the cause of half our difficulties, probably of 1 P.M. 75 per cent. of the difficulties with which we are faced at the present day. I was very glad to notice that the Honourable Member made a reference, in fact more than one reference, to the level of prices in this country, because the purchasing power of the rupee in India is of far greater importance to the great mass of the people of this country than the purchasing power of the rupee out of India; that is to say, in relation to the pound sterling. I consider that it is much more important that the rupee should not lose its purchasing power in India,—that prices should not so rise, that the necessaries of life are out of the reach of the great mass of the poor people,—in short, that it is much more important that the rupee should be stabilized in India than that it should be stabilized in relation to currencies out of India; although as a matter of fact, most attention is usually concentrated upon our foreign exchanges. And in this connection, I may say, Sir, that I am fully in accord with the Finance Member with regard to our foreign exchanges: Firstly, I agree with him that there is no sanctity in any particular rate,—2s., 1s. 4d., 1s. 3d., 1s. 2d.—and, further, that I am in accord with him that the time has not yet come to attempt final stability in our foreign exchanges. I think, that if Honourable Members will study the present condition of Europe,—if they will study the dependence of our foreign exchanges upon our exports to Europe and the finally if they will take into consideration our external, sterling debt, they will see very clearly that the moment has not come for attempting to stabilize our foreign exchanges. It is quite possible that we should fail! In this connection I notice that the Honourable Finance Member says that if we were to stabilize exchange at 1s. 4d., internal prices would have to go up. I cannot help thinking that that is a slip of the pen (*The Honourable Sir Basil Blackett*: "No."), that the Honourable Member intended to say that prices in India would have to go down. The reason is this, that prices are already up; prices in India have been 100 per cent. and more above pre-war levels, and what is taking place now is that prices in India are gradually but steadily going down. If we could fix the rupee at 1s. 4d., then prices in India would have to go down to pre-war levels. The fact that prices are at present over 50 per cent. up, and that the probability is that they will not return to pre-war levels for a long time, if ever, is a good argument for fixing the rupee, or trying to fix the rupee, at 1s. 3d. rather than 1s. 4d.

In this connection I should like to say, as there is a good deal of discussion in the West of India about the foreign exchanges, that the uncertainty, I will not say the danger, which is before us at the present moment is not that Government may not be able to raise the rupee to two shillings; it is not whether 1s. 4d. is the most suitable point at which to attempt to stabilize the rupee; it is whether Government can prevent the rupee from slipping back to substantially below 1s. 4d., possibly to one shilling. That is the problem; that is the uncertainty; that is—some people would say—the danger which is before us.

Now, Sir, I am very glad to see a reference made by the Honourable Member to the desirability of stimulating the investment habit in this country. That is certainly one of the means by which this country can

progress in all directions. I can only hope that, holding the views he does, he will support the Resolution which I have attempted to bring forward more than once in favour of Bonus Bonds. Surely, Sir, it is business-like, to take advantage of the universal desire to win a prize by issuing Bonds in a form whereby some small portion of the interest can be distributed in the form of bonuses thus stimulating the investment habit. (*A Voice*: "That is gambling").

Now, Sir, I come to the Budget for next year. I should like to make, first of all, a few comments on the form in which the Budget has been presented. I will commence by saying that I think that it is wrong,—radically unsound that the accounts of our business undertakings,—the accounts of our commercial Departments, should be mixed up with the accounts of the general administration. I think, Sir, that they should be entirely separated. Not only are the positions and financial results of our State commercial undertakings greatly obscured by the present way of showing the accounts, but the true cost of administration of this country is magnified out of all proportion to reality. The Honourable Member has on this occasion unwittingly added to the distortion by mentioning figures of *gross* expenditure instead of *net* expenditure. I confess that when I heard him say that our expenditure next year was estimated at 204 crores, I received a terrible shock. The expenditure as we have been accustomed to speak of it, is only 130 crores; and if you take out of the Budget the expenditure on the Commercial Departments,—Railways, Posts and Telegraphs, Forests, etc.,—then the actual expense of administering this country is only a trifle over one hundred crores, that is to say, about £66 million sterling, per annum,—a decidedly small sum for a country of the size, wealth and population of India.

Now, Sir, what are these Commercial Departments. I mentioned just now that they are the Railways, the Posts and Telegraphs, and the Forests. May I read to you what Lord Inchcape's Committee say in their Report about the Forest Department:—"The Government of India are in possession of a very valuable forest property. We have found it impossible to obtain any satisfactory information either in regard to the working or the financial results of forest operations. We consider it is essential that forests should be managed on commercial lines"; and, lastly, "The accounts of the Department should also be placed on a commercial basis." Now, Sir, exactly the same remark applies to the accounts of our Posts and Telegraphs and to the accounts of our Railways. I should like to explain, Sir, if I may, what a business man means by putting the accounts on a commercial basis. In the business world, where we are familiar with profit and loss accounts and balance sheets, what we want to see is the income from our commercial Departments placed on one side of a Profit and Loss account, and the expenses of earning that income on the other side, the balance being carried to a Balance Sheet wherein on the liability side we show our debts,—our capital outlay expended in acquiring or building our railways, in developing our forests, in erecting our public buildings, and on the other side of the Balance Sheet, a list of our assets with the present day values of our railways, with their plant, lines, permanent-way, rolling stock, lands, buildings, and so forth, our telephones, our telegraphs, our wireless installations and all public buildings connected therewith, our stocks of saleable timber, etc. I venture to say that if those accounts were separated from the general Budget, and the businesses run properly we should find not only a handsome surplus in the profit and loss account, but we should find a still more handsome surplus of assets over liabilities that

[Sir Montagu Webb.]

would add enormously to the credit of this country, not only in India but out of India, thus facilitating the raising of further capital. I commend this suggestion to the consideration of the Honourable Finance Member. Now, Sir . . . .

**Mr. President:** The Honourable Member has exceeded his time.

**Sir Montagu Webb:** I am sorry; there are two or three very important matters to which I should like to draw attention at length but I will now compress them into two minutes. First of all, with regard to the railways. Lord Inchcape's Committee have advocated a severe cut under the heading of Railways. I think this cut will be regarded with very great apprehension in many business quarters, especially in the case of the North Western Railway, which I am surprised to see has been classed as an "unremunerative" railway. I should like to point out that the North Western Railway includes in its system over 1,500 miles of strategic lines. I should also like to point out that it is equipped for military mobilisation on the North-West Frontier; and further I should like to mention that for the last three years the export of wheat from India has been prohibited for reasons not concerned with the North-Western Railway, but for political and economic reasons which concern all-India. If all those matters be taken into consideration, Sir, I think it will be seen at once that statistics based on the traffic of the last three years and not considering the 1,500 miles of strategic railways are not a reliable or accurate basis on which to decide whether that railway is remunerative or unremunerative.

The other matter to which I would like to refer briefly is Military Expenditure. I said just now that if we took out the commercial accounts from the general Budget, our expenditure was only about 100 crores. Of that 100 crores, 62 crores are to be devoted next year to military expenditure. Now, at first glance that looks like 62 per cent. But I would remind the House that in calculating the proportion of military expenditure to the whole, the expenditure of all Provincial Governments must be taken into consideration. If that expenditure be taken into consideration, then, Sir, our Military Services cost only about—I worked it out at about 33 per cent. Now thirty-three per cent. is certainly higher than we would like to see it, but we must all remember that conditions in this country are very different from what they are in the United Kingdom. Not only have we great numbers of illiterate, ill-informed people to deal with, but also great differences in race, creed and caste that are all liable to develop difficulties, so that great proportions of the population are liable to combustion. Then too, we have the North-West Frontier. I think these outstanding and unquestionable facts have all to be taken into consideration.

If you will allow me to say so with regard to the deficit on the Budget, Sir, I should urge that Government abandon at least a portion of the proposed Salt tax. I would suggest in place of it, Sir, to be brief, the possibility of a small export tax on petrol. I do not think it would bring in very much, but I am not yet satisfied that it could not be levied to advantage. I would further suggest a four annas duty on silver. I know some of my friends in Bombay do not like the idea of a return to that 4 annas import duty but I would assure them that if they feel that the four annas duty is likely to depress the sterling value of silver, I would urge that the one

rupee note be abolished and that one rupee silver coins be substituted. This will mean an increased demand for silver. The one rupee paper note is quite unsuitable for a tropical country in peace time; I am glad to see in the Incheape Report that the Controller of Currency says that it is more expensive to maintain one rupee notes in circulation than one rupee silver coins. Those are a few suggestions; the other is that the proposed salt tax be at least halved. ("No, no.") If the silver duty be imposed and a small tax levied on petrol, and savings be made elsewhere, we shall be able to balance the Budget; and I submit to this House that we MUST balance this Budget.

**Mr. Jannadas Dwarkadas** (Bombay City: Non-Muhammadan Urban):

Sir, I am afraid the task of dealing with the Budget of this year has been rendered more or less easy by the report of the Incheape Committee. We do not find, for instance, Member after Member getting up as they got up last year and the year before last asking for cuts in this department and retrenchment in that department and so on. We find that discussion is focussed on whether it is possible to have a further cut to do away with the deficit and on the point whether the salt tax should be accepted by this House or not. We have also the usual criticism on military expenditure rendered less forcible, I think, because of the proposals made by the Retrenchment Committee. And so, one finds that the Retrenchment Committee has certainly carried out an admirable piece of work in submitting this report, and I join with those that have congratulated not only the Incheape Committee, but this House also for bringing about the state of affairs by which it was possible for the Incheape Committee to present its report; and, Sir, this "enthusiastic and inexperienced Legislature," as the Under-Secretary was pleased to characterise it the other day, may well congratulate itself that it has helped in the presentation of a document which ought to be an eye-opener not to the Legislature but to the "experienced administrators" of the country; and I may here digress for a moment and say to my Lord Winterton what he said to Colonel Wedgewood when Colonel Wedgewood irrelevantly, I am afraid, attacked Mr. Thompson. I may say to Lord Winterton in his own language that if he had used these words not away in the Parliament of England, but in this House, in the presence of the Members of this House, then, to use his own words, "he would have got something from some of the Members of this House which he would have for a long time remembered."

Passing on, now, Sir, to the proposals made by the Honourable the Finance Member, I join with the other Members of the House in offering him my congratulations. I do not for a moment admit that it is a Budget that in any way ought to make us cheerful, but I do think that he has handled the subject in a most admirable manner, if I may say so. Apart from that, my reason for congratulating him further is that he has made certain admissions in the Budget which endorse the opinion—public opinion—expressed in this country for the last few years in their condemnation of the policy that was adopted by Government. For instance, I find my Honourable friend saying on page 59 of his speech:

"And the State which is driven to cheat its creditors does not always realise what it is doing although its unsound methods are adopted at the expense not only of the wealth and happiness of its own citizens, but also at considerable risk to social order within its borders. Much of the present unrest in the world is due to the way in which States in all parts of the world have cheated their creditors by unsound currency manipulation and the creation of paper money with no real assets behind it."

[Mr. Jamnadas Dwarkadas.]

My Honourable friend Sir Montagu Webb was pleased to say that during the war Great Britain gave to this country in exchange of services and exports made from this country to the other country 250 million sterling. I want to ask my Honourable friend how much that amounted to in rupees. Was it in any way the same that we expected to get at the time when on the credit of England we exported articles from here or was it rendered much less by the currency manipulation adopted at the instance of Government? I am glad to find that in the very first Budget that my Honourable friend the Finance Member has presented he has, although not openly at least in the language that he has adopted made an admission of the danger of adopting a policy of currency manipulation in this country. Then my Honourable friend has also practically admitted the need of stabilising the exchange. I hope the House will not accept the fallacious argument of my Honourable friend Sir Montagu Webb that the time has not come when exchange should be stabilised. The time has come, and the country has been demanding it for the last few years that exchange should be stabilised, and unless the exchange is now stabilised, no confidence can be placed in the currency policy of the Government by the people, the result of that being that the trade of the country and the industrial development consequently, will always be in a state of depression. I feel, therefore, that the time has come for stabilising the exchange, and if one reads the arguments presented on each side of the case by the Honourable the Finance Member, one would find no difficulty in believing that at heart my Honourable friend himself would like to stabilise the exchange. He himself was connected with that Committee in Geneva which recommended strongly the stabilising of exchange as the first step to be taken. If he held that view about European countries in spite of the present uncertain state of their currency, I think the case for India is much more hopeful.

And the only argument that the Honourable Finance Member has been able to present against the stabilizing of exchange is that it might be of advantage to you not to stabilize the exchange because a higher exchange may mean a reduction of your debt, and in the payment of your Home charges. Now that argument, I am sure, my Honourable friend could not have meant seriously because what, after all, is the gain that you would make by a reduction in the payment of your debts, and in your Home charges, as compared to the great loss that this country, the community at large, would incur by getting smaller prices and a much smaller sum of money for its exports on which the country depends? You cannot consider this question from the point of view of gains to the Government. The question has to be considered from the point of view of gain or loss to the community, and if there is no doubt whatsoever that it would mean a tremendous loss to the community then the need of stabilizing the exchange under any circumstances becomes absolutely obvious. My friend also has pointed out the need of balancing the budget, and on that I am entirely at one with him. Although the deficit is only 4½ crores, it is necessary that we should not leave it uncovered, and here again is an admission from the Honourable Finance Member for which he deserves congratulation. His predecessors did not realise until the deficit went to the extent of 100 crores of rupees, that it was wrong in the interests of this country to allow this deficit to accumulate. The deficit was not due to the fact always that this House was not prepared to vote the necessary taxation. Last year may be taken as an exception, but

the deficit was in most cases due to the failure of the Department to bring about correct approximate estimates. In all cases we find that the revenue fell short of the approximate estimate that the Department had made, and I am glad that, after five years, when the deficit had reached a figure of 100 crores,—it will now be only 4½ crores. My Honourable friend, who is an able financier, realises the importance of leaving the deficit not uncovered, and I think there is great force in that argument. Our credit is bound to suffer if we leave this deficit uncovered and I emphasize the need of covering this deficit at any cost. But while I agree to that proposition, I may at once tell my Honourable friend that this House will never agree to covering this deficit by raising the tax on salt. That proposition I must assert with all the emphasis that it is in my power to command. Last year I characterised the proposal for the enhancement of the salt tax as a messenger of revolution in every village home. I ask the Government not to repeat the mistakes that they have in other instances made in the past in the teeth of the opposition of the people. I ask this House to reject this proposal and to urge upon the Government, if possible, to make further cuts in order that the deficit may be avoided, and if that is not possible, to suggest, with the help of Government, alternative proposals for covering the deficit. And in this connection I may also state that I am not yet convinced by the argument advanced by my Honourable friend Mr. Aiyar that the annuities should not be taken to the Capital Account. In a year like this, we would be perfectly justified in doing what many other countries have done. If we could take the interest on the Gold Standard Reserve and the Paper Currency Reserve to the Revenue Account, what can prevent us from following the practice which other countries have adopted for the past many years. And talking about the Gold Standard Reserve brings me to the importance of urging upon my Honourable friend the Finance Member the urgency of locating the Gold Standard Reserve here in this country. To-day Honourable Members will find that the interest that the Government is able to get on the Gold Standard Reserve is 2 per cent. from its investments in England, while the Bank rate here goes to 8 per cent., and industrial concerns and agriculturists and traders find it difficult to obtain money, and consequently there is bad trade, and the revenues fall short of the estimate, our own money is being invested in England at 2 per cent. What then can be a better policy than locating the Gold Standard Reserve here and investing it at 5 or 6 per cent., with this advantage to the community, that the Bank rate will not go up, and money will be available to traders and industrial concerns at a much cheaper rate of interest. And I may also point out that the majority of the Babington Smith Committee had, in their recommendation, suggested an alteration of the Paper Currency Act with a view to enable the Government to make 5 crores available to the Imperial Bank at 8 per cent. for advancing to agriculturists when the seasonal demands for moving crops came up. Now I may make a suggestion to my Honourable friend the Finance Minister, that this Paper Currency Act should be further modified and that the amount available to the Imperial Bank should be not merely 5 crores, but 10 to 15 crores. to give substantial relief to agriculturists and also that it should not be lent out at 8 per cent. to the Imperial Bank so as to lend it out at 10 per cent. against *hundies*, but it should be lent out at 5 or 6 per cent. so that the agriculturists may not have to pay more than 7 or 8 per cent. Then, Sir, I support also the proposal made by my Honourable friend Mr. Sahani that the time has come when you should adopt in this country a Gold Standard and a gold currency. Sir, I appeal

[Mr. Jamnadas Dwarkadas.]

to the House not to accept the suggestion to enhance the salt tax; but I may also suggest an alternative if I may. My Honourable friend the Finance Member told us that there was no alternative proposal made by any Member of the House. Sir, we have not got an able staff at our disposal to work out all the figures . . . .

**Dr. H. S. Gour:** Have we got any staff at all?

**Mr. Jamnadas Dwarkadas:** But if I may venture to make a suggestion, it seems to me that the proposal to raise an export duty on jute would not be out of place. The Fiscal Commission itself, while it has condemned export duties in general, has pointed out that jute, being a monopoly in this country, can stand an export duty, and in times of stringency we would be justified in resorting to a further export duty on jute. The argument that if we raise the duty further a substitute may be found does not hold water, because the finding of a substitute does not depend on the existence of an export duty, but is a matter of scientific research. Then, Sir, my Honourable friend Mr. Ginwala has made a general suggestion with regard to taxation. In this connection I may also point out that some of us expected that the recommendations made by the Fiscal Commission and accepted by the Government here in this House might find a place in this year's budget. Perhaps the Honourable Finance Member was not to blame; it was too early for him to give effect to these proposals this year at any rate. But I think that when the Tariff Board has been appointed—and I hope it will be appointed at a very early date—and when the Tariff Board has completed its investigations in some cases, we shall have a much better system of tariff than the present haphazard arbitrary system which is adopted by the Government of India. I also agree with my Honourable friend Mr. Ginwala that the time has come to make an examination into the whole question of taxation, for it seems to me that the burden of taxation falls unequally in this country and there are institutions which, although they deserve to be taxed, are being left alone because Government regard certain facts as permanently settled. (*Dr. Nand Lal:* "As, for instance?") The time has come when those institutions should be made to bear their burden of the administration of India.

With these words, Sir, I resume my seat.

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

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

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**Sir Gordon Fraser** (Madras: European): Sir, I listened with great interest to the very interesting speech of the Honourable the Finance Minister and I would like to congratulate him on placing the position before us in so practical and businesslike a manner. We have to accept the fact that we are faced with this deficit of 4½ crores. The Honourable the Finance Minister proposes to square this by raising the Salt Tax by Rs. 1-4. May I suggest with all due deference that the new taxation be spread more

equally over the present existing taxation? I am afraid that one's efforts to assist the Honourable the Finance Minister in making Budgets are very much of an amateurish nature. I personally feel very great diffidence standing up here and making suggestions to him. But I cannot help thinking that it would be more equitable to distribute the amount, especially as in doing so I am quite sure it would not be inflicting any hardship on any particular individuals or communities. Also I think we all hope that the times ahead will be more prosperous and that the bulk of any taxation that may be imposed now will be only temporary. I admit at once that I cannot find any sound or practical reasons for opposing the imposition of this Rs. 1-4 per maund enhanced duty on salt. But we must not forget that the whole sentiment of the country is very strongly against it, and we must admit that in India sentiment looms very large and very often it overshadows hard and material facts.

**Dr. Nand Lal:** Not always.

**Sir Gordon Fraser:** I think personally the feeling against the enhancement of the Salt Tax might perhaps not have been so strong amongst Honourable Members if it had not been the only means by which the Honourable the Finance Minister proposed to balance his Budget. As I said before, it would be more equitable to distribute the tax more equally, and it would then give all Honourable Members in this House the satisfaction of contributing their share towards the deficit put before us by the Honourable the Finance Minister.

I suggest therefore as a first step that the enhancement of the Salt Tax might be reduced to 8 annas instead of Rs. 1-4. This would bring the tax to Rs. 1-12 instead of Rs. 2-8—an enhancement of very little more than one anna per maund per head per annum, a very small sum indeed. Then I would retain the export duty on raw hides and skins. I have no figures available to ascertain what amount this would give us, but I put it down at 20 lakhs. I speak subject to correction on this point as there are no figures before me at all. Then I would suggest as a temporary necessity to terminate on the 31st March 1924, just for a period of one year and to terminate automatically at the end of the financial year, that the Honourable the Finance Minister should impose a temporary surcharge of 6 pies in the rupee of tax collected under the headings of Customs and Income-tax. This, with the modified Salt Tax, would give us an amount that would enable the Honourable the Finance Minister practically to meet his deficit.

**Dr. Nand Lal:** Income-tax is already two annas.

**Sir Gordon Fraser:** Under Customs the receipts expected are 45 crores. Six pies in the rupee on that will give us Rs. 1,40,00,000. Under taxes on Income, the figure expected is 19 crores. Six pies in the rupee here gives us 60 lakhs. I put the raw hides down at 20 lakhs, and then we have the Salt Tax—8 annas on that would give us Rs. 1,80,00,000. This brings the total to 4 crores against the 4½ crores required. I would leave the Honourable Finance Member to find the extra quarter crore; possibly if 8 annas is considered too low a figure to reduce the salt tax to, we could take it at 12 annas instead of the original Rs. 1-4. That would increase the figure by another 90 lakhs, giving us Rs. 490 lakhs as against Rs. 4½ crores required. Now, it may seem a somewhat retrograde step to take to suggest an increase of the customs duties and income-tax, but this six



[Sir Gordon Fraser.]

pies in the Rupee of tax collected is a very small figure indeed, and I cannot see that it will hurt anybody. If we take goods liable to 5 per cent. duty on importation, those goods with the surcharge added would only pay 5-15 per cent., goods incurring a duty of 10 per cent. would be paying 10-3 per cent., and even when we come to the luxury tax—a tax against which so much has been said—of 30 per cent., it would only come to 30-9 per cent. Then as regards income-tax and super-tax, here again the extra tax would be so small that it would not be felt, and yet at the same time these two items would give us half the amount required by the Honourable Finance Minister. If you take a salary of Rs. 500 per mensem or Rs. 6,000 per annum, under the present schedule it pays a tax of Rs. 190 per annum, and if you add a surcharge of six pies per rupee on the tax collected, it only means an extra Rs. 5-15, or less than eight annas a month. Then again take a salary of Rs. 1,000 a month or Rs. 12,000 per annum, the tax on it under the present Act is Rs. 560 per annum; the surcharge would only be Rs. 17-8, or under Rs. 1-8 per mensem. When we get into the higher incomes liable to super-tax, when we take an income of a lakh of rupees per annum, under the present Act the tax-payer has to pay Rs. 12,500 and the surcharge on that would be Rs. 390—it means only Rs. 32-8 a month. I think I am right in saying that the Honourable the Finance Member has to pay income-tax and super-tax to the extent of about Rs. 10,000 a year; the increase in his case is only Rs. 25 a month. I do not think this is very much; it only amounts to a 3 per cent. increase on our present customs duties and income-tax.

Then again it may be contended that this will upset the present methods of accountancy; but the collection of this tax would be extremely easy; it would not upset the present methods of accountancy in any way at all. Take for instance goods imported into this country on which the import duty payable is say Rs. 125-14; we cut out the odd annas; on Rs. 125 at six pies in the rupee we get 62½ annas or Rs. 3-14-6, to be added to the original amount calculated as duty on those goods. I contend that my suggestion would be fairer and more equitable than the suggestion to raise the whole sum by a tax on salt alone. All would contribute on the basis of the present taxation, and it would not in any way upset the balance of taxation as it exists at present. In putting forward this suggestion it must be distinctly understood that I only make this suggestion as a temporary one, as with the prospects of improved trade in general I am optimistic enough to think and hope that the extra taxation now suggested would not be necessary for more than twelve months.

I think the Honourable the Finance Minister in his speech made a remark that we must cut our coat according to our cloth. The attitude of some Members of this House towards the attempts to provide sufficient wherewithal to meet our requirements rather reminds me of a remark made by a fellow-commissioner of mine on the Madras Corporation some years ago. His remark was that we must cut our coat according to our body. Now, that is a very nice idea indeed. If you are going to do that you will have to provide sufficient cloth to make the coat fit the body. That is what at the present moment Honourable Members of this House are rather shying at. Along with this suggestion of the surcharge on customs duties and income-tax, I propose that we should allow the duty on raw hides and skins to remain as it is at present. I may be wrong in my

estimate of what this will bring in because I have not got the figures. I have just received a telegram from Madras which reads as follows :

“ Madras Chamber of Commerce and the South India Skins and Hide Merchants' Association (the latter being entirely an Indian Association) strongly protest against the reduction in export duty on raw hides and skins and at a joint meeting held to-day it was unanimously resolved that no rebate be allowed to Empire countries and that export duty at 15 per cent. should apply to all countries. If proposal now before the Legislative Assembly be adopted, the tanning industry of India which at present is in a very critical condition will be further seriously affected if not crippled.”

Now, in connection with that I would like to refer to a letter from the Government of India, Department of Commerce and Industry, dated the 13th June 1916. dealing with the question of the export of raw hides. The Secretary then wrote :

“ As you are aware for several years before the War this lucrative trade had passed, at any rate so far as Calcutta was concerned, almost entirely into German hands. On this side firms consisting of Germans or of naturalised persons of German origin and with German trade connections had formed an effective ring and although one or two English and other firms had on occasions attempted to enter the trade they had been unable to break this ring and had practically in all cases abandoned the attempt. In the case of an Indian firm, it would appear that before the war a determined and partially successful attempt at boycott was carried out by the German ring of hide exporters.”

That was the position before the War, and from figures that I have taken out it seems to me that the trade necessity referred to by the Honourable the Finance Member for the removal of this export duty does not exist. If we take the export figures of raw hides, for the 9 months ending December 1922 and compare them with the figures for 1911, 1912 and 1913, we find that Italy and Spain, two of the largest importers into the Continent of raw hides from India, are practically back to pre-war figures. Taking the case of Germany, in spite of her present disorganised condition, I see that for the nine months ending 1922, the total value of raw hides exported from Calcutta was 72 lakhs. If you take it for twelve months, it is equivalent to 96 lakhs presuming that exports continue on the same scale. Well, the figures before the war, that is the time referred to in this letter from the Government of India, were :

1911	.	.	.	.	.	.	.	.	1,19,00,000
1912	.	.	.	.	.	.	.	.	1,23,00,000
1913	.	.	.	.	.	.	.	.	1,64,00,000

So, in spite of the troubles in Germany, she seems likely to secure at an early date the same monopoly in India in connection with this trade that she had before the war.

Now in putting forward this suggestion regarding the surcharge, as I said before, it may be considered as a retrograde act, but I cannot see myself that it is going to hurt anybody, because the amount is so small. It is not a question of a 3 per cent. increase of the duty, but it is purely a surcharge of 3 per cent., or 6 pies in the rupee, on the amount of tax collected. That is going to give us 2 crores. If you take the salt tax at 12 annas, that gives another 2,70,00,000, plus something from hides. If we stick to the 8 annas only on salt, the total will be reduced by 90 lakhs, and if it is left at this with the Honourable the Finance Member, he may be able, either by retrenchment or by taxation, to find the 20 or 30 lakhs still required to balance his budget.

**Mr. N. M. Samarth** (Bombay: Nominated Non-Official): Sir, at this late stage of the debate, I propose to address myself to only one question, and it is this. Is it a fact that there is really a deficit of 4 crores and 25 lakhs? I submit that if the budget figures are recast in accordance with the well recognised canon of public finance as to what is chargeable to revenue and what is chargeable to capital, the deficit will ultimately result in about 30 lakhs only. The House will remember that in the first year of this Assembly, I was instrumental in reducing the deficit by one crore by pointing out the error of book keeping which the Government of India committed in regard to posts and telegraphs. Well, since then that mistake has been rectified. But I do find still that amounts which really ought not to be charged to revenue have been charged to revenue in the Budget of the Government of India, for March 1923, at pages 10, 11, 12 and 13 under the heading "Statement of the Expenditure charged to the revenue of the Central Government, in India and in England." Now before I substantiate my criticism, I should like to point out that it is not right that money spent on durable public works, whether military or civil irrigation and so on, should be at all chargeable to revenue. A high authority on public finance, Professor Bastable, makes the following observations on the subject:

"Abnormal expenditure", *he says*, "frequently occurs in a somewhat different way, as in the case of durable public works or other improvements . . . ."

**The Honourable Sir Basil Blackett** (Finance Member): Abnormal?

**Mr. N. M. Samarth**: Yes, abnormal, because they are not necessarily normal. Military roads made in Waziristan from which posterity also will benefit have been charged to revenue. Now why should the present generation be penalised by this amount being charged to revenue? If the Honourable Member will have patience, he will find that the distinguished author says further:

"It may be a part of State policy to erect extensive public buildings, to carry out a system of fortifications, of railway roads or canals, to drain and plant waste lands to promote colonization or to develop industry that requires the aid of its capital. Outlay of this kind"—*he goes on to say*—"is in mercantile phraseology chargeable to capital and not to revenue, and is clearly abnormal. The method almost invariably adopted is to meet the abnormal outlay by abnormal receipts, namely, borrowing, or, to put the point in another way, to turn the extraordinary expense of a given year into the ordinary one of interest on debt."

There should be no question about the canon of public finance which *he* has laid down, and I wish to apply it now. I say rightly capital outlay at New Delhi has not been charged to Revenue. The Honourable the Finance Member has expressed some doubt on the subject. He has said, "Apart from our revenue receipts, we have spent many crores on unproductive purposes, the expenditure on which is classed as capital expenditure. New Delhi is the most obvious example. I can see no justification other than sheer necessity for not treating this expenditure as chargeable against revenue and in any case it ought to be repaid out of revenue at an early date."

With all due deference, I venture to question the correctness of the dictum of the Honourable the Finance Member, and my authority is Professor Bastable. Now, Sir, I shall apply this to three items in the Statement of Expenditure. At pages 12 and 13, Honourable Members will find Item No. 50 "Military Works." The Budget estimate for 1923-24 is given as 4,23,55,000. Now if Honourable Members will turn to the Military Budget, page 199, they will find the entry under the head "Military

Works",—Works, Capital Expenditure 1,96,00,000. I submit there is no justification for charging this sum to revenue. It must go to capital account. Now take another entry, No. 41, Civil Works. The Budget estimate for 1923-24 under this head is 1,87,63,000. If you look at the Demand for Grants, Demand No. 41, at page 121, it will be found that 92,82,000 out of the total amount is for original works. That is what Professor Bastable calls durable public buildings, and which ought not to be charged to revenue. Take again a third item in the Statement of the Expenditure charged to the Revenue of the Central Government, say No. 16, the heading of which is Irrigation, etc. Capital Account (charged to Revenue)—Construction of Irrigation, etc., Works—financed from ordinary revenues, total 2,16,000. There is absolutely no justification for charging it to revenue and swelling thereby the expenditure. I take my stand again on Professor Bastable's principle. Now if these three items are totalled together, the total comes to 2,90,98,000. Calculating interest on it at 6 per cent., it will amount to 17,45,880. I charge that to revenue, and let these 2,90,98,000 be transferred over to capital account. Then, <sup>3 P.M.</sup> out of the deficit of 4.26 crores if you deduct this sum of Rs. 2,73,52,120 you get a deficit of Rs. 1,52,46,880. Now, another point upon which there was discussion on the last budget occasion and which has been referred to by previous speakers, especially I believe by Mr. Jamnadas, Sir Vithaldas Thackersey raised the question of the railway annuity. The debate will be found at page 2798 of the Legislative Assembly Debates, Volume II, Part 3. He observed:—"The second item I object is that we are debiting to revenue the 536 lakhs which we pay as annuities for the purchase of railways. I can understand debiting to revenue interest charges, but I cannot understand how we can debit to revenue our capital charge, namely, the amount we pay in instalments to the shareholders for the purchase of the railways. It is really not a revenue charge but a capital charge." And if you take an account you will find that out of a total of 5 crores 3 lakhs 62 thousand which is the amount of the annuities for the purchase of railways, the capital portion of that is Rs. 1,21,70,000. There is no reason why the amount should not be sent over to the capital account. Well, if you deduct that then from the amount of Rs. 1,52,47,880, the balance is Rs. 30,77,880, which alone is the real deficit. And surely ways could easily be found in the course of the year to meet this 30 lakhs 77 thousand odd rupees. Therefore, there is no real deficit which we have to provide for and, therefore, there is no need for additional taxation, and consequently all the discussion as to ways and means and the alternatives is in my humble judgment outside the scope really of the present discussion. Of course I saw Mr. Aiyar nodding his head whenever I said that the items should not be charged to revenue but I have given my authority for saying why they should be charged to capital. I say there is no reason why the present generation should be penalised and made to pay for the benefits which posterity will also derive. It is a wrong principle, wrong budget framing, wrong book-keeping to have these charges included in the expenditure with the result that the expenditure is swollen and the deficit is increased. I submit therefore that there is no case made out for any additional taxation. That, Sir, is my point.

Now, Sir, I should have liked to finish, but as reference was made by Mr. Bray to Waziristan, in which I take some interest and to which I referred at the time of the last budget discussion, I may be permitted just to make a few observations. Last year I attacked the policy of Government in regard to Waziristan. I said that, whatever the political reasons

[Mr. N. M. Samarth.]

may be, whatever the military reasons may be, from the financial point of view I oppose it. And throughout my position has been that you cannot go and occupy and administer the country. A downright forward policy is out of the question. That was my position, and therefore I asked Government to abandon that policy. I am glad to say that the enunciation of the policy which I heard from Mr. Bray yesterday means the abandonment of that policy. I am not in favour of a burn and scuttle policy, a policy of sending punitive expeditions and then withdrawing afterwards, with the result that you leave behind a legacy of tribal hatred and cause tribal emboldenment by the weakness of the withdrawing Government. That policy also is out of the question; and a policy of occupation and administration, a downright forward move, is also out of the question. I have been throughout an advocate of what is called the Sandeman policy, or a policy approximating to the Sandeman policy, namely, controlling the tribes without annexing them, and I am glad that that is the policy which I find adumbrated in the speech which Mr. Bray made. I feel gratified that my fight has been ultimately successful. With these words, Sir, I will close my remarks.

**The Honourable Mr. C. A. Innes** (Commerce and Industries Member): Sir, it is not usual for the Commerce Member to intervene in this general discussion, but Sir Basil Blackett has specially asked me to deal with one suggestion which has been made in the course of the debate. It is a suggestion which has been freely canvassed in the public press, a suggestion which was made with engaging simplicity by Mr. Spence of Bombay yesterday and a suggestion which has been repeated by more than one Honourable Member. I refer to the suggestion that we should impose an export tax upon motor spirit or petrol. Now, Sir, let me state the problem. In 1917 we passed an Act by which we imposed an excise duty of 6 annas a gallon on all petrol produced in India and an equivalent surcharge on the import duty of all petrol imported into India. In accordance with our usual practice, we allow a drawback of that excise duty on all petrol exported from India and that is the cause of the complaint. In India we produce 34 million gallons of petrol. Of those 34 million gallons, 14 million gallons are consumed in the country and the remaining 20 million gallons are exported. Now, two complaints are made. In the first place it is said that we treat the Indian consumer unfairly; we charge him an excise duty of 6 annas a gallon and we let the foreign consumer go free. Secondly, we are accused of sacrificing wantonly a large possible revenue; if we imposed an export duty of 6 annas a gallon on the 20 million gallons of petrol exported from India, it is said that we should make 75 lakhs of rupees per annum provided, that is, there is no decrease in exports. Consequently, two suggestions have been made. One is that we should impose that tax of 6 annas a gallon on all exports of petrol. The other suggestion is that we should lighten the load on the Indian consumer by reducing the excise duty to 3 annas a gallon and charging that excise duty not only upon petrol consumed in the country but also on petrol exported from the country. It sounds exceedingly simple, but perhaps the House will not be surprised when I say that had it been as simple as all that we would have adopted this expedient long ago. I will first deal with the theoretical aspect. I won't take very long with that. Theoretically an excise duty is essentially a duty upon consumption and that is what we intend it to be. We remit that excise duty on petrol exported because we do not wish to place our producers in an unfavourable position

compared with producers in other countries. We cannot be sure that our producers can pass on the duty to the foreign consumer and we are never quite sure that the duty will not recoil upon ourselves and upon our own producers. That is the theoretical reason why we give a drawback of the excise duty on exports. We give that drawback in respect of the cotton excise and we give it in respect of this petrol excise duty. But, Sir, I will take the purely practical question of what is likely to be the probable effect of imposing this export duty, as I may call it, of 6 annas a gallon on exports of petrol. How much revenue are we going to get out of it and what are the other effects going to be? Those are the points to which I shall address myself and I will ask the House to remember three material facts. First, the production of petrol is a mere incident in the manufacture of kerosene oil. In fact before a use was discovered for petrol in connection with motor cars and vehicular transport of that kind, the Burma Oil Company actually used to burn their petrol. They had no use for it. Secondly, only surplus petrol is exported from India. India's demand for petrol is fully met, and it is only the surplus above the requirements of India that is exported; and thirdly, the exports of petrol from India, or rather from Burma, are merely a drop in the world's supply. Most of that petrol, most of those 20 million gallons, go to the United Kingdom. The United Kingdom's imports of petrol are 210 million gallons. This last fact is very important indeed. It means that if we impose this export duty upon petrol, the Indian Oil Companies could not pass on that duty to the foreign consumer; the Indian Oil Companies could not raise their price for the foreign consumer; they would have to sell their petrol at the world's price. Well, what would the effect be? The Oil Companies would have to pay that 6 annas a gallon themselves. They would have to pay 75 lakhs of rupees per annum themselves, and the inevitable effect would be that the Oil Companies would not be able to export petrol from India at all. I do not know what the cost of production of petrol in India is. I do not think anybody knows.

**Dr. H. S. Gour:** Two annas a gallon.

**The Honourable Mr. J. A. Innes:** Then Dr. Gour is wiser than I am; all I can tell you is this. We have studied this question with reference to the experience in other countries. The question of an export duty on petrol from Mexico is a very old question, and after long experiments the rate of export duty at Mexico has crystallized down to half an anna a gallon. In the Dutch East Indies the export duty on petrol was fixed in August 1921. There again they fixed it at something like half an anna a gallon, and I believe that the future of that tax is very uncertain. But the most instructive history of all is the history of Roumania. In 1919 Roumania imposed an export tax of 20 per cent *ad valorem* upon mineral oils. What was the effect? The effect was that they crippled their export trade. In the first four months of 1919, 900 tons of kerosene oil represented their exports. There was another result— production in Roumania was seriously affected; and the result of Roumanian experience is that the export duty on petrol from Roumania is now fixed at the equivalent of one farthing per gallon. Now I have given the House the experience of other countries. I have shown that in other countries where they tried this export tax, they have not been able to fix the tax at a higher figure than one-half penny per gallon. I think that it will be clear to the House now that it is entirely out of the question for us to think of imposing an export tax on petrol exported from India at anything approaching either 6 annas, or even the 8 annas a gallon proposed by my Honourable friend Mr. Spence. If we

[Mr. C. A. Innes.]

go by the experience of other countries, the very most that we can safely impose would be a tax of half an anna a gallon. That would yield us a revenue of just over 6 lakhs of rupees a year. Then, Sir, there is another side to the shield. We cannot take this question of an export tax on petrol apart from the question of kerosene oil. Now, whatever may be the complaints of the consumer in India and in this House against the Burma Oil Companies in respect of the prices they charge for petrol, I do not think that there is any one here who can cavil at the policy adopted by the Burma Oil Company in respect of the price they charge for kerosene oil. They fixed their price for kerosene oil, inferior yellow kerosene oil, as far back as 1905 at the range of prices obtaining then. They fixed it at Rs. 2-14 per unit of 8 gallons *ex* installation at the ports; that was for inferior oil. They maintained that price for many years, they are maintaining it still. But, as inevitably happens, the demand in India gradually overtook the supply with the result that at the present time the demand for kerosene oil is something between 150 to 180 million gallons a year, whereas the amount of kerosene oil produced in Burma is only 100 million. Now the effect of these factors became most evident in the latter days of the war. The Burma Oil Company still supplied the inferior oil at Rs. 2-14 a gallon, but it was unable to meet the whole of India's demand, and petrol had to be imported from abroad in order to supplement the Burma supplies. For a time the price of these imported supplies was governed by the price of the Burma oil. But, as the war dragged on, the importing Companies were unable to import kerosene at that price. Consequently the Burma Oil Company were unable to make their price of Rs. 2-14 a gallon effective. We all remember in 1917 and 1918 what profiteering there went on in kerosene oil; how the Burma Oil Company tried to maintain their price, but how the middlemen, how the profiteers, drove the price up. It would have been perfectly simple for the Burma Oil Company to raise its price to the level of the price of the imported oil. It did not do so. With the full cognizance of Government, though we had no share in it,—they came to an arrangement with the Asiatic Petroleum Company. It was a pooling arrangement. They pooled their supplies, and they pooled their prices. It is a complicated arrangement, and I am not going into it now, but all I will say is that as a result of those pooling arrangements, the price of inferior kerosene oil in India at the present time is estimated to be 3 annas a gallon below the world's market price. It is estimated—I give the figures for what they are worth, I saw them in the report of the annual meeting of the Burma Oil Company recently,—it is estimated that India has scored by that arrangement since 1919, 3½ crores of rupees in kerosene oil alone. On the one side you have these Oil Companies maintaining a price of kerosene oil three annas a gallon below the world's price. They have always got a margin up to that. They could raise their price. On the other hand, you have this possible export tax. I have shown that if you put a tax of 6 annas a gallon or even 3 annas a gallon on those exports, you get no revenue at all; you merely kill the trade, and if you put on a small tax, you take this 6½ lakhs out of the Burma Oil Company and other oil companies, but there is nothing in this world to prevent them from recouping themselves by increasing the price of kerosene oil. Now does this House want the price of kerosene oil to be increased in order to get a very small amount of duty out of this export tax on petrol? Sir, Government has been accused throughout the country by propaganda spread by the motoring trade, Government has been accused of deliberately sacrificing this revenue. I have

shown that it is nothing of the kind. The whole matter has been explored, and we have come to the deliberate conclusion that the thing is not worth doing. We should get very little revenue out of it, and we might send up the price of kerosene oil for the poor man in India.

**Mr. Ashruff O. Jamall** (Bengal: Nominated Non-Official): Sir, at the outset I must congratulate my Honourable friend Sir Basil Blackett for the very able and lucid manner in which he presented the Financial Statement to us last Thursday. The Budget, Sir, though it shows a deficit of Rs. 4½ crores, will, I am sure, be better received than has been the case in recent years. Sir Basil Blackett very rightly remarks that he is the inheritor of the three years' work of my Honourable friend Sir Malcolm Hailey. But he has realised from the last two days' discussion that his position is by no means an enviable one. As a commercial man, Sir, I would be the first to endorse the necessity of balancing the Budget. But the contemplated tax on salt which has been proposed by the Honourable Member to attain that object is going to be a very unpopular one and not well received. This House last year this time discussed at great length this subject and the result of it was that it was rejected. My Honourable friend Mr. Samarth has given some suggestions and I agree with him that some charges have been made to Revenue which should go to Capital account. If those suggestions are taken into account, the Budget, I daresay, will balance itself. This morning before lunch when I was sitting here I admired the eloquent speech of my Honourable friend Mr. Jamnadas Dwarkadas until such time as he touched jute. Sir, I come from Calcutta and I am very closely associated with that industry. I know that at the present moment it is under no healthy conditions. The jute mills are working only 4 days in the week. We are piling up stocks and we are running into large finances. Our buying power all depends on foreign countries and everyone knows distinctly how very much depleted the foreign buying power at the present day is. Under the circumstances, I think if the suggested jute tax is at all levied, it will go to hamper the jute trade of Bengal. According to Mr. Samarth's remarks, as the Budget balances itself, Sir, I venture to advocate that let us close this last year of this Assembly—India's First Parliament—without any fresh taxation and with a real effort to curtail expenditure wherever it may be possible, so that in the next 3 or 4 years we may have surpluses going not only to reduce provincial contributions but to reduce the taxes that have been levied in recent years. In concluding, I would like to associate myself with my Honourable friend Sir Basil Blackett in expressing our grateful thanks to the Incharge Committee for their devoted work which would not only be of great assistance to this House but of invaluable service to the country at large.

**Mr. Harchandrai Vishindas** (Sind: Non-Muhammadan Rural): Sir, coming as one does at this very late stage of the debate, one has necessarily to run the risk of slithering down the groove of repetition, although I shall attempt as far as possible to avoid it. Now, I do not think I need go over the ground of praising the Finance Member or praising the Incharge Committee, because that ground has already been traversed too much. I rather think that one faces a danger in praising the Finance Member, because if you praise him he might be spoiled. He has been already praised so much that he would not be able to present such a felicitous report and speech as he has done this year. It was a great pleasure to me to read that speech from beginning to end and I do not want to be deprived of that pleasure for the next year, which will be the



[Mr. Harchandrai Vishindas.]

case if he gets puffed up by too much praise. The first thing I have to remark is that the impression which I first formed as to the motive underlying Sir Basil's imposition of salt tax may be described as under. But first I will make a digression. Mr. Manmohandas Ramji told us yesterday that he could easily detect a defect in the Finance Member's Memorandum in that he had allowed 38.6 crores for the railways, whereas only 30 crores that had been originally sanctioned would be enough, so that, this saving, of between 8 and 9 crores he suggested, would be quite enough for doing away with the proposed extra taxation. Then, he went further and said that in finding out that defect we were far shrewder than the Finance Member had thought us to be. But to my mind the Finance Member is far more astute than any of us and for this reason. Here I will come to the motive which according to me has actuated the Finance Member to impose the Salt Tax. I was under the impression that the Finance Member must have read the whole debate of last year including the debate that turned upon the motion of Mr. Joshi on the Finance Bill to substitute Rs. 1-4-0 for Rs. 2-8-0 salt duty as it stood in the Bill which meant that the enhanced duty be not allowed, which motion was carried by a large majority. Having read the whole of that debate, as he must have done as a matter of duty, I could not for the life of me understand how he came forward with that proposal again this year. But one solution suggests itself to me. I thought that he was playing a deep game. He wanted to elude us and to take us off the scent, so that we may not howl for the reduction of any existing taxation. It was a kind of strategic move knowing full well as he did that the salt tax would never be accepted by the Assembly. He said to himself that if he did not propose some kind of fresh burden to cover some fresh deficit, Members would make a hue and cry for cutting down some of the taxation that is already in force. He has succeeded in that. Nobody has come forward and suggested the reduction of the present taxation. Therefore, I think that all those Members of the House who have taken the Finance Member seriously about the proposed taxation on salt are mistaken and they ought to modify their opinion, because the Finance Member is almost certain that this tax will be thrown out by the Assembly. Now, Sir, I quite agree—in fact it would be foolish on my part not to agree—with the main principle of finance laid down by the Honourable the Finance Member that the budget should be balanced and deficits not left uncovered. I do not think there has been a single Member of this House who has had the temerity to challenge that maxim. Only it has been pointed out by Member after Member that there are ways and means of substituting something for the salt tax which will make a great leeway in eliminating the deficit altogether. I need not waste the time of the Assembly by repeating the suggestions which have been made by several Members, by Sir Gordon Fraser, Sir Montagu Webb, Mr. Samarth and other Members, but I can say this much that the House will not meet with the slightest difficulty in substituting some other source for the salt tax. We the Democratic party intend, when the proper time comes, *i.e.*, when the Finance Bill and the Demands for Grants are discussed—to put forward proposals in lieu of the salt tax which will balance the Budget without the least difficulty. Now, Sir, there are one or two points with reference to the Finance Member's speech which I want to emphasise. The Honourable the Finance Member has said that we ought not to be wise after the event so far as the question

of exchange is concerned, and that there is no use crying over spilt milk. He is referring to the fact that the exchange that was originally fixed has turned out to be a delusion and a snare and that we did not look ahead at the proper time. But with due submission, Sir, I inquire who are the culprits responsible for that mishap? Not we, the public, but the Government. We were not wise after the event. We were wise before the event. The public went on clamouring to the Government that they were adopting a suicidal policy by fixing the exchange at the high rate of 2 shillings a rupee while there was a steady tendency of falling exchange. And we were not guilty of crying over spilt milk, but rather we were telling the man who was deliberately spilling milk not to do so. (Laughter.) If there is any blame in the matter, it attaches to the Government. Then, again, Sir Basil Blackett has told us that this is not the time for stabilising the exchange, and Sir Montagu Webb also agreed with him. But the reason that Sir Montagu Webb gave rather goes the other way. He says there is a great danger of exchange going downwards and downwards up to even one rupee a shilling. What does that show? That shows that you have to stabilise it to avoid all kinds of disastrous fluctuations. There should be no fluctuations. As Mr. Jamnadas has pointed out, these fluctuations have been the ruin of the country. As Mr. Seshagiri Ayyar has pointed out, they compromise commercial morality; they create a kind of distrust on the part of European merchants who deal with Indian merchants. It is not the fault of the Indian merchants at all. The Indian merchants have been crying themselves hoarse from time to time that it is this exchange policy of the Government that has been responsible for these unfortunate results. Then I say, Sir, that as the prophecies of the Indian merchants have been true and the Government prophecies have been falsified, the present prophecies which the Indian public are giving to the Government should be accepted, its own prophecy should be rejected, and exchange should be stabilized. That will make for sound finance in the future. Sir, now I will touch only one more subject, although it will be considered to be a very threadbare one. There are some points in it in regard to which I may be excused for resorting to repetition, which I have myself at the outset of my observations condemned. Sir, I refer to the military expenditure of Government, and the long drawn out wail of the public regarding it. I know that at the present juncture, by the very nature of the case, my observations will partake of an academic rather than a practical nature. Still nothing will be lost in pressing the points year after year that strike one to bring to the attention of this House and the Government. His Excellency the Commander-in-Chief, when he came this morning, told us that it was possible for Honourable Members to discover a kind of inconsistency in the assertion he made last year that it was not possible to reduce the British units or Indian units at all, and his concession to the Inchcape Committee in that respect this time. This was a point I had proposed to make, but he forestalled me. He said there is no inconsistency because the state of affairs has considerably altered, the internal as well as the external conditions having both improved. And therefore it was that he agreed to the reduction in forces suggested in the Inchcape Committee's Report. Quite right, but all I say is that the concession is rather a grudging and a narrow one. If the internal conditions of the country and the external conditions have improved as we all know they have, I think a much vaster reduction should have been allowed than His Excellency is prepared to concede. Then, Sir,

[Mr. Harchandrai Vishindas.]

Sir Basil Blackett, the Finance Member, showed some kind of impatience, quite naturally from his point of view, at Member after Member talking of the Inchcape Committee's Report not being acted upon in the Finance Minister's speech, but what I say is this, that not a very valid or adequate justification has been shown in the Finance Member's speech as to why such a very tardy and such a very small and inadequate acceptance of the proposals has been made instead of very liberal reductions. The belief of those who have gone through the Inchcape Report is that many of the suggestions can be immediately given effect to not to the fullest extent that they have been made by the Committee, but to a very liberal extent. Now, Sir, I will briefly refer to certain pages of the Report where these strike me. First of all we come to page 11, paragraph 10, relating to the present Command system :

" *Army Headquarters, Staff of Commands, etc.*—A considerable portion of the large increase in expenditure under this heading since 1913-14 is due to the introduction of the four-Command system in 1921."

Then an explanation is given as to how this new system came to be introduced and five reasons have been assigned. But I have been informed from other sources that this four-Command system is entirely unnecessary and unnecessarily expensive. If a judicious and economic arrangement were devised, it would be very easy to bring all the four Commands within the compass of two Commands, because you find that so far as my own Province of Sind is concerned, (I think it comes under the Western Command) a great deal of it is merely desert. Likewise you have the Northern and the Eastern Commands. These two could be very easily combined, and the Southern and the Western Commands could be very easily combined, and a great deal of saving effected. My estimate is that that saving would come to between four and five lakhs of rupees. Why that should not be done at once I see no reason. Of course the Inchcape Committee say they would give it a trial, but I think as it has failed, on the very face of it the trial is merely a waste of money.

Then proceeding to page 12, paragraph 12 :

" *Army Headquarters*—

The total expenditure for 1922-23 is more than double that of 1913-14 "

a point that has been referred to by Dr. Gour,

" although the number of troops in the fighting services has decreased by 15,517 and provision has been made for decentralising the control of minor matters to the Commands. The establishment of Army Headquarters has increased as follows."

And they add later :

" It is obviously not practicable in the limited time at our disposal to make any very definite detailed recommendations but we consider that the provision for officers at Army Headquarters should be reduced to the full extent recommended by the Innes Committee."

This suggestion should be carried out. Then, Sir, before I proceed further with reference to this Report, I pause for a reflection, and that is this. It strikes me that the soldier, the Army man and the Army officer is imbued with the idea that as he is the saviour of the country, as he gives his life, all the other Civil departments are no good as compared to him and why should these civilians grudge him lavish expenditure? When trouble comes, external or internal, it is he who would be called upon to shed his blood and therefore why should he not be allowed to

spend lavishly? This engenders a sense of indifference, irresponsibility and overlordship in the military department. Of course, the highest officers like the Commander-in-Chief and the Generals and other men with a sense of responsibility are not at all influenced by that idea. I sincerely believe that His Excellency the Commander-in-Chief is always prompted by the desire of carrying out the wishes of this Assembly, and of effecting as many economies as possible. But the lower ranks, the ordinary soldier or man, or small officer has got no sense of frugality at all. He does not want to cultivate that sense; that is not in his nature. Now as an instance of that I was only recently told that in Karachi one motor lorry was employed in carrying a few bottles of beer, etc., from Kamari to Karachi, 5 miles. (Laughter.) I find that the prevalence of this tendency has received corroboration from the following remark in the Inchcape Committee's Report. On page 15, paragraph 20, they say:

"We have examined the position in regard to mechanical transport and attach a statement showing the estimated military requirements and the present stock of vehicles, classified at our request,"

and so on, and they continue:

"We consider there is no justification for providing the stock of vehicles which the military authorities estimate is required, and we recommend that, while the present financial conditions obtain, the authorised establishment of motor vehicles including reserves should not exceed 1,600 vehicles, excluding motor cycles. The holding of large excess stocks must necessarily result in increased costs for maintenance, garage accommodation, interest on capital, depreciation and personnel, and in addition there is a tendency to use the vehicles, if available, for non-essential purposes. In this connection we examined the records maintained by one motor transport company and found they were far from satisfactory; the number of vehicles in use was considerably in excess of the requirements, and in many cases the daily loaded mileage run by individual lorries was only 2 to 4 miles with light loads of about 5 maunds."

**His Excellency the Commander-in-Chief:** This has already been accepted.

**Mr. Harchandrai Vishindas:** Then I am thankful to His Excellency.

**Mr. President:** I must warn the Honourable Member that his time is exhausted.

**Mr. E. Burdon (Army Secretary):** I wish to reply very briefly to certain observations which have been made in the course of this debate on the subject of the recommendations of Lord Inchcape's Retrenchment Committee in regard to military expenditure and the Army estimates for 1923-24. My object in doing so is not to embark upon any form of contention but really to give the House certain information which I feel sure that Honourable Members would like to have.

I will deal first with certain remarks made by my Honourable friend Mr. Rangachariar. If I remember his speech correctly, he raised two points of special importance. In the first place he referred to a statement in the speech of the Honourable the Finance Member made with reference to the revised Army estimates for 1922-23. The statement was to the effect that the budget for 1922-23 provided 65.10 crores for the established charges of the Army, whereas, according to the revised estimates, the charges will now amount only to 60½ crores; and I think my Honourable friend's point was that it was unjustifiable for Government to frame so high an estimate in the first instance. The explanation of "the apparent

[Mr. E. Burdon.]

defect in estimating is fairly simple. In the budget for 1922-23 we made an allowance for a fortuitous shortage of British troops and other personnel. The shortage, however, continued much longer than was anticipated and much longer than could have been foreseen and the saving on this account will exceed the allowance made in the budget by 134 lakhs. Again savings secured by the consumption of surplus stores as opposed to new purchases yield Rs. 65 lakhs more than the budget estimate, while the receipts from the sale of surplus stores and surplus lands and buildings will be higher by 48 lakhs. There are other fluctuations one way and another of a similar fortuitous character and the net result of all those that I have mentioned is to give a saving of 290 lakhs of rupees on the original estimate. Again, the fall in prices to a lower level than could have been anticipated contributes a further saving of Rs. 75 lakhs. Fluctuating charges in hospitals on the diet of hospital patients have gone down by 50 lakhs of rupees owing to a remarkable fall in the constant rate of sickness amongst soldiers due to favourable seasons and efficient medical administration. There has also been a large reduction in Home charges on furlough allowances, marriage allowances of British troops and sea transport, due largely to economies and reduction of rates effected in the course of the year. These, however, have been counterbalanced by an unforeseen increase in non-effective charges, the estimating of which in recent years has been a matter of great difficulty. I trust that this explanation will set my Honourable friend's mind at rest. The estimates were prepared on the correct basis according to the data then available, for example, on a forecast of prices supplied to the military authorities by expert advisers. Further, as the Honourable Finance Member explained the savings which it was thus possible to secure by strong control and good administration or from fortuitous causes were not allowed to be dissipated on other normal forms of expenditure; and I am sure my Honourable friend would not wish that the savings had not been realised, or that the savings had been spent.

The second of my Honourable friend's points was generally to the effect that, while Lord Inchcape's Retrenchment Committee have recommended a total retrenchment of approximately 13 crores (*Rao Bahadur T. Rangachariar*: "13.95 crores."), of approximately 14 crores, the estimates for 1923-24 disclose a reduction of 5.75 crores only. Here again, there is an explanation which is simple enough if stated on broad lines. The Retrenchment Committee took as their basic figure the cost of the Army in India according to established sanctions unrelieved by any of the fortuitous credits to which I have just referred. These fortuitous credits, and fortuitous debits also, have affected the military estimates for the last two or three years and they have, I am afraid, tended to make the situation as regards military expenditure somewhat obscure at the first glance. Now, if the total value of the retrenchments proposed by the Retrenchment Committee is deducted from this basic figure which I have mentioned and to the result there is added the amount which is estimated as required to cover the terminal charges and the lag mentioned by the Honourable Finance Member, we arrive at the figure of the Army estimates for 1923-24. In the lag I include here the normal charges of the troops to be reduced in the interval before the retrenchments if accepted could be fully carried into effect. I will not attempt to give the precise details of the calculation now; the matter is much too intricate, and it is necessary that I should be brief. I will, however, be glad to give my Honourable friend and any other Honourable Member who desires it a statement which

will show the exact figures and the exact process of calculation. Generally speaking, also, I think I am right in saying that my Honourable friend, Mr. Rangachariar, seemed to doubt the reality of the retrenchments in military expenditure which it is proposed, subject to the agreement of His Majesty's Government, to adopt. I think there is some justification, if I may say so, for his attitude, because in the short time at the disposal of Government since the presentation of the Retrenchment Committee's Report it has not been possible to exhibit in the printed Army estimates the full consequential details of the acceptance of the recommendations. Thus, for example, we have had to retain in the column showing the strength of the personnel the figures of 1922-23. It will only be possible to correct these completely when the details of the reductions have been finally settled. On the other hand, I imagine that Mr. Rangachariar's doubts must have been largely dispersed by the statement which His Excellency the Commander-in-Chief made this morning, and I hope, therefore, he will now look upon the Army estimates with the eye of faith. I can assure him, with reference to certain further remarks that he made, that provision has been made for reductions in the staff and establishments at Army Headquarters and in subordinate formations, that a radical reorganization and reduction of the supply services is contemplated, that there will be reductions also in the personnel of the Mechanical Transport, and the Medical Veterinary and Remount services, and the Schools of Military Training and of the Army Educational Corps. The number of mechanical transport vehicles to be used in peace and the mileage to be run by them will be largely curtailed and the cost of feeding animals in remount depôts will also be considerably reduced. Certain other Honourable Members, who have spoken in this debate, have expressed the view that Lord Inchcape's Committee have not gone far enough in regard to retrenchment of military expenditure. They have read out passages from the Committee's Report in which the Committee have said that the existing burden of military expenditure is more than the country can afford and must be substantially reduced. Well, Sir, I also have read these passages but I have gone a little further in the book and I have read the recommendations which the Committee made in pursuance of their belief that military expenditure has got to be diminished. It is evident from a perusal of the Report that the Committee themselves consider that they have gone as far as it is possible to go at the present stage of events. I am sure that no Honourable Member of this House will deny the competence of the distinguished gentlemen who constituted the Retrenchment Committee, and I personally can vouch for the ruthlessness with which they attacked the military estimates. I think I appeared before the Committee myself more frequently than any other individual official.

I think it will be of interest to the House if I summarise one very important aspect of the Committee's recommendations. The reduction in fighting troops which they have proposed amounts to 8,500 British troops and 6,000 Indian troops, a total of 14,500. I am sure the House will recognise that proportionately the reduction is very considerable. The effect of these reductions if they are carried out to the full will be to alter the ratio, which, as my Honourable friend Dr. Gour informed the House this morning, used to be 1 to 2, to 1 to 2.67. My Honourable friend Dr. Gour has evolved certain suggestions of his own for effecting further savings. One of these was the transfer of internal security duties from the Army to the Police. Well, I may explain that the suggestion is one

[Mr. E. Burdon.]

which has actually been considered, and it is one which the Army, if the decision were left to them, would like very much to adopt, as I can assure the House there is nothing the Army hates more than to be called out for the suppression of civil disturbance. There are, however, certain objections to it. The first objection is that it would to a very large extent merely amount to robbing Peter to pay Paul. It is true that armed Police Battalions, according to the calculations which we have made, would probably cost less than a regular Indian Infantry battalion, but there would be no very great difference and the charge would, as the House will understand, merely be transferred from Central to Provincial estimates. There are military reasons of great cogency also against the proposal, but the House will understand that it is impossible for me to discuss seriously on the present occasion a large question of policy of this kind. My Honourable friend Dr. Gour had also something to say in regard to further reductions of British troops. Well, as the House are aware, the Retrenchment Committee, who were in a good position to judge of the matter, and the Commander-in-Chief do not consider that any larger reduction can with safety be made than that which has been proposed. That reduction, as I have shown, is considerable. There is one other distinguished authority whose support I think I may claim for the view that greater reductions should not be embarked upon at this stage. I am referring to my Honourable friend Sir Sivaswamy Aiyer. He told the House this morning that he does not altogether share the opinion of the Honourable Sir Dinshaw Wacha on the subject of the abolition of the amalgamation scheme. I think I may assume that by this he means that India must for the present continue to rely in some measure upon the services of the British Army. My Honourable friend Sir Sivaswamy Aiyer has an intimate acquaintance with the whole matter. I need hardly remind the House that it is not so very long ago that he was a Member of the Committee which dealt with the military requirements of India. My Honourable friend Sir Sivaswamy Aiyer, in the course of his speech this morning, mentioned two matters to which he desired to draw the particular attention of His Excellency the Commander-in-Chief; His Excellency being detained in another place did not hear these particular observations and was therefore unable to reply to them. I feel sure, however, that I can promise my Honourable friend on behalf of His Excellency the Commander-in-Chief, that the question of admitting Indian officers to departments of the Army as distinguished from the combatant formations, will be carefully examined, and also that His Excellency the Commander-in-Chief will do everything in his power to secure a favourable decision on those Resolutions which were passed in this House in connection with the Esher Committee's Report and which are still under consideration either by the Government of India or by the Secretary of State.

**Khan Bahadur Abdur Rahim Khan** . (North-West Frontier Province : Nominated Non-Official): Sir, yesterday I must say that I was thankful to this Honourable Assembly that the view of those Honourable gentlemen who used to be authorities on the Frontier question was most favourable; but it is very painful to me to see that my learned friend Dr. Nand Lal, who always speaks with a full voice and from a full heart, is just as obstinate and as far astray as ever. I will appeal to him and I will just offer some observations to him in particular and to other Honourable Members in general to be more charitable towards our Province.

Sir, I will take the situation on the North-West Frontier from three aspects, and deal with it. Firstly, from the aspect of the people who are living there; secondly, from the aspect of the Civil officers, and lastly but not least, from the aspect of the Military officers in order to show that we don't deserve his remarks. I must say that we have all been treated very badly and we have all been criticised very disgracefully. My Honourable friend Mr. Bray yesterday and His Excellency the Commander-in-Chief to-day made a full statement concerning the Waziristan question, which prevents me from enlarging on the same. I would like just to describe before this learned Assembly the characteristics of the people with whom we have to deal in order to show that the close border policy is rightly adopted by the Government.

War is at every door and warlike virtues behind every door, under a brute there is a free man and a man with a heart. They abound in courage and ready for sacrifice. Amid their perilous mode of life and the perpetual appeal to arms there exists no sentiment much warmer than friendship nor any virtue stronger than heroism. To him who loses everything vengeance is left and if the conquered can enjoy this, he will find himself happy and will sleep softly even under his chains. Every clan forms a league of which all the members are "brothers of the sword." They are united together by the strong ties of community of race, of language and community of common interest, and consider it their sacred duty to defend one another. They are imbued with the noble spirit to lay down their lives for the sake of their fellow tribesmen. They value neither their own lives nor the lives of others. As a horse kicks instead of speaking, they pull out their knives instead of explanation. Strife for strife's sake such is their pleasure; when caged in by melancholy or violent sensations they are bent on a fighting blood-spilling life. In their eyes the world is warfare and heroism the greatest excellence. It is not strange to see them seek their happiness in battle and their beauty in death. Such is the life of those with whom the Government is engaged in an endless struggle. Their country is barren and yields no produce, so the occupation would have been mere waste of money and loss of valuable lives without any return.

Now, Sir, I will prove to the Honourable gentlemen that since the last few years our duty as citizens of that Province we performed beyond expectation. We have always been ready to co-operate with the Civil officers, and always ready to respond to the call of the Military officers. We have been spending money out of our own pockets for our safety which fund ought to have been provided by the Government as it is the duty of our Government to safeguard the person and property of every citizen. We are entitled to claim that from our Government, and I am assured this Assembly will support me in urging this point. Sir, we buy our own rifles and pay for them; we buy our own ammunition and pay  
 4 P.M. for them; and you know very well, Sir, that for every rifle we buy a chowkidar must be maintained; and when occasion arises we residents aid the constabulary and the police. In spite of this, my Honourable friend is not satisfied. He will always call out "Murder after murder; dacoity after dacoity." I would request him to go there and settle there and see with his own eyes the state of affairs there . . .

**Dr. Nand Lal:** I rise to give an explanation, Sir, because my name has been referred to. The Honourable Khan Bahadur Abdur Rahim seems to be imbued with the official view as the Honourable Mr. Bray was . . .



**Mr. President:** The Honourable Member from the North-West Frontier Province may be left to give his own explanation. I understood the Honourable Member was going to give a personal explanation.

**Dr. Nand Lal:** I explain that I approached the subject, connected with the North-West Frontier Province, with reference to the standpoint of the tax-payers and in the interest of law and order. I did not attack any individual officer.

**Mr. President:** I cannot allow the Honourable Member to deliver another speech. If the Honourable Member thinks he has been misrepresented he is entitled to give a personal explanation; he is not entitled to add a long foot-note to his own speech.

**Dr. Nand Lal:** Sir, I was never obstinate in my views, nor unfair, I was just in my remarks and I may emphasise the soundness and correctness of my remarks. The criticism which has been levelled against me is altogether unfounded.

**Khan Bahadur Abdur Rahim Khan:** Well, Sir, I am glad that the Honourable gentleman gave vent to his feeling; I think it must have been a great relief to him. What I am saying is the fact, the naked fact, and none can deny it; and it can be corroborated by the statements in official papers. Now, the Honourable gentleman knows very well that last session a statement was made that so many rifles were distributed. What does this show? Those who keep these rifles do so not only for the sake of the safety of their own person and property, but for guarding those passes of which we are the door-keepers, these passes had always been and are and will be a source of trouble to India. I would bring to your notice, Sir, that when disturbances arise our legitimate demands are ignored and no constructive work is done. I would specially refer to the city of Dera Ismail Khan for instance; that city is in danger; I have been approaching each and every official and told him "For God's sake, do attend to it." The people are crying at the top of their voice and sending representations and deputations to the Chief Commissioner and to every available officer everywhere but up to now no practical step is taken to satisfy those people. We have been doing our work and duty as good citizens and co-operating with all officers concerned, still the Honourable gentleman is not satisfied, he can now see what funds are spent on us. I say this for this reason, that the Honourable gentleman should go there and he should see things for himself.

**Dr. Nand Lal:** Again a personal explanation, Sir. I have been to the frontier province and I have seen with my own eyes a number of places of importance and interest in this direction.

**Khan Bahadur Abdur Rahim Khan:** That is only for a day.

**Dr. Nand Lal:** For many days altogether, so far as I can recollect.

**Khan Bahadur Abdur Rahim Khan:** Well, I am glad that he has been there many days; unfortunately he has not been to that part . . . .

**Dr. Nand Lal:** I have been to that part too. .

**Khan Bahadur Abdur Rahim Khan:** Take the case of my friend, Mr. Samarth; take the case of our Leader, Mr. Rangachariar. They at least have realised the difficulties of the officers there and they have supported their views. I am glad that this close border policy is adopted and settled to the entire satisfaction of the public, the forward policy if followed no constructive work will be done in India for ages and ages to come.

I will draw your attention now, Sir, to the officers working under Sir John Maffey, they are all doing their best. I cannot help mentioning one or two names because they have been doing extraordinarily good work. For instance, I have much pleasure in mentioning Major Parsons, who has just been saved from death; he got wounded while he was flying in an aeroplane, and I have just heard from him that he has got a stiff elbow for which he will have to go to England. We would be lacking in gratitude if we ignore the services and sacrifices of this gentleman. Then again I would mention the Deputy Commissioner of Bannu, Major Garstin, who has been so successful particularly against the outlaws that in the last two months I think he has beaten the record in arresting outlaws and killing them. I would also recall to memory those officers who have been doing good work on the constabulary and sacrificing their lives.

Now, Sir, when these officers are doing such good work and when the residents of that Province are doing their duty, I think it is very undesirable and very bad policy to criticise them. If we had any sense of gratitude I think we should feel the greatest sympathy with them as good citizens. What I would plead here and what I want to do for my fellow-citizens is that each fit man should be provided with a rifle. It should be the duty of Government to give us rifles; it should be the duty of Government to provide us with ammunition; it should be the duty of Government to provide us with these things and our officers with the necessary funds to deal with the border tribes and then you will see what we will do and what the saving will be. The close border policy is the only effective and least expensive policy, which must be followed and stuck to.

**Mr. K. Ahmed:** That is not a question arising under the Budget.

**Khan Bahadur Abdur Rahim Khan:** I am sorry; if you do not know these things you need not mention them. I have been watching what sacrifices have been made and what dangers have been braved by these military officers, they require no comment as they speak for themselves. Some gentlemen say that the money spent there is a waste. I was reading some time back that there was a serious complaint that the English people do not take so much interest in Indian affairs as they take in football. I think we are justified in saying that these Honourable gentlemen do not take so much interest in our North-West Frontier Province as is taken in a small boarding house by people playing ping-pong. They simply criticise it and that is all their interest. They should realise what was the condition after the third Afghan War. If you had not got an Army what would have been the condition of the frontier? If you did not have an army, you could not have established this cantonment at Razmak and in other places without great sacrifice and loss of men and money. No doubt the expenditure is there. But if you claim to have the pride of having a big country like India of course you must have an Army. I have been reading some literature some time back, somewhere a philosopher described beauty as Royalty without force but never read anywhere that there can be an Empire without forces. Perhaps my friend, Dr. Gour, wants to have an Empire without forces. I quite agree with him that there should be retrenchment in the Army. But when we see His Excellency the Commander-in-Chief gracefully giving in where he thinks that he should give in, it will not be proper on our part to oppose him and criticise him. He is without doubt an expert in these matters and he always looks at it from the Indian point of view, therefore his opinion should be respected and accepted. I must say that I like that there should be retrenchment, but it

[Khan Bahadur Abdur Rahim Khan.]

should be reasonable and essential. In that way, if you want to have a saving, do away with the army altogether. Then there will be a saving. Do not have an army and see what will happen. So I say this; we must criticise these things in a good spirit but not in a way which may not be an honour and credit to our courtesy, intelligence and judgment. With these remarks, Sir, I would appeal to Dr. Nand Lal that he should be more generous towards our province and that he should take an interest in our province with the spirit of doing us good and not with the spirit of always criticising us. With these remarks I will resume my seat and not waste the time of this House any further.

**Dr. Nand Lal:** I shall be failing in my duty if I shall shirk the responsibility of echoing the voice of the people in general and of doing my duty conscientiously.

**Mr. B. N. Misra** (Orissa Division: Non-Muhammadan): Sir, I do not think really the congratulations or the curses of Honourable Members on this side affect the Honourable Members on the Treasury Benches. They are doing their duty that appertains to their office; we have to do also a certain duty as representing the people. If we go through the whole budget we find, Sir, that it is practically a budget for the maintenance of the administration. As pointed out by Dr. Gour, the whole money that you find is to be spent upon the administration and administration alone. Sir, when the tax-payer pays his hard-earned money, he expects also some benefit. What benefit does this budget provide for the tax-payer? Sir, the only benefit that the tax-payer can ever get is from the improvement of industries and agriculture or from irrigation and such other works and projects by which the people really get the benefit that they desire. I am sorry if I do not swim with the current and with other Honourable Members in talking about retrenchment, in certain directions especially. Sir, I find really that a very very poor provision has been made in the budget for what are called nation-building Departments. India is an agricultural country, and it is known that most of the Government revenue, about 31 crores, is realized from the land. But what actually are we spending for the improvement of Agriculture? I see from the Budget Demand, No. 32 I think, that a very small sum has been asked for for the improvement of this Department. For Agriculture they have asked for 7 lakhs, and for industry only Rs. 44,000. Sir, every one knows the abject condition of Indian industry. I shall ask you just to turn for a moment and look at the articles on your desk, the ink bottle, the pen, the writing paper, the blotting pad; look at all those things and you will find that they are of foreign manufacture. Can you point out anything of Indian make? Is not such a vast country entitled to provide those things the trade in which is dominated by foreign countries? I will ask the Honourable Members also just to look round at the clothes they wear. Of what make is the cloth? All is foreign, Sir. Everything is of foreign manufacture, the thread with which their clothes are stitched and the needle which has been used for the purpose, all are of foreign make; nothing is made in India. (*A Voice*: "What about yourself?") I am also one of you, not from outside. I wish to point out really the wretched condition of Indian industry. I think that any amount spent on improving Indian industry will not be objected to by any Member of this House and will not be spent uselessly.

As regards agriculture also we find a very small sum of money budgetted for. I speak subject to correction, but from a Year Book I have ascertained that in a country like Ireland, of which, Sir, you are well aware of the size

and which also from your travels in India you know to be but a fraction of the size of India, I found that in the year 1916-17 the Board of Agriculture in Ireland demanded £76,177 for the improvement of agriculture. They provide there for all kinds of agricultural education; they conduct scientific research in agriculture, and they also provide for lectures on agriculture, horticulture, book-keeping, butter-making, and so forth. But what is being done in India on those lines to improve agricultural conditions or industry? Ireland is perhaps less than one-twentieth the size of British India, yet we only are asked for Rs. 44,000 for industry. I submit, Sir, this expenditure on Indian industry is really farcical. Perhaps some Members may say that it is a provincial subject. Sir, we all know what the condition of provincial finance is. The Ministers are everywhere crying themselves hoarse for money. We take provincial contributions; we take the income-tax; the Central Government takes in many other ways the income of the provinces. They have nothing and those Departments are starving. I submit, Sir, that more money ought to be spent on Indian industry and agriculture.

Sir, I do not wish to travel over the same grounds which other Members have covered in regard to the expenditure, especially on railways and on the military. Strictly speaking, the working expenses of railways have increased abnormally. In the budget of 1913-14 you will find that the expenses amounted to 49.26 crores; the estimate for 1922-23 amounts to 94.72 crores. I do not think that that increase is at all justifiable. Honourable Members will see that the same figures have been used, 4 and 9, but the 4 and 9 have been reversed and 94 makes a vast difference. I find from the replies given to some questions which I put that the railway staffs have been greatly increased. I do not see what the justification is for increasing the staffs by 30 or 40 per cent. on some lines, as far as I have been able to gather. I cannot understand why the staff should be increased when they are working the same length of line and the same number of stations. Probably the reason was to provide employment for war-returned men. That seems to be the only object. An increase might reasonably have been expected on account of the increased price of coal and other commodities but not on account of staff.

As regards the military, there is no doubt that we do not know whether we are living in peace or war. Certainly during the war, in a time of emergency, demands on account of military expenditure have to be met anyhow. But the war ceased in 1918; five years have since nearly passed, but still we are living in war conditions. I fail to see why. Sir, as regards Waziristan and the Mahsud country it is admitted on all hands that it is not at all a productive country; also the Honourable Mr. Bray has said that Government have no intention of occupying it. If so, why should we waste so much of our money upon it? It is described as a rugged, hilly country, but I think so far as our money is concerned, it is a bottomless pit. You can pour in any amount and there will be no result. Before so many of our soldiers were not located there, and the people of the province managed very well for a long time, the people for whom my friend, Mr. Abdur Rahim, has pleaded so vehemently. But now for three or four years the province has been kept filled with troops, because the frontier tribes are coming and making raids and committing dacoities and so forth. Are our brave soldiers to be kept there to arrest those dacoits? That is the duty of chaukidars or of the police. The duty of our soldiers is to fight. Are those people waging war against us? They are not doing anything of the kind, and why should our brave soldiers be wasted there simply to catch dacoits and raiders. I have read in the papers

[Mr. B. N. Misra.]

that even in the broad streets of Calcutta dacoities are committed, and also in the streets of London; but no soldiers are kept there to catch the dacoits. I believe that the people could very well deal with the situation themselves. It is only the Arms Act, Sir, which brings all this trouble upon those people. If they are exempted from the operation of the Arms Act they can very well defend themselves against the dacoits. What is the good of keeping soldiers if a dacoit comes after midnight and if he will shoot me and carry away my property? What will the soldiers do? Sir, really, if we are exempted from the Arms Act, if we, Indians, are provided with our own arms, I think we can defend ourselves, and, Sir, there will be no need for our soldiers to defend us and there will be no need for so much money being spent. I won't detain the House much longer. I will only say something, Sir, about the taxation. It was my unpleasant duty last year to oppose taxation vehemently, and also I think nothing has been changed, or no case has been made out, why these poor men should be taxed. Sir, of course, some people say, these poor men are smoking cigarettes, also that the rich men are spending money on motors and on petrol. But granting all that, so far as human nature goes, there must be some waste, but that is no reason why there should be this taxation of the poor. There is one thing. If such a Government as this deals in crores and crores of rupees, it will not be respectable for a Government like this to go to these poor people. Sir, if you are in need, perhaps if you are failing in business, you can approach your respectable Banker or you can approach some respectable friend to accommodate you in your difficulties, but, Sir, I ask you, if you go to your own *chaukidar* or to your own *mehtar* and say, 'give me something,' what would be the result? I think it would be against your own sentiment, and what will those people be thinking? They would think that this Government has gone bankrupt, this Government has no prestige, they are asking us for even a pie, what is their worth? Sir, it will create a very bad impression amongst the poorer classes of the people; they will say, "Government is doing nothing; the Honourable Members are only sitting there to get us taxed." That will be the feeling no doubt. With these words, Sir, I oppose the salt tax.

**Khan Bahadur Sarfaraz Hussain Khan** (Tirhut Division : Muhammadan) : Sir, I would not have risen to make any general remarks to-day at this late hour but for certain observations made by some Honourable Members. My Honourable friend Mr. Jamnadas Dwarkadas, Sir, has indirectly referred to the permanent settlement. Sir, the permanent settlement was made at the time of Lord Cornwallis; and to do away with the permanent settlement or to make any change with regard to that now would be disastrous, and suicidal. The Zamindars have hitherto been loyal to the core, and any attempt to do away with the permanent settlement would be looked upon by them as a breach of faith. Industrialists have no idea whatsoever of the services rendered by Zamindars in this country. A reference was made to these services by His Excellency the Viceroy in his speech the other day—and any attempt on the part of capitalists and industrialists to do away with the permanent settlement is to be deprecated.

Now I have to make some remarks with regard to the military budget. In my opinion it would be most unfair and ungrateful to criticise the military expenditure after the speech of His Excellency the Commander-in-Chief, and after his having graciously accepted the position and reduced

the expenditure, and you will find in the Retrenchment Committee's Report that they come to the conclusion and recommend that 'military expenditure after a few years be brought down to a sum not exceeding Rs. 50 crores.' Situated as India is,—and you cannot compare India to countries in Europe,—it is urgently necessary that the strength and efficiency of the Army is maintained with a view to stop aggression from beyond and to suppress insurrection within; and in these circumstances, if His Excellency the Commander-in-Chief has been able to, accept the reductions, we ought to be thankful and grateful to him, and not to criticise him; and I think it would be very ungrateful on the part of the Honourable Members not knowing much about the military affairs to do so. Now, Sir, I come to the present question. The question before the House is whether we are to accept the enhanced tax on salt, or whether we should allow the deficit budget to remain unbalanced. I must say I am against any enhancement of the duty on salt on two grounds, economic as well as political. Politically, I say, Sir, the masses are now adapting themselves to the changed conditions created by the increased taxation of last year, and an increased tax on salt would I am sure spread further discontent amongst the already discontented people. Unrest amongst them is gradually subsiding and further taxation is apt to add fuel to the fire, giving as a matter of course an opportunity to the agitators to exploit the excited feelings of the masses—a contingency which in my opinion should be avoided. Now the question is, whether the Budget should be allowed to remain as it is. But at the same time I must say that I will be the last person to agree to an unbalanced budget, with an uncovered deficit of nearly 4½ crores, and I fully agree with the Honourable the Finance Member that it would be a most unsound financial policy to leave the deficit in a Budget uncovered. How is this deficit to be met? In my opinion the deficit can be met by further cuts from the Demands than have hitherto been made, as well as from an export duty on petrol and an import duty on silver; and I may also suggest that if it would be possible, something may be done in connection with stores. I have seen the Retrenchment Committee's Report, and I find in paragraph 7, page 292, of their Report, the Retrenchment Committee say—and I may add that the adoption of the Committee's recommendation would bring in a decent amount. The quotation is:

"We also desire to draw attention to the magnitude of the stocks of stores held by many departments, as shown in the following statement:—"

Department.	Value of stores held on March 31st, 1922, or, nearest date.
	Rs.
Army . . . . .	20,14,71,000
Marine . . . . .	75,11,000
Military Works—	
Mobilization stores . . . . .	87,69,000
Ordinary stores . . . . .	35,41,000
Telegraphs—	
Mobilization stores . . . . .	44,09,000
Ordinary stores . . . . .	1,53,40,000
Post Office . . . . .	1,77,000
Indo-European Telegraphs . . . . .	11,00,000
Mathematical Instrument Office . . . . .	11,72,000
Railways . . . . .	84,58,00,000
Railway Institute . . . . .	6,32,000
<b>TOTAL</b>	<b>58,99,22,000</b>

[Khan Bahadur Sarfaraz Hussain Khan.]

The country cannot, in our opinion, afford the lock-up of capital which this huge sum represents, apart from the consequent expenditure on the establishments engaged on the maintenance of the stores, the buildings for their accommodation and the inevitable loss from depreciation. We recommend that an early and progressive reduction be effected in these large holdings."

I cannot say, Sir, as to how much can be deducted from these stores, but taking all these things into consideration, I think that reductions can be made; and I oppose the salt tax and I suggest the other duties.

**Mr. K. Ahmed** (Rajshahi Division: Muhammadan Rural): Sir, as a non-official Member elected by the people of this country I shall have to offer certain criticisms on behalf of the people for the benefit of the country in general. The Honourable the Finance Member in his introductory speech has said many things, but, Sir, if I level any attack on the Honourable the Finance Member and the Government both here and in England, I hope my Honourable friend, the Leader of the House,

(Rao Bahadur T. Rangachariar at this stage took the Chair.)

and the Government Members will kindly pardon me. In dealing with the discussion on the subject of the Budget, Sir, I shall have to begin by saying that I heartily congratulate the Honourable Sir Basil Blackett, the Finance Member, who has been able within the short compass of time to get by heart the full 15 pages of the Gazette of India, dated 1st March, 1923, and I hope he must have digested them in full and realised that he is the inheritor of the fruits of the hard labour of the Honourable Sir Malcolm Hailey. Sir, among all the items of the coming Budget, the military expenditure has again taken the major portion of the whole revenue of the country. The Honourable the Finance Member at the outset expressed the congratulation for securing the appointment of the so-called strong and able Retrenchment Committee presided over by Lord Inchcape who has been described as a fore-runner in the whole show in the matter of retrenchment. On the morning of the 1st March, before the commencement of the business of this House, I was taken in confidence by some of my distinguished colleagues to consider whether it would have been desirable or advisable at that stage, Sir, to move for an adjournment of the introduction of the Budget. The country is aware, Sir, that the Members of the Inchcape Committee were nominated by the Government, neither on the principles of representative character, nor was this House, which is the Parliament of the country, taken into confidence by the Government in the matter of making nominations. I daresay, Sir, that this Assembly is well aware that the number of interpellations and the volley of supplementary questions on my starred questions, have been put and fired at, at the last Session at Simla, but the Government was too slow to move in the matter, and the voice of the people of this country remained a voice in the wilderness. The voluminous report of the Retrenchment Committee has hardly done any good so far as this Budget is concerned. I take this opportunity to congratulate one of the most able and energetic Members of the Committee, the Honourable Mr. Purshotamdas Thakurdas, who has taken great pains in writing supplementary notes on various subjects.

Now, with regard to the military expenditure which has made this country insolvent, the less I talk of the present Government the better, because the country understands and the Government, I believe, realises in full, that there is no other country which has a worse top-heavy administration than India, owing to its extraordinary, all-absorbing, drastic and

blood-sucking military expenditure, it will remain a dark spot in the history of the British Administration of India. One of my Honourable friends, a nominated Member of the Assembly, had said a few days ago—I think it was my Honourable friend the Khan Bahadur of the North-West Frontier Province, who is not in the Assembly now—that India is a God-forsaken country; that is why the people are poor and helpless. But, Sir, I find India cannot be without a God; moreover, the people are religious and devoted to the Gods and Goddesses. The Brussels International Economic Conference, about which my Honourable friend, Dr. Gour, has also made a reference, have also passed a Resolution recommending all nations not to spend more than 20 per cent. of their revenue on the military expenditure. Even in England, Sir, the military expenditure comes to about 16 per cent. and the Dominions and Canada spend much less. Our expenditure comes to about 60 per cent. (*A Voice*: 'Forty per cent. ') Make it 58 per cent. at the utmost, Sir. It is surprising, Sir, that out of the total expenditure in India only 4 per cent. is spent on education and only  $\frac{3}{4}$  per cent. on sanitation. The Assembly will be horrified to hear that in Bengal there have been more deaths in some districts than births for want of sanitation. After 150 years of British rule the people of India have remained backward for want of education and thousands are dying of starvation every day.

Sir, the Honourable Mr. Denys Bray, the Foreign Secretary, in his impressive speech, attracted the attention of the Honourable Members of the Assembly by the remark that in Waziristan this reckless and would-be insolvent Government has already spent twenty crores of rupees. We have not got a clearly defined policy in respect to Waziristan which has been the sinkpot of the Indian revenue. The Foreign Secretary, while speaking the other day, said that "human nature cannot tolerate a vacuum" when he was describing the Frontier situation by the Durand line which is situated between Afghanistan and British India—not India but British India. Sir, there have been certain comments over this phrase, because it was denied by the Honourable the Foreign Secretary. My Honourable friend, Mr. Seshaagiri Ayyar, quite rightly pointed it out and those were the *ipsissima verba* of my Honourable friend, Dr. Gour, who also commented on them. This reminds me of a story Sir, where a child was crying for the moon in the lap of its mother not realising the immense 'vacuum' that is left between the earth and the moon. Lord Inchcape who has achieved a brilliant success amongst the interested Europeans in India in the sphere of commerce and industry and who has now become the prize boy of the Government of India has gone to Waziristan, I think on the night before last after the Retrenchment Committee's Report was placed before us, to measure the same 'vacuum.' There started the introduction of the Budget on the 1st of March. May we not say, Sir, that there is thus seen a similar 'vacuum' in the Retrenchment Committee's report as well? Let us accept the close border policy and hold our Frontier secure leaving the tribal country alone. It is a potent fact, Sir, that the services of our Army have been utilised abroad in South Africa and France in the past. I do not think, Sir, that the elected Members of the Assembly will approve of the action. Our poor people, the payers of the revenue, cannot bear the burden of such military expenditure any longer. The sooner the non-votable system is wiped out from the budget the better will it be for the country and the Government. Sir, doubling the tax on salt is a drastic measure adopted by the Government and it will be better if this most outrageous habit of recommending every year a salt tax be



[Mr. K. Ahmed.]

changed. About 97 per cent. of our population is poor and this measure will take the taste from the food of our people and thereby lead to manifold evils such as malaria, cholera, kala azar, etc., etc. Salt is also a food of the animals that plough the land and it is also used as manure, and by increasing the salt tax, the growth and fertility of our soil will be affected and diminished. I am surprised that the Finance Member, without appreciating the real situation, has taken a leap in the dark by introducing this measure which will hurt and finally kill the major portion of our population. I am sure he will realise nothing from them after they are dead and gone. The present system of taxation will bring the wreck and ruination of the country. He will make the country not only insolvent, but she will be so much bankrupt that the Honourable the Finance Member will not be able to raise any loan from abroad on the payment of any higher rates of interest. The charm of the Government of India Act will no more be able to enforce any payment of high rates of taxes saying that the military expenditure is non-votable. Great chaos and darkness will await the country and the crushing military expenditure will be responsible for it. The Honourable Sir Basil Blackett has referred to our pulling together with the hope of quickly getting the boat out of the vicious circle which is threatening to drag India down on the rock of insolvency, but Sir, as I have pointed out, shall we join the Honourable Finance Member in pulling together the dead bodies and carcasses of our people to take them to the burial ground for their cremation or is there still a ray of hope in the mind of the Finance Member that . . . . .

**Mr. Chairman:** Will the Honourable Member bring his remarks to a close?

**Mr. K. Ahmed:** . . . that he will be able to realise large sums of money to be paid out of the Indian revenue on the non-votable absurd system. With these few words, Sir, I protest very strongly against the military expenditure and the enhancement of taxes on salt. I support, Sir, the budget as far as Posts and Telegraphs are concerned because, Sir, they are the messengers of the poor people of this country and we cannot get on without their help, though my Honourable friend, Dr. Gour, has opposed it very vehemently. I suppose the taxes on petrol . . . . .

**Mr. Chairman:** The Honourable Member must bring his remarks to a close.

**Mr. K. Ahmed:** Sir, only a second. Many Honourable Members of this House have taken part in supporting a proposal to levy a tax on the export of petrol to foreign countries. I fully agree as it is an extraordinary thing that the petrol raised in this country is exported to foreign countries and sold there much cheaper than we get it here in this country . . . . .

**Mr. Chairman:** The Honourable Member must stop there.

**Mr. N. M. Joshi (Nominated: Labour Interests):** Sir, at this late stage I shall not take the time of the House at great length. I shall content myself by making a few brief remarks on some of the points of this hope-inspiring budget. Sir, in spite of the explanation given by my Honourable friend, Mr. Ayyar, I am not quite convinced that there is no room for retrenchment in this budget. The Retrenchment Committee have proposed certain figures for retrenchment for the year 1923-24. The Government Members have interviewed the Retrenchment Committee and they

have certainly explained to them in which items retrenchment was not possible this year, and after receiving this explanation of the Government Members, the Retrenchment Committee have recommended that in the civil estimates there should be a reduction of 9 crores of rupees. Government have proposed only a reduction of 6½ crores, so there is still a margin of 2½ crores. Mr. Ayyar asks for the crores which some Members said were hidden in the budget. I will show him some of them. Sir, there are about a dozen departments of the Government of India which altogether show an increased expenditure of about 1 crore and 40 lakhs, whereas in these very departments the Retrenchment Committee ask for a retrenchment of 1,20 lakhs. My Honourable friend, Mr. Ayyar, will say, yes the Government of India is going to make a retrenchment. They may make a retrenchment of 1,40 lakhs and bring down expenditure to the normal level, but that is not retrenchment. You only keep the expenditure of these departments at the level at which it stood last year. Therefore at least 1,40 lakhs are hidden in the figures which Government have presented to this House. Then Sir, if the Government consider that there are some items suggested by the Retrenchment Committee which they cannot accept, so every one of us has got some fault to find with the Retrenchment Committee. I myself do not approve of the recommendation of the Retrenchment Committee recommending the abolition of the Labour Bureau and also the alteration of the leave rules of the workers of the Government Printing Presses. But we all agree on one point, that there should be a total retrenchment of 19½ crores of rupees. Let Government also agree with that proposal; let them show that they have made a retrenchment of that total recommended by the Committee and then the House will be satisfied, but it is necessary for them to satisfy the House on this point.

Then my Honourable friend, Mr. Ayyar, again persisted that the annuities should not be charged to capital and he said the annuities are a sinking fund. But my Honourable friend ought to know that there is a separate item for sinking fund in the railway accounts. Why should there be two items for sinking fund in the railway accounts? Moreover, the House must see that there is a great danger in wiping out capital as is being done by charging the annuities to the revenue. If you wipe out capital, there will be the incentive for the railway management to keep down working expenses. It is not therefore a wise policy to wipe out capital of railways, especially so as the Government is thinking of separating railway accounts from those of general revenues. The railway expenses have grown tremendously, as will be seen clearly from the Retrenchment Committee's Report. Sir, talking of railways, I want to protest against the action of Government in not accepting my suggestion that the establishment roll of the railways should be supplied to the Members of this Assembly. I asked the Government whether they would supply the establishment rolls. They said no; but on what ground? On the ground that the printing of the establishment roll will cost a good deal of money. I was told on the same occasion that Government prints the establishment roll for the use of the office. If they print the establishment roll for the use of the office, the printing of an additional 100 or 200 copies will not cost more than Rs. 100 or Rs. 200. I therefore strongly protest against the action of the Railway Board in not supplying the establishment rolls to the Members of this Assembly. Without having sufficient details we cannot really criticise the railway budget at all.

[Mr. N. M. Joshi.]

Then, Sir, I want to make one additional remark. The Government of India have placed before us certain information about the steps they have taken to improve the lot of the third class railway passengers, but I am not satisfied with the scrappy information which they have given in their memorandum. We want a clear statement from the Government of India as to what they have done to improve the condition of third class railway passengers and we want them to compare the amounts spent on improving the second class and first class railway facilities with the amounts spent on improving the railway facilities for third class railway passengers as well as the revenue obtained from these classes of passengers.

Then, Sir, there is still lurking in the budget a tendency which we have been seeing on the part of the Government of India to go on increasing their own expenditure. I have already explained how expenditure is still increasing in certain departments and especially so in the Political Department. Sir, in spite of the eloquent speech of my Honourable friend, Mr. Bray, I am not satisfied that the expenditure on the Political Department should have gone up by 38 lakhs, whereas the Retrenchment Committee has asked for a retrenchment of 45 lakhs.

Sir, I shall only say one word as regards the new taxation, and it is this that if Government consider that the poor people in his country are not sufficiently taxed, let them make an inquiry as my Honourable friend, Mr. Ginwala, has suggested to us. If, after inquiry, it is found that the poor people in this country are not sufficiently taxed, let them be taxed, but let not Government shirk the inquiry. Let them see too what is the incidence of taxation on the poor people and what is that incidence of taxation on the rich people. Sir, I was greatly surprised at the remarks which two of my English friends in this House made about the taxation of imported foodstuffs. While these two English gentlemen oppose the taxes on imported foodstuffs, they have supported the salt tax. They oppose the first tax on the ground that it was a tax on food. Do they not know that salt is an article of food? (*A Voice*: "Yes.") Why do they support the salt tax then? I was very sorry that these two gentlemen should have shown a racial bias in this matter. With these words, I resume my seat.

**Haji Wajihuddin** (Cities of the United Provinces: Muhammadan Urban):

Sir, nothing but a deep sense of duty compels me on this occasion to stand up and express my opinion on the budget and the new taxation, proposed by my friend, the Honourable Finance Member. It has been a very tedious tale to hear of deficits every year, and we are, of course, sick of it. However, it is our fate, and we must hear it with due resignation. But how to satisfy the people, who are already overburdened with multifarious taxations, and consequently uneasy and dissatisfied, is to be weighed well before a further step is taken to impose a fresh one. India is threatened with insolvency and loss of trust in the eyes of the world, and in order to avoid the appalling humiliations and foreboding disaster, we are told, the new taxation is inevitable, and that new taxation can take no other form than that of an increased duty on salt. I may be pardoned if I remark that my Honourable friend, while referring to the old records of the last two years has overlooked the study of the opinion almost unanimously held by this House, regarding the self-same question of salt taxation. Was not the same proposal made last year? Are the conditions changed since then? Are we ourselves changed in any way? Why! What also should then be expected from us this time? Whatever may be the calamity to be faced,

we must not forget our duty. Loyal to the Crown, as we are, we cannot be less faithful to our own motherland. The aim of every good Government is to seek the welfare of the people governed by it, and it is our duty to guide it to the right path, when it is going astray. We know that the deficit must be met somehow. We realise the necessity of finding means to achieve the end. But we likewise know that there are a hundred and one ways other than to cut the throats of the poor people. Every one of us knows that the proposed taxations will solely fall on the heads of the poor people. For it is they who consume salt mostly. Well-to-do people may indulge in luxuries but the suffering multitude who can hardly earn three annas a day have as their only luxury salt. Salt is the only savoury in their food. If the Government deprives them of this luxury even, it does not favourably acquit itself in the eyes of the people, whose destinies are given in its hands.

Now the question is, if this new tax is to be imposed upon the poor man's luxury, will it serve the purpose of its imposition? I think not. In the days of Lord Curzon this tax was raised to Rs. 2-8 as now proposed, and people began to refrain from consuming salt and its total consumption was reduced to a considerable limit. Will not the same result follow now? Will not then the reduction in the amount of consumption tell upon the income and will not then it become unnecessary to keep it any longer? What will it bring? Nothing but discontent and suspicion. Agitation will again find a foothold in the country and the peace and tranquillity of the people will be disturbed once again. It will be another great shock to the foundations of the Reformed Scheme at a time when the convulsions produced by the speeches of the *ex*-Premier and the present Secretary of State for India have hardly subsided, and also non-co-operation is not dead but is thinking of joining its forces to wreck the Reformed Councils.

If deficits are to be met with by taxation, let it be imposed upon those who can pay it. Let it fall upon the luxuries of the rich rather than upon the direct necessities of the poor. Let the suffering multitudes be left undisturbed. If taxes are to be levied, let them have some moral force behind them. Let them be supported by some noble considerations other than mere money making. If taxes on liquors and other intoxicants are levied, will they not serve the purpose? Will they not fall on those who can pay? Will they not have the hearty thanks and the support of the nation along with the blessings of Almighty God?

If we raise a tariff wall against the foreign manufactured goods, will it not bring a big income as well as help the Home industries? So, why not do that and why tread under foot the poor who are already below the poverty margin in all the civilized countries of the world and who can afford

5 P.M.

no other seasoning to their meals other than this devoted salt? For a long time, salt has been an eyesore to the Government but it is beyond comprehension how it came to be so. Time after time the Government have raised this particular tax and it was found again and again that they had to retrace their steps. Perhaps they had a notion that this tax can be easily collected, falls on all, and so is lightly felt. But alas, past experience tells a different tale. It has proved beyond any doubt that it falls on one class, is keenly felt throughout the country and is strongly opposed by the Press, on the Platform, and in the Councils.

**Mr. B. Venkatapatiraju** (Ganjam *cum* Vizagapatam: Non-Muhamadan Rural): Sir, I rise to congratulate the Honourable the Finance Minister not for his masterly and lucid exposition of the budget, not for

[Mr. B. Venkatapatiraju.]

his grasp of principles, not for his mastery of details but because he has the sturdy independence to call a spade a spade. He has stated, Sir, for the first time in the face of the Government that their progress in the administration of this country during all these years has not been moral or material progress of the land but a rake's progress. When some three years ago I stated that the several departments of the Government of India were suffering from "squander-mania, the then Finance Minister, Sir Malcolm Hailey, said "No, every Department is doing its best to economise their expenditure." But fortunately things have happened differently. We have Lord Inchcape's Committee which has now presented its report. Any knowing man who reads that report between the lines cannot help criticising the Government of India for their maladministration of all these years. The figures which they give show the way in which public money, the money of the poor man, has been wasted year in, year out, by the Government who have always used plausible language but without saying anything definite except that the time was not yet come when they could reduce the expenditure. Now, Sir, both the Government of India, and I am grateful to acknowledge, His Excellency the Commander-in-Chief have admitted that they agree with these conclusions to reduce expenditure. Now, I would like to ask, Sir, why there is this necessity to reduce expenditure in the year 1923-1924 which our friends on the Treasury Bench ignored last year when there was a deficit of 27 crores? If anything, the necessity was greater in the previous year. Was there never any necessity from the year 1917-1918 until now? They have failed to discharge their duty in reducing their expenditure and thus saving the poor. Why should they have taxed the country nearly fifty crores extra which they should repent of having done?

Now, Sir, it is not the fault of the Assembly, it is the fault of the Government, if we have failed to balance the Budget. The new Finance Minister, with all his ability and eloquence wanted us to believe that the world would come to an end if we do not cover the balance. May I respectfully tell him, here we have the Commander-in-Chief who has generally accepted the recommendations of the Inchcape Committee, in spite of—I say it with all due respect to Mr. V. V. Iyer who is an authority on accounts,—that he is juggling with words, when he stated that the Government has practically given effect to the recommendations in the Budget. Why should not the Finance Minister prepare the Budget in accordance to the recommendations of Lord Inchcape Committee to avoid all deficit. The Honourable Mr. Burdon has admitted that 14,000 people in the fighting services recommended by the Inchcape Committee for reduction was not given effect to in the Budget, and the Commander-in-Chief stated that he agreed to that proposal. Let alone the removal of the units of cavalry and artillery, with reference to the fighting strength, there was a recommendation for 14,000 people to be reduced. What would be the cost of reducing 14,000 people, and the followers and others? It would have amounted to more than 4 crores and odd. Would not that have been enough to cover the deficit? It is true the Finance Minister has told us they are still corresponding with the Secretary of State on the subject. Then why should we now provide for it in covering this deficit. Let them press it on the Secretary of State and say we cannot get on here. The one excuse the Secretary of State has hitherto had all along is that the man on the spot, the Commander-in-Chief who is responsible for the safety of the country, does not agree to it. Now

His Excellency the Commander-in-Chief has stated on the floor of this House that he has agreed to the proposal. Where is the difficulty now? Why should the Secretary of State not respect the word of the man on the spot. If the Commander-in-Chief now thinks that it is safe to reduce the strength and take the risk then the saving effected thereby may be used in the direction of covering this paltry 4½ crores—paltry when compared to the deficits we have had to face in past years. May I invite the attention of the Finance Minister with his thorough mastery of all these things, to what we have done decade after decade in the matter of expenditure? Several of my friends here have stated the facts with reference to the last decade and I may tell him, though perhaps he is already aware, that we have increased our expenditure in a manner startling and quite in keeping with the policy adopted in the previous years. In the decades to which I refer we spent

	Crores.
In the year 1883-84 . . . . .	41.66
"   "   1893-94 . . . . .	51.87
"   "   1903-04 . . . . .	73
"   "   1913-14 . . . . .	82.80
"   "   1923-24 . . . . .	131

And how have we increased the military expenditure during the said five decades that I have mentioned. From 18 to 20 crores and then it jumped to 26, and then 31 and now 62 crores; and that is the figure he suggests we should accept. Now my suggestion is that as has been pointed out by Dr. Gour we have exceeded very much more than 20 per cent. of the whole revenue of India. Is it not then the duty of the Finance Minister to safeguard our interests and to see that under no circumstances we spend more than what is absolutely necessary. Does he not know that every Province is groaning under its burden and every Provincial Budget shows a deficit. The Finance Minister spoke as if he doubted that the deficits in the Provinces may not be real, and he stated that some Member reported to him that the deficits were kept up while they could easily cover their deficit. The same plea may be adopted in our case, and we may also doubt whether the Finance Minister could not cover up the deficit if he had a mind. I shall only refer him to certain figures in other parts of the Budget. You find various recommendations made by the Inchcape Committee were not given effect to in the estimates. I have referred to the reduction on the military estimates, and I may mention, Sir, with reference to the Railways' working expenses, what was recommended by the Inchcape Committee was not taken in the Budget but a very much higher figure was given. I might also mention, Sir, that they have not only mentioned the reduction in the strength of the fighting force, but they have also suggested that 20 per cent. should be reduced from the war strength in order to bring it to peace strength. That was not done. We are still waiting for the reduction in the cavalry and other regiments; we have got an assurance that the capitation rate could very well be reduced. If that could be reduced, was it not the duty of the Secretary of State, who wanted that we should know our own duty, that he should have recovered this amount not only now, but long before, instead of foregoing income which he ought to have realised on that account? Unfortunately, we have discussed the matter of State and company management of railways, and decided State management not because we were enamoured of State management, but because we found that Company management was worse and therefore we preferred bad to

[Mr. B. Venkatapatiraju.]

worse. I would ask the Finance Member to find out what was the working expense of the railways when the Railway Board was established. Till then our working expenses were limited to 46 or 48 per cent. of gross receipts during the years from 1890 to 1905, then when we got the Railway Board the expenses went up in 1906 to 50 per cent., in 1907 to 57 per cent., in 1908 to 62 per cent., in 1910 to 55 per cent. and in 1911 to 56 per cent. and in 1913-14 to 51.79 per cent. and in 1921-22 to 76.22 per cent. Since these guardians were appointed and expected to watch our interests we find the expenses growing. Perhaps there may be some reason or other and it may be said "Oh, circumstances were beyond our control," but all the same it does not bring any satisfaction to the poor tax-payer. When it was stated that the Railways were being treated as a commercial concern, they ought to remember how much of the poor man's money was invested; we have been spending without acknowledgment 300 crores from the revenues of this country besides the money borrowed. That was not taken account of. I would also invite your attention, Sir, to the growth in this compensation for thefts committed in the railways. Do you know how far it has grown? In 1916 it was 18 lakhs, but in 1921-22 it was 116 lakhs. Are we to tolerate that these thefts should be committed and we should be made to pay 116 lakhs compensation? Is this the good management under the company? Now, whatever may be the contractual relations it looks odd that the person who is the major partner who has paid 9/10th of the capital has to suffer loss of 926 lakhs whereas the surplus profits are paid to the companies to the extent of 106 crores; at a time when this amount was not sufficient to pay the interest on the capital the surplus profits are being paid. They say that we entered into the contracts and we have to fulfil them. The Indian would never say not to do that; he is ready to fulfil all his contracts, but he says "Who are those persons who entered into such one-sided bargains whereby we have to lose crores and the other persons take huge profits?" That, Sir, is what is called Company management.

It is urged in this House that when salt tax was discussed the poor man was not at all taxed. Even Sir Malcolm Hailey last time committed that mistake when he said that the poor man did not contribute towards the central revenues besides salt tax. He is no doubt a great authority, but may I remind him of an equally great authority, Sir Edward Law who stated that out of the whole customs duty 25 per cent. was paid by the poor man and not by the rich millionaires. If our leader, Mr. Seshagiri Ayyar, had had time he would have stated that it is the unanimous opinion of the House that the salt tax is an oppressive tax and will never be tolerated if we have any power to vote for it; and so far as we have the power we shall certainly reject it; and now it is for the Finance Minister to consider how best to retrench or provide otherwise.

A tax on petrol has been suggested, against which Mr. Innes has given certain reasons. It is for you to judge whether those reasons should stand in the way of preventing the imposition of export duty on petrol which will bring in about 75 lakhs of rupees. There are other things also to be considered. But is it not worth while for the House to consider, as we have adopted a policy of protection for our country, should we not prevent  $\frac{1}{4}$  or nearly  $\frac{1}{4}$  of the salt that is imported into the country by imposing some import duty to help the salt industry? Is it impossible for such a vast country like India to produce sufficient salt to provide for the 315 millions

of her people? That aspect might perhaps be taken into consideration, because the Government has got the power of controlling the price. They could as well adopt that import duty without increasing the price of the salt and without restricting the production in India and preventing the minor salt owners to bring in large grounds under salt pans; it might also help the Governments in various provinces to bring in vast lands under cultivation so that it could be done to alleviate the poor people and prevent the unnecessary introduction of foreign salt, because it is imported without any cost; it is loaded as ballast in these ships and they are dumped on our shores and we are unable to compete with it because it comes in without any extra duty. I do not think any other country would have tolerated such an injustice of allowing foreign salt which does not pay any excess duty to come into our land whereas the production of salt in the country was restricted directly or indirectly. I mention one more point, Sir. If an import duty on salt is levied and necessary steps taken not to increase the prices here we would get 159 lakhs because there will be . . . .

**The Honourable Sir Basil Blackett:** I rise to a point of order. The Honourable Member has talked for the last five minutes about imposing an import duty on salt as if it were a new recommendation. There is an import duty on salt and it is proposed to increase it.

**Mr. B. Venkatapatiraju:** Perhaps the Finance Minister did not understand me. I know perfectly well when I am talking of the salt duty on imported salt to be increased that it is being imposed on imported salt; I am perfectly cognisant of that fact. What I say is "Do not tax what is manufactured in my country to an equal extent with imported salt but tax it in such a manner, not as a measure of providing revenue for the Finance Member, but as a protection to improve the manufacture of salt in this country, so that it would suffice and India need not depend upon foreign imported salt." Now if we refer to . . . .

**Mr. President:** I must tell the Honourable Member that he has exceeded his time.

**Mr. B. Venkatapatiraju:** Just a minute, Sir; we can realise on jute, if we impose 5 per cent., about 2 crores; on motor spirit we can raise about 75 lakhs and on imported salt 150 lakhs; all this together will cover the deficit; but I might say that it is not the duty of the House to cover the deficit; it is the duty of the Finance Member to reduce the expenditure; and if he had accepted the proposals of the Incheape Committee he could have done it.

**The Honourable Sir Basil Blackett:** Sir, before I proceed to deal with the debate as a whole I think it is necessary that I should make a few remarks about the last speech. We have tried very hard to explain to the House that the estimates before the House are based on the assumption that the Retrenchment Committee's recommendations are accepted in full and put into force at the earliest possible date. The idea persists that there are extra crores up our sleeve which we can produce by putting these recommendations into force at an earlier date, or that it is only necessary to antedate them in order to get more out of them. But, of course, that is an impossibility. The suggestion that the budget deficit can be balanced by making use of the recommendations of the Retrenchment Committee to a greater extent than Government has done is an



[Sir Basil Blackett.]

impossibility. The deficit is there after making full use of those retrenchments and making allowance only for the fact that it is impossible for us to antedate them or to bring them into force to-day. Perhaps it would be useful if I read one or two remarks made by the Retrenchment Committee themselves on this question of the date on which the recommendations should come into force. On the military services, page 58, they say:

"If our recommendations are accepted, and, if they could all be brought into effect at once, the military budget for 1923-24 could be reduced to Rs. 57½ crores, but we recognise that it will take some time for the whole of these savings to materialise. . . . The Finance Department in framing their estimates will require to make an allowance for terminal charges and for the expenditure which must necessarily be incurred during the period required to give full effect to the changes which we recommend. We are not in possession of the data necessary for framing such an estimate."

We have framed such an estimate and it is on that basis that we presented the military budget of 62 crores. The same applies in regard to the civil expenditure. At the end of their report the Incheape Committee say:

"We recognise that it will not be possible to secure in the ensuing year the complete reductions proposed, as under the rules notice must be given to surplus establishments, large reorganisations cannot be effected immediately, and large terminal payments will be necessary in some cases. It will also be necessary to make provision for increments to establishments on time-scale salaries. We recognise, also, as stated in paragraph 3 of our general conclusions on the Military Services . . . .

(which I have just read)

"..... that some of the reductions proposed represent reductions in stocks of stores and are therefore non-recurring. Even allowing for those factors, however, we believe that our recommendations, if carried out, will go far towards solving the problem of restoring India's finances to a secure basis."

The effect of the recommendations of the Retrenchment Committee, Sir, has been estimated as far as possible by the Government, so far as their effect on the year 1923-24 is concerned, and it is on that basis that we have arrived at the estimates for 1923-24, which show as against the expected revenue a deficit of 4.26 crores. Our problem still remains, how to cover that deficit. The speeches, of which there have been 40, I have listened to in the course of the last two days have all been very interesting and instructive. I have to thank, I think, every Member for a very kind personal reference to myself. Let me at this stage also incidentally make good an omission which has been remarked on in my speech last Thursday. It was, Sir, far from my thought to deny to this House its full share of the credit of securing the appointment of the Retrenchment Committee. If I did not make a specific reference to that in my speech, I must make the same excuse as was made by my friend, Mr. Seshagiri Ayyar, for cutting short his compliments, there was not time; I did not want to spend too much time on other than essential matter. All the speeches have been interesting too from the point of view that almost without exception—and this is a matter upon which I congratulate the House and myself—almost without exception it has been recognised that this deficit cannot be left uncovered. It is an unpleasant necessity which we have to face. Mr. Shahani who opened the discussion recognised that we could not leave the deficit uncovered; Mr. Spence who followed joined in the appeal to cover the deficit. Right through every speech I think it was recognised that the deficit must be covered and more than one Member appealed to me to examine, in consultation with

the House, the possibility of avoiding the salt tax, and the whole of our discussions really come back to that—how we can cover the deficit and avoid the salt tax. As I have already explained, try as hard as we will, we are honestly convinced that there is no possibility of a further reduction in expenditure in 1923-24. I am not prepared to say that all possible reductions for all time have been made, but for 1923-24, I think the House should take it from me that there is going to be very great difficulty in carrying into effect the reductions which we have taken the responsibility of including in the budget figures. There is no possibility in 1923-24 of reducing our estimates of expenditure below the figures we have taken. Again and again in their deep anxiety to avoid the deficit Members have harked back, as the last speaker did, to hopeful expectations that something more may be got out of the Retrenchment Committee's proposals. But they are only doing what the Government of India had done before. I think if you were to wander round the various Departments to-day and ask them what had happened to some favourite project, they would all repeat a couplet which we knew as children, that is, those of us brought up in England:

"The ship went down with a shiver and a shock  
Fore God it is the Inchcape Rock."

I do not think there is any hope of further reductions; they have all gone down; all the extravagances and a great many desirable items have gone down on the Inchcape rock. I ventured to prophesy in my speech last week that all the Members would manage to disagree with me on some point or another, and I think I have been justified. Quite apart from the salt duty, individual retrenchments suggested have been criticised. The most common form which that criticism took, though not the only one, was a criticism that the so-called nation-building departments had suffered most. Now, I do not think that that is really a fair criticism. Under the federal system under which India works to-day, Education, Public Health, Irrigation as well as Land Revenue are provincial subjects. All that the Inchcape Committee has done in regard to these subjects is in one or two cases to recommend a certain amount of reduction in the provision made in the Central Government's estimates, and their justification for doing that is nearly always something in this form. At page 120, the Committee say: 'In view of the essential modification of the position of the Central Government *vis-à-vis* the provinces under the Reforms Scheme in respect of education and medical administration, which are now transferred subjects, over which the Government of India exercise a very limited control, we do not consider that there is any justification for the retention of the Educational Commissioner.' Indeed any economies that are suggested by the Retrenchment Committee in that direction are small ones, and they scarcely touch the problem of the nation-building expenditure to which reference has been made. I do not think therefore that it is quite fair to make that sort of criticism of the Retrenchment Committee. I would like to add just one other observation. We have not yet effected those reductions. Part of the actual giving of effect to these reductions will take place next week when we are discussing the Demand Grants. Now I refer again to my speech last week; I said that I never heard of any retrenchment except one which was universally popular. I think that it is necessary when we come to that to keep our minds on the Budget as a whole and realize that if one of us dislikes one particular bit of retrenchment very much, another Member probably regards another bit of retrenchment as equally wicked, and we have got to take the good with the bad;

[Sir Basil Blackett.]

in order to get the reductions which are essential, some of us have got to accept reductions which rather go to our heart. It is impossible to characterize all reductions as mere cutting down of expenditure; some of them are undoubtedly the cutting down of what may be described as desirable expenditure. But for the time being the position is that we cannot afford it; and I do hope that when we come to the actual discussion of the reductions, we shall keep the broad fact that we cannot afford expenditure, in our minds rather than the more obvious factor in dealing with detail that it is a very desirable bit of expenditure.

There was a very famous cartoon during the war which pictured a soldier who afterwards came to be known as old Bill standing in a shell hole with two others—there were shells falling all around him, and he was looking particularly uncomfortable, and he was saying, 'if you know of a better hole than this, then take me to it.' Now that is the position of the Government in regard to this question of the salt tax. If any of you know a better hole than this, take me to it. But I have listened with great interest to the suggestions that have been made from one quarter or another. Bombay wants an export tax on jute—it has even been suggested by some non-Bombay Member, that we should increase the cotton excise duty. (*A Voice*: "Not seriously.") One very interesting suggestion was entirely new to me; I think that I may honestly say that it was not the only one that was new to me; the Government of India spent a great deal of time in reaching the unfortunate conclusion that it knew no better hole than this. It was a suggestion made by Sir Gordon Fraser; he only partly escaped the hole because he was going to retain a portion of the salt tax, the rest he was going to cover by an increase of half an anna in the rupee in the revenue from customs and income-tax. That was a novel suggestion, and the Government will be very ready to examine it, but it has obvious difficulties on the face of it. I should not care to be the Customs Collector who was collecting  $\frac{1}{32}$ nd additional on each invoice that he had to make out; it is a very awkward fraction to work, to say the least of it, but it is a suggestion that I should like to have the opportunity of following up a little further. Various other taxes have been suggested which we had already very carefully considered. Mr. Innes has already explained the unfruitful and dangerous character of an export duty on petrol. The tax on silver is a hardy annual. It would bring in something like a crore or a little more; therefore it would not itself cover any large portion of the deficit. But it is a tax to which there are many objections, and I am not sure that the House would desire me to repeat what has been said almost annually as to the theoretical and practical objections to that tax. But it is obviously not anything more than a partial solution, nor do I think it is a desirable solution. The only point I think in which it differs from nearly all the other suggestions of new taxes that have been made is this, that it is the only one which does not cost the poor man more than the salt tax. Now the Government of India when it came to suggesting the salt tax, and I must speak for myself, the new Finance Member was not unaware of the history of this salt duty—they did not propose it lightly; they did not propose it for the fun of proposing it, as was suggested by somebody. They proposed it because it was the expedient which seemed to them to be the one which would do the least damage to the country and would most easily cover the deficit. Now people have been fairly frank in speaking about it. I do not think anybody, beyond saying that it was a tax on the poor man, has spent very much time in showing its

economic ill effects. A great many people have referred to the fact that it is politically objectionable; it is really the sentiment here rather than a fact that has to be combated. I do not deny that it is a very difficult position; but, after all, that is the position. It is a tax which would cost,—what is it, 3 annas a year per head? It cannot be claimed by anybody who just repeats that to himself that it is going seriously to upset the position of even the poorest. Three annas per head per year. (*A Voice*: “5½ annas.”)

**Mr. Jamnadas Dwarkadas:** 15 annas for a family.

**The Honourable Sir Basil Blackett:** That is, less than a rupee per family per annum. I venture to say that the suggestion for an increased customs duty on cotton or an increased excise duty on cotton, both of which have been made and neither of which would in themselves bring in such a large revenue as salt, would cost the poorest man more per head than salt. The last speaker mentioned that 25 per cent. of the customs duties are paid by the poor man. It is not for the fun of suggesting a tax which everybody knew in advance would be a very difficult one that this tax has been suggested, but because Government is honestly convinced that from the economic point of view it is the tax which is the least objectionable—all taxes are objectionable taxes—to India economically, socially and in every respect, and that it is nothing but the atmosphere of sentiment, and I may add the real political difficulty in which Members of this House will find themselves that causes the objection which has been nearly unanimously expressed in this House to the salt tax. I felt bound to make that defence of the salt tax, and I do not think that I have said anything that Honourable Members will take objection to. But we are still faced with the position,—if we don't have the salt tax, what other tax can we have? The Government of India's suggestion was, and is, that we should increase the salt tax. We are prepared, as we have been asked to do by more than one Member of the House, to examine in consultation with the House any other expedient that really is available for getting rid of the deficit, but we did and we do put forward as the least objectionable method of raising taxation to cover the deficit, the proposed increase in the salt tax. One other means of covering the deficit has been put forward and that is that we should somehow or other so alter our accounts that either the deficit disappears or is reduced to small proportions. Mr. Samarth misquoted or at any rate misinterpreted Bastable in trying to prove that the Budget as it stands contains items which should not be charged against the annual revenue; and he went further even than that. He took such items as expenditure on Military Works, the greater part of which represents, I believe, repairs (*Mr. N. M. Samarth*: “No; I did not say that. My amount does not include that.”) I apologise then if he did not take that figure; it seemed to me that he did. Now, I do hope that the House will not be led away into by-paths in which deficits will suddenly reappear as surpluses. It is so easy to manipulate accounts. But what is the position at the end of the year supposing you say that this or that building is a capital expenditure, this or that expenditure on irrigation which will not yield any revenue,—most of which indeed involves expenditure in the future years? Once you have got a building, you have got to maintain and repair it. You say it is a capital charge and therefore you are not going to charge it to Revenue. It is not part of the revenue of the year. Supposing 4 crores are spent in that way in the year; at the end of the year your unproductive debt is 4 crores higher, you have got to find interest. You have indeed got an additional asset which may

[Sir Basil Blackett.]

possibly be a costly one. There is the cost of keeping it up. This particular question of military works being charged to Capital formed the subject of a long controversy in England in the Nineties up to about 1906, and so far as England is concerned, it was definitely decided that that should be stopped. In 1906, when Mr. Asquith became the Chancellor of the Exchequer his first action was to insist that this method of pretending that your expenditure was not against Revenue but was against Capital should be stopped. It was simply piling up debt. The other suggestion that Mr. Samarth made—and others made—was that that portion of the annuity in the railways budget which represents sinking fund should not be charged against Revenue. Sinking fund—real sinking fund—can only come out of Revenue. You can call it sinking fund; and you can borrow it. But that simply means you borrow in one form in order to pay off in another form. That is not a sinking fund. That is merely movement of Capital. There are arguments certainly when you are in a tight place for temporarily suspending sinking fund. “Raid on the sinking fund” is a common phrase or it was so before the war in England. But it is only a confession of weakness. And anybody who studies the Indian Budget of the present year will come to the conclusion that so far from there being too much provision for reduction of unproductive debt, one of the problems we have got to face when things are a little better is some increase in the provision we make for preventing our unproductive debt in time of peace growing up against us. I have made no suggestion of that sort this year, and although I made a passing reference to the fact that nearly two crores of our expenditure this year and a certain amount in previous years has been spent for purely unproductive purposes,—although it may be an asset, the building of a large new Capital is certainly going to increase the cost. Expenditure will have to be incurred in keeping it up. I made a reference to the fact that this unproductive expenditure was at present being charged to Capital. I did not suggest that we should cover it in this year. But if we are removing such sinking fund as there is inside our present revenue out of it, we ought at the same time undoubtedly to bring into the charges against Revenue the unproductive charges which are at present charged to Capital, and if we did that the deficit would, I am afraid, be increased and not decreased. We come back, therefore, to the position that there is a deficit of 4½ crores, and, with due respect, the suggestion which holds the field for covering that deficit is an increase in the duty on salt.

The House will probably desire me to deal with one or two of the other subjects which were raised by Honourable Members in the course of the discussion. The most important of which I have a note here are questions of railway policy, the general question of the incidence of taxation and the question of exchange. Now, one of the unsatisfactory features undoubtedly of this year's Budget is that the cut of 3 crores which we have made in the railway budget represents a postponement of necessary renewals and repairs. We made the same mistake,—it is again a question of being wise after the event. Most of us would have made it if we had been in charge of the finances of India at the time. During the war when there were large surpluses—apparent surpluses—on the railways, they were used to avoid increases of taxation, although now looking back we can see that these surpluses represented mainly the fact that owing to the war the railways of this country were not being repaired and renewed to the extent that was necessary, because materials could not be obtained for the purpose. The result was that after the war we had to take on a very heavy programme

of renewals and repairs to make good what had been left undone during the previous years. It is possible, and there are some passages in the report of the Retrenchment Committee which suggest it, that some of the expenditure on renewals and repairs was not so well thought out as might have been; but it is undoubtedly undesirable that we should avoid a deficit or show a surplus simply by postponing charges for repairs and renewals which belong to this year to the next year or the year after next. Still the cut we have made this year will probably be justified but it is obviously not a cut which you can repeat, unfortunately. It would be thoroughly unsound finance that we should be inventing surpluses, simply by not spending money on keeping our railways up to the mark.

Mr. Ginwala made a very interesting speech in which he discussed the whole subject of the incidence of taxation and the same subject has come up incidentally in a great many other speeches. Of course, one of the difficulties here is that we are living under a federal system. There is at present a fairly clear demarcation between what are subjects for provincial taxation and what are subjects for Imperial taxation, taxation by the Central Government. The suggestion, for example, of the death duties, which was made by Mr. Ginwala, is a subject which might very usefully be explored for the purposes of improving the position of the provincial Budgets. But it is not going to help us to cover our Budget. The same difficulty of the Provincial *versus* Imperial claims on the taxable subjects of India arises in connection with the suggestion of raising income tax upon receipts from agricultural lands. It is a matter obviously of great interest. But that suggestion was answered by a gentleman sitting behind me this afternoon who claimed that it would be a breach of faith if the permanent settlement was touched. There is therefore the difficulty both of the permanent settlement question and of the claims of the Provincial Governments standing between us and the possibility of making any use in the budget we now have before us of the suggestions which Mr. Ginwala's very interesting speech would lead us towards.

I now come to the question of exchange. There has been a fairly even division of opinion as between those who partly agreed with me that the time had not yet come for the fixation of the exchange, and those who expressed considerable disappointment. The expectations of one Member were so great and he was so flattering to myself that he expected that, on landing at Bombay, I had only to say "let the exchange be fixed" and it was fixed. But that is not the way things happen unfortunately. We can say that we are going to fix exchange, but unless we do the right thing and have sufficient resources and apply them in the right way, exchange won't remain fixed in spite of our statements. Sir Montagu Webb agreed with my general conclusion that the time had not yet come, but he went on to disagree fairly generally with the rest of what I had said on that subject. I think the point that he made was that the level of prices to-day is such that the exchange, if fixed at the moment, ought to be at  $\frac{1}{4}$  instead of  $\frac{1}{2}$ , and might even have to be lower. That is a reading of the level of prices with which one may not entirely agree. It is a question of very careful study of not very satisfactory data, namely, the index numbers, but my reading of the position was that, comparing the index numbers of wholesale prices here with those in England and America, and making allowance for the fact that you would expect, owing to the large increase in import duties that has been imposed in India between 1913 and the present day, the index number in India to be higher relatively to the English number than if it had not been for those import duties, it seemed to me that, judging by the price

[Sir Basil Blackett.]

levels in the two countries, there were a good many prices here which had not yet accommodated themselves to the fall which has taken place in the exchange value of the rupee all the way from 2s. 8d. to 1s. 4d. or lower. Therefore if you were going to fix exchange at 1s. 4d. now you would probably have to look for a further rise in prices. The subject is a difficult one to discuss on the spur of the moment like this. There is a reference which Sir Montagu Webb made about the fall in prices to pre-war levels that I should like to deal with. Prices in England have not fallen to pre-war level; they are something like 160 to 170 as compared with 100 before the war. Now it is quite uncertain whether prices may not be in for a rise rather than a fall. If America finds the large quantity of gold which she has in her federal reserve system too large to deal with in other ways, she may be driven to build new credit upon that reserve of gold, and no one can foretell, but it is quite a possibility that there may be a considerable rise in American prices. When sterling is at par sterling would almost inevitably have to follow suit. Then India would again be faced with the problem whether she wants to keep prices more or less stable or whether she wants to keep the rupee more or less stable; just the same problem that she had in 1914. And considering the social difficulties which changing levels of prices cause in a country like India it is quite possible that it would be much more to India's advantage to let the external value of the rupee alter rather than to let the internal value of the rupee alter and internal prices go up. All this may sound as if the Government of India was very anxious to manipulate the exchange, but it is not really a question of manipulating the exchange, it is a question of dealing with a problem which in the era of instability which has followed after the war has taxed the ingenuity of every country. In a sense the exchange of every country has to be manipulated in these days; you cannot simply go to a gold level. No one knows what would be the consequences in the world if that were rashly attempted by any country. The value of gold is one among the many commodities the price of which in these days is changing rapidly and you do not get stability of prices by simply being on a gold level. However I have wandered rather deeply already into a subject on which I did not want to spend time, and I will return now to a few words as to the budget for 1923-24.

I ventured to make an appeal to the House when I spoke last week for a long, strong pull together. If we balance our budget this year I believe we have very good hopes for next year, but we cannot take any risks. We have had two good monsoons; we cannot be sure that there will be a third good monsoon, and if there is not a third good monsoon, there is not the least doubt that our estimates of revenue in this year's figures are optimistic. We cannot foresee what would be the position a year hence, but we can be quite sure that it will make an enormous difference to our position whether we succeed this year in balancing our budget, restoring our credit thereby possibly enabling ourselves to borrow at lower rates, or whether we go on with one more year of Micawberism, hoping for the best, hoping that something will turn up. The House agreed right through that that was impossibility and I end on the note that I began, the salt tax remains the only suggestion which really holds the field, and in the opinion of the Government of India the best suggestion for dealing with the situation.

**Mr. N. M. Samarth:** I have just one word to ask. I understand the Honourable Finance Member to say that I misquoted Bastable.

**The Honourable Sir Basil Blackett:** I tried to withdraw the word "misquoted." I meant misinterpreted.

**Mr. N. M. Samarth:** You said "misquoted."

**The Honourable Sir Basil Blackett:** I think I said "misquoted" and "misinterpreted" but I meant the latter.

**Mr. N. M. Samarth:** As to misinterpretation, Sir, the Honourable the Finance Member may have his interpretation; I have mine. The passage quoted speaks for itself.

The Assembly then adjourned till Eleven of the Clock on Thursday, the 8th March, 1928.

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