

Wednesday, 8th March, 1922

THE
COUNCIL OF STATE DEBATES
(Official Report)

SECOND SESSION
OF THE
COUNCIL OF STATE, 1922



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COUNCIL OF STATE.

Wednesday, the 8th March, 1922.

The Council assembled at Metcalfe House, at Eleven of the Clock.
The Honourable the President was in the Chair.

QUESTIONS AND ANSWERS.

NAMES OF SHIPPING COMPANIES FOR CARRYING MAILS.

103. The HONOURABLE MR. LALUBHAI SAMALDAS: Will Government be pleased to state the names of shipping companies, to whom, and the terms and conditions on which, contracts for the carrying of the mails on the coast of India and Burma, have been given?

The HONOURABLE MR. B. N. SARMA: The information required by the Honourable Member is incorporated in Appendix XI to the Annual Report on the Posts and Telegraphs of India for the year 1920-21, a copy of which is available for reference in the Press Room.

PAYMENT OF INCOME-TAX BY BRITISH AND FOREIGN SHIPPING COMPANIES.

104. The HONOURABLE MR. LALUBHAI SAMALDAS: Will Government be pleased to state if the British and the Foreign shipping companies carrying on trade on the coast of India and Burma pay any income-tax to the Indian Government?

The HONOURABLE MR. E. M. COOK: I have replied to this question and also the questions, Nos. 105 and 106, in the reply which I gave to the Honourable Mr. Sethna on the same subject on the 22nd of February.

PAYMENT OF INCOME-TAX BY BRITISH AND FOREIGN BANKS AND INSURANCE COMPANIES.

105. The HONOURABLE MR. LALUBHAI SAMALDAS: Will Government be pleased to state if the British and the Foreign Banks and Insurance Companies carrying on their business in India and Burma pay any income-tax to the Indian Government?

106. The HONOURABLE MR. LALUBHAI SAMALDAS: Will Government be pleased to state if the British and the Foreign shipping companies have to pay any income-tax on that portion of the profit which is earned by them by their trade with this country?

(See reply to question No. 104.)

RULES FOR REDEMPTION OF LAND-REVENUE.

107. The HONOURABLE LALA SUKHBIR SINHA: (a) Will the Honourable the Revenue Member be pleased to lay on the table a copy of the rules under which land revenue was formerly redeemed on payment of cash money to the Government?

(b) From what year to what year were these rules in force and for what reasons were they abolished?

The HONOURABLE MR. B. N. SARMA: (a) An extract from Government of India (Home Department) Resolution, dated October 17th, 1861, is being sent to the Honourable Member.

(b) The orders took effect from the date of their issue. They were practically recalled as a result of the Secretary of State's Despatch, dated July 9th, 1862, which limited their operation to lands required for dwelling-houses, factories, gardens and plantations. The reasons were the objection to capitalising the income of the State, and the risk that lands bearing an unduly light assessment might be redeemed before the settlement could be revised.

ATTITUDE AND POLICY OF THE NON-CO-OPERATION PARTY.

108. The HONOURABLE SAIYID RAZA ALI: (a) What response do Government propose to make to the action taken by the Congress Working Committee at Bardoli in postponing civil disobedience and suspending other activities to which reference had been made in his Calcutta speech on the 21st December by His Excellency the Viceroy?

(b) Has the attention of Government been drawn to the Resolutions passed by the Committee of the Bombay Representative Conference on the 14th February recommending the convening of a representative conference, the withdrawal of notifications and orders in connection with the Criminal Law Amendment Act, and the Seditious Meetings Act and the release of political prisoners? If so, how far are Government prepared to go in the direction desired?

(c) Will Government be pleased to state fully their present policy towards the Congress and its programme of work as modified by the Bardoli and Delhi Resolutions?

The HONOURABLE SAIYID RAZA ALI: Sir, I gave notice of this question on the 20th February. Since then some change has come over the political situation, and I should like, with your permission, to add the words 'and Delhi' after the word 'Bardoli.'

The HONOURABLE THE PRESIDENT: Does the Honourable Member (Mr. O'Donnell) object to that?

The HONOURABLE MR. S. P. O'DONNELL: No, Sir.

The HONOURABLE MR. S. P. O'DONNELL: I will read to the Council the answer which was given recently to a similar question by the Honourable the Home Member:—

'The Government have seen and considered the Resolutions referred to. They can discover in them no indication of any fundamental change in the attitude and policy of the non-co-operation party. Whilst civil disobedience is to be postponed for the present, there is no suggestion that it should be definitely abandoned as an item in their programme. On the contrary, the clear intention of the Resolution is that this step should be merely suspended till the ground has been adequately prepared for its inauguration on a large scale. Recruitment of volunteers is to continue and to be speeded up. The seditious propaganda which has been carried on throughout the country since the inception of the movement, is in no way to be abated and the continuance of attempts to seduce Government servants from their allegiance is specifically provided for.

The Resolutions thus point merely to a temporary change in the tactics of the party and not to any reversal or radical alteration of its aims, which are directed as before to the subversion and paralysis of the lawfully constituted Government of the country. The Government of India desire to make it clear that, unless and until there is a complete cessation of the illegal activities of the non-co-operation movement, there will be no change in their own attitude in regard thereto. I am to add that these activities have already produced a serious situation which may at any moment eventuate in bloodshed and disorder.'

I would also refer the Honourable Member to the Resolutions passed by the All-India Congress Committee and to the statement which Mr. Gandhi is reported to have made on 27th February last as regards the meaning and scope of these Resolutions. It follows that the Government are not prepared to take action on the lines suggested in part (b) of the Honourable Member's question.

TURKISH PEACE TERMS.

109. The HONOURABLE SAIYID RAZA ALI: When was the last representation made to the Secretary of State for India or the Prime Minister by the Government of India or His Excellency the Viceroy concerning the revision of the Treaty of Sevres? Are Government in a position to state when a solution of the problem may be expected?

The HONOURABLE MR. S. P. O'DONNELL: The last representation made by the Government of India to His Majesty's Government was contained in a telegram despatched on the 28th February 1922. The telegram is being published.

As regards the second part of the question the Government of India are naturally not in a position to state when a solution may be expected, but, as the Honourable Member is doubtless aware, the whole question will shortly be discussed by representatives of the great allied powers.

LOSS BY EAST INDIAN RAILWAY ON ACCOUNT OF STRIKE.

110. The HONOURABLE SAIYID RAZA ALI: (a) What is, roughly speaking, the loss sustained by the East Indian Railway on account of the strike?

(b) Has the attention of Government been drawn to a printed pamphlet published under the auspices of the East Indian Railway Indian Labour Union and entitled 'What led to the strike at Tundla—Facts gathered on the spot' containing the strikers' version? Is it true, as stated therein, that the men were not given an opportunity to send for the absent witnesses to the assault or to engage a lawyer at the inquiry held by the Magistrate?

(c) Will Government be pleased to lay on the table copies of reports by all the doctors who medically examined Ram Lal as also the Joint Magistrate's order?

(d) Do Government, in the public interest, propose to intervene to bring about a settlement between the Railway authorities and the strikers?

The HONOURABLE MR. H. A. F. LINDSAY: (a) It is not possible to furnish even an approximate estimate of what the loss sustained by the East Indian Railway may have been.

(b) The Government have seen a copy of the pamphlet in question. They have no information on the subject other than that contained in the

Joint Magistrate's order. From this order they gather that in the Magistrate's opinion many witnesses were prevented from appearing at the inquiry.

(c) A copy of the Joint Magistrate's order is placed on the table. The Government have no copy of the medical certificate referred to except that given by the Civil Surgeon of Agra. A copy of this certificate has just been obtained and is placed on the table.

(d) The Government have full confidence in the ability of the Agent to deal with the situation.

EAST INDIAN RAILWAY COMPANY.

TUNDLA.

Alleged assault on 2nd Fireman Ramlal, S. No. 28619, on February 2nd 1922, by Shunter J. Carroll, S. No. 36494, and Fireman C. Emery, S. No. 42023.

Finding by R. I. Muddie, I.C.S., Joint Magistrate, on his public inquiry held at the Institute, on February 6th, 1922, at 17-30 hours.

This is an inquiry taken up by me *suo motu*. The case had already been taken up by the Police, but it seemed expedient to hold a public inquiry.

Unfortunately many of the witnesses have been prevented from appearing. This is clear from the Inspector's statement.

The evidence of the most important witness (apart from Ramlal) has however already been taken on oath by the Sub-divisional Officer and I have my order on it as well.

The salient facts are that Ramlal, a 2nd fireman, says he was beaten severely by his Fireman Emery and Shunter Carroll with a shovel and thrown off the engine and fisted (fainted?) Ramlal has however no visible marks of injuries on him and according to the medical evidence has not been injured. Ramlal has also been examined by the Civil Surgeon, but his evidence is not on record as he could not be obtained in the time within which it was desirable to hold the inquiry. Gunner Dubey is said by Ramlal to have carried him to the Locomotive Foreman's office. Dubey's statement to the Deputy Magistrate is that he knows nothing about Ramlal's injuries, but saw him quarrelling with Carroll on the engine.

According to Dubey, Carroll had hold of Ramlal's hands. He saw no assault on Ramlal.

The statement of both Carroll and Emery have been recorded. They state that Ramlal and Carroll had a quarrel because Ramlal wanted to leave the engine contrary to orders, but Carroll refused permission. Ramlal eventually slunk off and was reported by Carroll for leaving his engine without notice.

This is alleged to be the reason of Ramlal's allegations against Carroll and Emery.

In the face of the medical evidence and of Dubey's story, it is impossible to believe Ramlal's story which I believe to be a fabrication.

Dubey's story except for the matter of Carroll holding Ramlal's hands agrees with Carroll's and Emery's statements, and the fact of Carroll reporting Ramlal supplies a motive for a false allegation.

Whatever happened on the engine there is no doubt that it was a most trivial occurrence and one which could not possibly be taken up in any Criminal Court.

Sections 120 and 121 of the Railways Act are in my opinion absolutely inapplicable. Ramlal's only course is to file a petition under the ordinary law if he desires to prosecute the case.

(Signed) R. I. MUDDIE.

The 6th February 1922.

TUNDLA;

4th February 1922. (11 A.M.)

I have to-day examined the Fireman Ramlal. I can find no sign of abrasion or cut in the whole head, limbs or body. The only possible injury is shown by a defined swelling ($1'' \times \frac{1}{2}''$) of the right 5th rib just below and outside the nipple. This swelling has no bruise about it but is definitely tender and I consider it to be due to bruising, not fracture, of the rib at that spot. All the internal organs are in my opinion quite healthy and uninjured. From the absence of any bruise or abrasion I am of opinion that the story of Ramlal as told me by himself as to his being beaten with a shovel, kicked, his head banged on the footplate and finally thrown from the engine, is incorrect. It is possible that the swelling on the rib is of old standing and the tenderness assumed, but on the whole I think it is due to a recent injury and might have been caused by a blow. The man's life is not in any danger and I consider he might be up and about if he so chose. I do not consider that he was rendered unconscious at any time nor does he now complain of any ache or tenderness about the head.

(Signed) A. COCHRANE, Lt.-Col., I.M.S.,
Civil Surgeon, Agra.

The HONOURABLE SAIYID RAZA ALI: May I put a supplementary question? Is it a fact that the strikers offered to resume work during the visit of His Royal Highness the Prince of Wales absolutely unconditionally?

The HONOURABLE MR. H. A. F. LINDSAY: I don't think that question arises.

MESSAGE FROM HER ROYAL HIGHNESS PRINCESS MARY.

The HONOURABLE MIAN SIR MUHAMMAD SHAFI: Sir, I have the honour to hand over a télégraphic communication from the Right Honourable the Secretary of State to His Excellency the Viceroy for the information of the House.

The HONOURABLE THE PRESIDENT: This message has reference to the telegram of congratulation sent by this Council to Her Royal Highness the Princess Mary. It runs as follows:—

'Your telegram dated 25th February. Resolution of Council of State has been laid before Princess Mary. I am desired by Her Royal Highness to request you to convey to the Council an expression of her warm appreciation of their message.'

HIS EXCELLENCY'S ORDERS RE DISCUSSION ON BUDGET.

The HONOURABLE MIAN SIR MUHAMMAD SHAFI: Sir, I have the honour to present an order by His Excellency the Viceroy with reference to the general discussion on the Budget for the information of the House.

The HONOURABLE THE PRESIDENT: This is the order from His Excellency the Governor General:

'In pursuance of the provisions of sub-section (3) of section 67 of the Government of India Act, I hereby direct that the heads of expenditure specified in that sub-section shall be open to discussion by the Council of State, when the Financial Statement is under consideration.'

GOVERNOR GENERAL'S ASSENT TO CERTAIN BILLS.

The SECRETARY OF THE COUNCIL: Information has been received that His Excellency has been pleased to grant assent to the following Bills:—

The Indian Lunacy (Amendment) Act, 1922,
The Indian Emigration Act, 1922,
The Delhi University Act, 1922,
The Civil Procedure (Amendment) Act, 1922,
The Indian Limitation (Amendment) Act, 1922,
The Indian Income-tax Act, 1922.

FACILITIES TO MEMBERS OF INDIAN LEGISLATURE VISITING LONDON.

The HONOURABLE THE PRESIDENT: Before we proceed to the business of the day, I should like to inform the House of the facilities to be extended to Members of the Indian Legislature who may be visiting London. His Excellency has caused to be sent to me copies of letters which have passed between the Secretary of State and the Speaker of the House of Commons. The Speaker writes:

‘I wish to give every possible attention to our Indian Colleagues when they are over here, and I would be glad if you will have notice given to me of the presence in England of the Members of the Legislature.’

I am sure Honourable Members will greatly appreciate the kind offer of the Speaker. (Applause). If any Honourable Member is visiting England and is desirous of going to the House of Commons, and will let me know of his intention, I will see that proper credentials are furnished to him.

DISCUSSION ON THE BUDGET.

The HONOURABLE THE PRESIDENT: We will now proceed to the debate on the Budget.

The HONOURABLE SÍR MANECKJI DADABHOY: Sir, in rising to open the debate on the Budget, I must state that I find myself in a somewhat difficult position by the fact that I hold a seat on the Fiscal Commission. However, I wish to make it perfectly clear that whatever I say to-day in connection with this Budget represents my individual opinion on the subject, and that whatever conclusions to which I may hereafter arrive in my capacity as a member of the Fiscal Commission will be wholly unaffected by what I say to-day.

Sir, I congratulate this Council on the opportunity it has obtained of speaking on this Budget. Perhaps after the discussion in the other House we may not materially add to the deliberations that have already taken place, but it will at least have this advantage, that the Finance Minister and the Government of India will know the point of view of the Members of this Council—the premier Council in India—and the light in which the taxation proposals contained in the Budget are received by this body.

In commenting on this Budget I speak with a heavy heart. I realize the Finance Minister's difficulties. I realize that during the last two years

the task which he has been called upon to confront has been exceptionally heavy. I fully realize that no Finance Minister during the last 40 years has had such misfortunes to contend with as Sir Malcolm Hailey. I realize the difficulties of Government due to the depression in trade and the slump in business, and to the purchasing power of the rupee having fallen. I fully realize all these serious considerations. I fully realize that Sir Malcolm Hailey has had a most anxious time and that he has done his best to place a courageous Budget before the general public, without seeking cheap popularity. But when all this is said, I submit that it is all. I feel it my duty to state that the Budget as presented to the House is reactionary in its character; the principle underlying it is retrograde and unsympathetic; it is subversive of the industrial interests and the development of the country; and if this Budget is passed in its present state India will be oppressed not only with burdens which will be heavy in character, but which will permanently, or at any rate for a long time to come, affect the vital interests of this country. In framing this Budget Sir Malcolm Hailey stated that he had laid two principles before him. The first is that it caused the minimum of inconvenience and hardship to the tax-payer, and secondly, the minimum of disturbance to the general public and to trade. With both these propositions I respectfully differ. I join issue with him on both these points and in the course of my debate to-day I shall point out that the principles which he has laid down militate very severely against both trade and the interests of the general tax-payer.

Sir, there is one important feature of this Budget, the heavy increase in taxation. Coming on the top of last year's heavy taxation I feel that the country is not in a position to stand this additional burden. I feel, Sir, that all the available sources of revenue have been exhausted, and, coming as they do on the severe taxation of last year, I feel that the new proposals on the whole are of an oppressive character and need material alteration. This Council is always ready to support Government in its legitimate financial proposals, but I am afraid, Sir, as the Budget stands at present, Sir Malcolm Hailey will not receive the support of the non-official Members or their co-operation.

Sir, our able Finance Minister has in the presentation of the Budget laid down three alternatives. He has plainly told us that either we must cover the deficit, or reduce the expenditure or sanction fresh taxation; and Sir Malcolm Hailey has adopted the last alternative and asks this House to sanction the proposed taxation. Sir Malcolm is as human as most of us. I do not blame him for having adopted a course which will add revenue to the Government coffers. But then, Sir, the other side of the question has to be seriously probed into. I shall in the course of my examination of the budget endeavour to be as brief as possible. The first question that has been put to us is that we must cover the deficit. I acknowledge that on grounds of policy, on grounds of expediency, on grounds of statesmanship, it is always desirable to adopt the course of covering our deficit, either by a reduction of expenditure or by increased taxation. But, Sir, we are passing through abnormal times; the state of our finances is critical. I must not be understood to say that I am entirely in favour of leaving the deficit uncovered. I would only remind my friend, Sir Malcolm, of what the position in Europe now is. What is happening there? Can he point out any country, with the exception of England, which during the last two or three years has covered its deficits? France alone has done so by putting the amount which she expects to receive by way of reparation from Germany on the credit side, though

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recovery of reparation might as well be dropped. I do not lay great stress on this point. However, as the Budget stands, Sir Malcolm Hailey, though anxious to cover up the deficit, has actually left a deficit of nearly three crores of rupees uncovered for the next year. That deficit still stands and the proposals contained in the Budget do not make good that deficit. Therefore, whether the deficit is three crores or seven crores or more, it will not make a great difference in an exceptional year like this.

Sir, the next proposal lies before us in an alternative form. Are we going to reduce expenditure, or are we going to accept additional taxation? Sir Malcolm has stated that it is not possible for the Government of India at this stage to reduce the Military expenditure, to reduce the Civil expenditure, to reduce the enormous burdens which are a drain on our finances. He has stated that at present there is no other alternative for this Council but to submit to his Budget, to accept cheerfully and readily a further instalment of taxation. I shall come to the question of taxation presently. But I beg to point out, Sir, that I feel, despite what I have heard from His Excellency the Commander-in-Chief, I feel that we cannot allow our Military expenditure to stand in its present condition. Sir, during the war we were definitely told by Finance Minister after Finance Minister that we had to meet the Military expenditure out of sheer necessity, that this expenditure was at best of a temporary character, that this expenditure would cease when normal conditions were restored, and that the country would be absolved from the crushing burden at an early date. We have looked in vain for the fulfilment of that prophecy. Our Military expenditure has increased by leaps and bounds. Our Military expenditure at present is 62 crores, half the revenues of the State. I ask my Honourable Friend, Sir Malcolm Hailey, to enlighten us what country in the world spends 50 per cent. of its gross revenue on Military expenditure?

The HONOURABLE MR. E. M. COOK: Provincial revenues should also be taken.

The HONOURABLE SIR MANECKJI DADABHOY: It is a mistake to take into consideration provincial revenues. I think that is a bogey. My friend, Mr. Cook, seriously tells me that I omitted to take into consideration the provincial revenues. Sir, I do not think he is serious. It might be perhaps logical, but it is not fair, in calculating total Military expenditure, to take our provincial revenues into consideration. The bulk of our provincial revenues are spent on provincial appropriations, are spent in the provinces, and in considering a matter of this sort you have only to look to the Imperial revenue as it stands. On the other hand, Sir, of the 90 crores of debt which we have incurred during the last four years, nearly 10 or 12 crores have gone to Provinces as contributions in the shape of relief. Sir, I must say, and with great respect to His Excellency the Commander-in-Chief, and I feel it my duty to point out that the country at large, the Council at large as a body, is not in agreement with His Excellency regarding the Military policy. I have heard a great deal said about the propriety of our Military expenditure. Sir, there are ways of reducing that expenditure, but I do not propose to-day to go into the labyrinth of Military expenditure, to point out the various details where economy can be safely and effectively practised, where retrenchment could take the place of extravagant and liberal expenditure. I wish to point out

that, despite what His Excellency has said, there is scope, tremendous scope, for retrenchment. Sir, we are told that this Military expenditure has been necessitated by our frontier policy. We are told that this Military expenditure has been necessitated by our occupation of Waziristan. His Excellency the Commander-in-Chief is aware that there have been always two opinions on this question. India has resolutely, to my knowledge, for the last 25 years protested against the policy of unnecessary aggression and annexation. India has strongly protested and made it clear that she cannot bear crushing Military expenditure. His Excellency the Commander-in-Chief has told us plainly that we need not look forward for a decrease in this Military expenditure and has warned us that the Military expenditure next year will be much larger than what it is this year. If I am incorrectly representing His Excellency, I am very sorry, but that is what I gathered yesterday. He stated at any rate that the expenditure next year would be as much as this year. Sir, I understand that this expenditure is inevitable and that we will have to increase this expenditure, at any rate, for a series of years, that there is no hope or prospect of seeing any diminution in this expenditure as we are now engaged in an attempt to pacify the fanatics of Waziristan. I submit that we might as well make an attempt to pacify the band of tigers in the jungles of Sundurbans (Laughter). I submit, Sir, that this policy must, as early as possible, be brought to an end. There is only one alternative left. We must come back to our original boundary line. We must come back to our natural boundary line. We must set back our frontier boundary. We cannot year after year spend money, the tax-payer's money, on the off-chance of civilising and controlling these fanatical tribes of the frontier. Sir, there is only one consideration, one alternative, and that is, we must evacuate those frontiers which cost us such large sums of money and where expenditure cannot be restrained. Our friend, Mr. Denys Bray, than whom there is no frontier officer of such unique experience has told us . . .

THE HONOURABLE THE PRESIDENT: Order, order. The Honourable Member cannot refer to the debates of the other House save in so far as they refer to speeches of those Members of the Executive Council who are entitled to speak in both Houses. The reason of the ruling is obvious.

THE HONOURABLE SIR ARTHUR FROMM: May I ask, Sir, what time each Member of the Council will be allowed to speak during this debate?

THE HONOURABLE THE PRESIDENT: I prescribe no time-limit. I trust to the good sense and consideration of the Members of this Council who, I am sure, will not take an undue amount of time. I must say, however, that I should regard anything above half an hour as transgressing.

THE HONOURABLE SIR MANECKJI DADABHOY: Sir, in view of your ruling and the limited time at my disposal, I feel I will not be able to do justice to many contentions raised in the budget, but I will endeavour to place some of the most important arguments before this Council. The next question is that of the Excise duty. This has been justified by Government on the ground that the import duty has been raised to 15 per cent. Sir, I should have thought that after the statement made by Lord Hardinge in the Imperial Legislative Council, after the assurance given by Sir William Meyer, as the Finance Member, after the statement made by the Right Honourable Mr. Montagu in answer to the Lancashire deputation in March last, that the Government might have left this controversial subject severely alone. Sir Malcolm Hailey says that he has not overlooked the

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contentious history of this duty. If, Sir, he has not overlooked the past contentious history of this duty, why has it been thought fit now to increase it? Sir, this duty as it stands, perhaps might not unduly affect manufacturers, but what I contend is, that this Council times out of number has made its position clear in respect of this duty. The country object to this duty not as a harassing or oppressive duty, but as one wrong in principle; it is wholly indefensible, and it cannot stand. Sir Malcolm Hailey as a Finance Minister knows that no European country in the world has ever gone in for a tax of this nature. During the war, when the resources of England were attenuated; during the war when England was almost verging on bankruptcy, it never for a moment dreamt or took into its head the idea of putting a duty on cloth manufactured in Lancashire; and, Sir, if such an attempt had been made by England or any Government, that Government would not have survived for twenty-four hours.

Sir, at present there is no justification for this duty. Sir Malcolm Hailey in his Budget says that he has endeavoured his very best not to change the character of the duties and also to see that the *inter se* relations between the various duties are maintained. I beg to point out to him that it is not so. The very fact that an additional duty on Stores has been put; the very fact that the duty on Machinery has been increased; the very fact that the Income-tax has been raised, destroys the character which he alludes to, and the *inter se* relations between the various duties which he has claimed to maintain. Sir, there was no justification for the increase of this duty. The general tariff of 15 per cent. was raised as a general tariff, and if that was done, there was no necessity to isolate the item of Excise duty and to raise this duty; and the very fact that 4 per cent. had been increased and the present Excise duty has been brought to 7½ per cent. conclusively proves and establishes the desire of Government to maintain the countervailing character of the duty to which we object. It is wrong, Sir, in principle, and this duty is indefensible from any point of view.

Sir, the Excise duty is a tax on production. It is not a tax on profits. The Millowners of Bombay do not mind bearing their fair share of the burden of taxation; it does not affect them in the least if this duty is maintained. If you allow it to remain as it is, it will be simply passed on by the manufacturers to the consumers. The Finance Member thinks that this duty will not be oppressive; but I beg to point out that it will be very oppressive. It will eventually tell upon the industry. The Bombay Millowners will prefer to go in for another item of taxation than this. As regards the present prosperity of the mill industry, my Honourable Friend forgets that the industry has gone through many cycles of adversity. If he takes the average profits for the last twenty years, it has not been more than 10 per cent. If you bear in mind that the present prosperity of the industry is merely ephemeral, that it is due to war causes; if you bear that in mind, this increase in duty is not justifiable. Let me also bring to the notice of the Finance Member that the Millowners of Bombay have not been so selfish as he thinks. What they realized in the last three or four years they gave solidly in a body to help your War Loans (Hear, hear). But for the Bombay Millowners' help and assistance your position to-day would have been difficult. I say there is a limit to one's endurance. You still have a loan of 25 crores of rupees to float this year, and you will have to depend on the Bombay Millowners for their help and assistance. You will have to look to them for the supply of the major portion of the

money. The whole of the industries in this country are lying low; the industries of the country are financially suffering; the jute trade is ruined; other trades are ruined. There is only one trade at present, the mill industry of Bombay, and I warn the Government not to throttle that industry. That is the industry which supports the people, which supports labour, and it will be of great assistance to Government in its financial policy.

Sir, I likewise say to my friend, Sir Malcolm Hailey, that the tax on Machinery is wholly unjustifiable. The tax on this has been raised from $2\frac{1}{2}$ per cent. to 10 per cent. This sudden jump is to be regretted in face of the assurance of my friend, Sir Malcolm, last year, that this increase in duty was temporary and undesirable. Sir Malcolm thinks that this duty is justified at present by the fall in the price of machinery. Does Sir Malcolm Hailey know when this fall commenced? This fall commenced only in last August, and while the prices of machinery increased by 300 to 400 per cent., the reduction last August has only been 20 per cent. in some cases, and 30 per cent. in others. This small decline in price, therefore, does not affect the question. When Sir James Westland discussed this matter he assured the Council that the import of machinery would be allowed free for the industrial development of the country. Is this the time when India is struggling to develop her industries, when India is struggling to make her position felt, to bring prosperity to trade, that this heavy duty of 10 per cent. be imposed? I ask Sir Malcolm, is this measure consistent with his preliminary statement that it will cause the minimum of hardship to the trade? Is he not aware, Sir, that contracts have been made by people for millions of pounds of machinery during last year? That machinery is coming out, and I should have thought that in all propriety, in all fairness, the Finance Minister would have at least exempted those contracts which were closed on or before the 28th of February last. What is the result of this policy of taxing machinery? It is a charge on capital. We do not mind a charge on profits, but by this charge on capital you are going to handicap the trade. You are compelling companies that have been floated to wind up their concerns. You are compelling other companies to borrow money and have a capital debt at the very start. I ask the Finance Minister seriously to consider his position and see whether it is right and fair to enhance the duty in view of his statement deliberately made in this Council twelve months ago.

Sir, about the Salt duty I will only say a word. I agree with the Finance Minister that in its incidence it will not be felt. It only works out at $3\frac{1}{2}$ annas a head a year. That may be so. I will only ask him whether he thinks that in the present political and economic condition of India this is a wise tax to levy. It is for the Government to decide. I would only warn them that they are taking an uncalled for and unnecessary risk in this matter.

Sir, with the time at my disposal I cannot refer to many other matters, as other Honourable Members have to follow me, but I want to assure the Honourable the Finance Member that we will give him every help and assistance if Government makes an earnest attempt, if Government makes a serious attempt, to recast this Budget and remove oppressive and unpopular taxation. We are ready to bear our share of the burden, and I would suggest to him a few sources of income which he might consider. It would be advisable to remove this increase in Excise duty and substitute in its place an increase in the Corporation tax from one anna to one and a

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half anna. If the Corporation tax (super-tax payable by companies) is raised he will get more revenue than he expects to get from Machinery and this Excise duty combined. He will not be doing any injustice to any particular trade. He will not be doing injustice to one particular line of business. Sir, the principle of putting a duty on yarn has been admitted by Government. This was the duty Government was advised last year to impose. The Government have now decided to put a 5 per cent. import duty. If the principle is admitted, why confine this duty to 5 per cent. and not increase it to 15 per cent? Why not bring it within the general tariff of 15 per cent? The argument that it will affect the loom industry of India is absolutely unfounded. Those who know anything about it can assure my Honourable friend that as regards the imports of yarn they are generally of a superior count, and that only one-seventh or one-eighth part of it is used by hand-loom weavers. The rest is all consumed in the power loom industry. Sir, I am against export duties of all sorts, except in articles in which we hold monopoly, and I will never agree to an export duty so long as I am in the Council; but if the financial position of Government necessitates the raising of revenue, my submission is that it will be advantageous, as a special measure, to lay a moderate export duty on oil seeds, teak, bones and manure, and also a moderate duty on wheat equivalent to the duty on rice. I also suggest that the foreign imports of coal should be taxed. What justification have we got to allow foreign coal to be imported free? Except the coal required for bunkering purposes, all imports of foreign coal may be taxed with advantage. You may as well levy a port tax . . .

THE HONOURABLE THE PRESIDENT: The Honourable Member does not seem to be bearing in mind the remark which fell from me a little while ago.

THE HONOURABLE SIR MANECKJI DADABHOY: I am just closing my remarks, Sir. About 10,00 ships annually enter the harbours of India; the shipping industry has done very well during the War, and if a small tax is put on it, I don't think it will considerably affect it.

Sir, the position is clear to my mind and I ask Sir Malcolm Hailey, I request him with all earnestness, to see his way to revise and re-cast the Budget. We feel that we cannot support it as it stands. When fiscal power has been given to us to a certain extent, I say we shall be humiliating ourselves in the eyes of the world if we accept this Budget without protest and without opposition; but I assure him of our support and our willingness to meet him half way if the Budget is re-cast on sound principles, on principles of justice and fair play which will not involve serious additional taxation on the poor and unprotected.

THE HONOURABLE SIR EDGAR HOLBERTON: Sir, I desire, if I can, entirely to dissociate myself from the atmosphere of gloom with reference to this Budget which has been the atmosphere prevalent this morning, and if I were allowed to say so, I would say in the other place also. Our expenditure has gone up of course. What else could we expect? The year has been a thoroughly bad year commercially all over the world—as bad I suppose as the world has ever seen. And how could India expect to escape? In India also we have had a bad year politically. Sedition has been rife. There has been a political rebellion within our borders. There has been a series of political strikes with no economic justification. All

these things have to be paid for. There has been in the Budget a very heavy loss on Exchange. This could not be avoided. In addition to all this War prices are still with us. Everything that Government has to spend costs more than it did. How on earth, under these conditions, could we have expected the expenditure side of the Budget to show a diminishing ratio? I cannot see that, as regards the expenditure side of the Budget at all events, the slightest blame can be attached to the Finance Department. It is true that in the course of the debates in both Houses suggestions for Retrenchment Committees were not received by the Government with the willingness which we might have expected; but still from our own personal experience as people who live in this country we know that everything is starved; we know that everything has been cut down to the very smallest possible margin; we know that public works which are absolutely necessary for the improvement of each Province and of the Central Government are being cut down; we know that the whole great mass of Government servants consider themselves underpaid and with some justification, and we know that every protest that they put forward, every petition they venture to submit, is met with the reply 'no funds.' This being so, unless people can suggest absolutely specific instances, we must acquit the Government of extravagance. (Cries of 'Retrenchment'). Where you are going to get retrenchment, I do not know; it will at all events have to be the work of a very great expert to find out.

Next, I would turn to the Army. There has been a general cry for a reduction of the expenditure on that. We are told commonly that it absorbs more than 50 per cent. of our revenue. I do not agree with that. I consider that the sphere of the Army is spread over the whole of the provinces and that the Army expenditure, if we can divide it up into percentages, should be spread over the whole revenue available. If we do that, I shall be surprised if we find the figure much exceeding 30 per cent. 30 per cent. may be an exceptional figure, but we live here in exceptional times. We have not only to protect the inhabitants of our political zone from the wild raiders of Waziristan, for which so strong a case was made by His Excellency the Commander-in-Chief yesterday, but we have also to protect our peaceful citizens from marauders in our midst. As long as the present political situation continues in India, as long as we are in danger of rebellion and sudden political strikes, it is essential that we keep an Army fit to cope with any situation that may arise at any moment. That being so, my strong view is that on questions of Army expenditure, we must be bound by the joint deliberations of the Civil and Military authorities which give their verdict through the Central Government. Any sum cut off the military budget which is considered necessary by the Central Government is perilous to the individual who desires to pursue his peaceful avocations in this country.

A deficit, of course, there was bound to be, and the Honourable the Finance Member has in his long, interesting and instructive speech dealt with most of the possible means by which this deficit could have been met. Apart from taxation, the three obvious methods which occur to one are, first of all, the printing of notes, which I do not think will find a single supporter here; secondly, utilising the Gold Currency Reserve, which would be a last resort which I fancy also would find but little favour, and, thirdly, carrying a great deal of this deficit and relying upon the public to lend us the money to carry on with. I would not advocate carrying the whole of the deficit, and I am sufficiently impressed with some of Sir Malcolm Hailey's warnings that there are limits to the amount of money which

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India could borrow; but, in my humble opinion, he has been overcautious in his fears on this matter, and I cannot believe that, provided the Government of this country is strong, provided the Army is kept at the right figure, provided citizens are prepared to foresee for themselves scope for the peaceful pursuit of their business in India, the borrowing capacity of the country has as yet been at all fully exploited. I have not the exact figures with me, but I should doubt if the loans outstanding against this country were more than 600 crores. Of this, no less a sum than something like 450 crores are remunerative loans, loans sunk in railways, in irrigation works, not loans which we are going to consider very seriously when the question of the credit of the country comes up for discussion. If my figures are anything like correct, the debt standing against the credit of this country cannot exceed something like the small and paltry figure of 150 crores. What other country in the world, which has had to do with the war, can show such a balance sheet? Surely here must be an avenue for meeting, at all events, a portion of the deficit.

However, there is no question also that a large portion of the deficit will have to be met by excess taxation. If the Honourable the Finance Member has been a little hampered in his budgetting for extra taxation by the sitting of the Fiscal Commission, on which I have the honour to have a seat, in raising his general rate of duties from 11 to 15 per cent, he has, I think, escaped, though perhaps narrowly, the accusation of diverging from the principle of the revenue budget and turning it into a protection one. We will accept the 15 per cent general rate as a revenue budget on the assumption that we are about at the end of the possibilities of the revenue budget in that direction.

With reference to the details of his Budget, I desire, in the first place, to associate myself most strongly and emphatically with the unanimous condemnation of the taxation of Machinery, Iron and Steel, and Railway Material. (Hear, hear). The industrialisation of this country is perhaps the strongest cry of its people. Put it as you like, tell us, if you will, that the price has gone down 50 per cent, or 100 per cent, or 200 per cent, it does not matter. By taxing these things before you have available in India the machinery to provide you with all the things required for building up new industrial concerns, you are simply checking the progress of the country. I hope and trust that the Honourable the Finance Member will find it in his power to take this duty off altogether, but, if he does not, surely some one of our friends, at the time of the passing of the Finance Bill, will at all events succeed in carrying an amendment to the effect that any order or contract which had been entered into before the 28th February, 1922, must bear exemption. Otherwise, you are taxing the enterprising business-man of this country most unfairly.

I do not wish to spend much of your valuable time and I will not traverse very many of the items of taxation, but I must say a few words on the most vexed of all the subjects, namely, the Excise duties. Sir, in his treatment of the Cotton Duty problem the Honourable the Finance Member has, if I may say so, adopted the methods practised by a medical practitioner of the old days.* He has found a patient with a disease and he has been called on to prescribe. He has taken his bag with him and he has pulled straight out of it Gregory's Powder and blue pills; he has told the patient he must continue this course which, it is true, has been the course he has had before and he has been hating. All that he gets, however,

is more Gregory's Powder and blue pills (Laughter), and more excise. Now, supposing the Honourable the Finance Member had been dealing with the matter as a Harley Street practitioner of the present day would, he would probably have approached the patient with a new remedy; he would have said:

'The medicine that you have been taking is an obnoxious one; do not persist in it; do away with it.'

He would produce out of his bag something sugar-coated, something containing the same real ingredients, but something which would
 12 NOON. do away with the words 'excise duties' and especially with the word 'countervailing.' Now, gentlemen, to leave this simile for a moment, there is no doubt that, apart from commercial objections to this tax, the real foundation is a sentimental one with which one must have great sympathy. At the same time, there is evidence to show that the present rate of divergence between the excise duty and the import duty is sufficient to allow prosperity to the Bombay millowner. (*A voice: 'Question.'*) I am questioned about this. I would refer to newspaper reports of evidence given before the Fiscal Commission by some of the most prominent Bombay millowners. Why not therefore do away with excise, reduce the custom duties to 7½ per cent, and, taking the example of our friends in Japan, bring in a consumption tax, a purely temporary tax to meet this emergency, a tax which would have to be re-introduced every year, a tax which would disappear immediately the present financial stringency was over. In this way we should meet the sentiment of our friends. We should, I think, not unduly damage the industry: and we should also meet the Finance Member's point of view and bring him in the revenue which he says he must have. This consumption duty, I need hardly tell you, is a system adopted in Japan and is levied on both import and export articles alike. It would hit with exactly the same force the cotton going out of the mills, the cotton coming from Lancashire and, what is most important of all, the cotton coming in from Japan. I put this forward as a serious suggestion, by which it is possible that the various divergent opinions about this cotton duty might be brought into union.

The system of consumption duties might, I think, also be applied to the kerosine tax and the salt tax. Why not call the two extra calls which you are going to make on these two industries also a consumption tax? My point is, as I have said before, that you would bring it into unity with your regular tax; you bring it in as an emergency measure, realizing that it is not desirable, but realizing also that you have to get funds for the present. An emergency measure is one that you will take off at the first possible moment, but the same hope cannot be held out for any tax which gets into the actual tariff.

One more item and I have finished. There is one other point which must have struck everybody, namely, that the commercial departments of the Government are working at a loss and taxation is necessary to bring them into a position of solvency. Sir, I could not expect to carry the House with me in the suggestion I am going to make, but it is one made repeatedly by responsible people all over the world. Is not the remedy the denationalization of these services and the putting of them on a commercial basis? It is almost an accepted fact that the function of Government is not to carry on a business. Railways, Posts and Telegraphs, like Telephones, are a business. I suggest that, unless it is possible in the next few years to get these commercial departments into a solvent state at a lesser charge

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to the tax-payer and the railway traveller than is at present the case, this question of handing them over to commercial people to manage must be seriously taken into consideration.

The HONOURABLE MR. SETHNA: Sir, within a few days we shall be crossing the threshold of the new official year 1922-23. It will be the second year since the Reforms have come into existence. We are not sufficiently clairvoyant to peer into the future and discern what Fate actually has in store for us. My Honourable Friend, Sir Edgar Holberton, has just now told us that he would dissociate himself with any picture of gloominess in regard to the coming year. On the contrary, the picture portrayed for our benefit by the Honourable the Finance Member is certainly very gloomy and shows that the coming year is to be financially gloomier than the one which is soon to end. It is a matter for regret that the Reforms should have been heralded in with this terrible set-back. But the situation has to be faced and ways and means found whereby in the years to come, instead of deficits we may have surpluses, so that the country may advance faster and on healthier lines the nearer it approaches complete self-government as an integral part of the British Empire. Taxation has been at its heaviest in all the European countries since the war and after; but during the last few months there has been a tendency everywhere in Europe to reduce taxation as far as possible, and the attempt, as we know, is meeting with much success. It is a pity, therefore, that just at this time India should be compelled to raise its taxation and to raise it in a manner never dreamt of in this country. The taxable capacity of any country is not easy to determine, but it will be readily admitted that, as compared to other countries, India is certainly and beyond all question very poor. If what has been said before be true, that the real annual income of an Indian is £2, as compared with the Englishman's £45: and even if that annual income has increased to-day, as I believe it has, the Legislature will yet have to take great care to see that the tax-payer is not burdened beyond his capacity. Our deficits for the last four years amount to 90 crores of rupees. If this country had not made a free gift of 100 millions Sterling during the war—a gift made without the country being consulted and in a desperate hurry—our balances to-day would have been on the right side.

The expenditure, however, has been growing at an enormous rate, and even if we had not made this free gift of 100 millions Sterling, I admit that at this juncture we would certainly have had to increase our taxation. It is this growing expenditure to which the Legislature must direct its very close attention. Rabid and perversely unfair critics of the type of the present Chairman of the Calcutta Chamber of Commerce, who look upon Indians as both incapable and untrustworthy who have no faith in the Reforms and much less in those who compose these Councils, will pour forth, in the choice language and style in which they seem to revel and in which they appear to be such great adepts, their vituperations on the heads of those Members of the Legislature like myself who are asking Government before anything else to reduce their military expenditure. These critics will assume that any such attempts on our part are no more than a parrot cry and that Government on no account should reduce its Military expenditure, for otherwise to use the words of the same critics they would be juggled out of their birth-right or receive the Order of the Boot. Fortunately for the country, Sir, we have men in the Government of India who

think otherwise, and they have already accepted the Resolution of the other House to have a Retrenchment Committee. Sir, that Retrenchment Committee will not be able to go very far, for it will deal only with the Civil expenditure, the total of which amounts to 20 crores. No matter however drastic may be their recommendations, they will not go a long way to meet our heavy deficits. Therefore, Sir, it is the Military expenditure to which we must devote our attention primarily. Reduction seems to be the cry all the world over at the present moment. Only two days ago there was a telegram to the effect that the recommendations of the Geddes Committee of 84 millions to be reduced have been accepted by the Government to the extent of 64 millions, of which 11 millions are reductions as recommended by the Resolutions passed by the Washington Conference. That telegram goes on further to say that in the coming year, the estimates will be 484 millions as against 665 millions, which means a reduction of 24 per cent. If we can but effect a reduction of 24 per cent. in our Budget, the trick is done and there will be no necessity for any further taxation.

Much, Sir, has been said on this vexed question of the Military expenditure in the other House both last year and, I understand, yesterday and the day before. It was my misfortune not to have heard His Excellency the Commander-in-Chief or the Honourable the Finance Member on the defence, I am told, they put up in support of the Military expenditure. But whatever they may have to say it will be a long time before the country at large is convinced that the Military expenditure cannot possibly be reduced. Sir, a note was issued by the Military Department last year and another one I understand has been issued and circulated within the last two days. But neither of these, I repeat, will convince the country that the Military expenditure cannot be reduced, and reduced substantially. In the pre-war days the total of our Military expenditure was only 31 crores. Last year we budgetted for 62½ crores, but the Finance Member has told us that this figure will reach or has reached 65 crores. In next year's Budget, he gives the estimate at 62½ crores of rupees, which includes of course 2½ crores for Waziristan.

In this connection, Sir, I seek some enlightenment from the Honourable the Finance Member. In paragraph 14 of his Budget speech he says:

'I have estimated for the Budget purpose the rupee at 1 shilling 4 pence. The debit that will be necessary in our accounts which we still maintain at 2 shilling basis will at this estimate be about 15½ crores, of which 10 crores will appear under the head Exchange.'

Now, Sir, what I desire to know is, whether any part of these 10 crores is due in any shape or form to the Military expenditure. (*Sir Malcolm Hailey: 'Yes'.*) I get an answer in the affirmative. Then it means that the 62½ crores is not the correct figure and the Legislature and the public have a right to know how much more has to be added to arrive at the correct figure of our Military Colossus.

Further, why should a part of the Budget be prepared at 1s. 4d. and another portion at 2s., unless it be that the Government do not desire that the public at large should know the exact amount of the correct Military expenditure until they dive deep into the mysteries of the Budget figures. I certainly think it would be very advisable that we should revert to the old practice of having the Budget prepared at one rate of exchange, be it at 2s., at 1s. 8d. or at 1s. 4d. as is determined upon.

Sir, the acquisition of Waziristan has cost the country no end of money and very great loss of life. Now, this is the stumbling block or one of the

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stumbling blocks of the Military Budget, and certainly it is one of its most objectionable features. During 4 years the country has spent 25 crores of rupees in Waziristan, and what have the Government to show in return for it? Absolutely nothing. . . .

The HONOURABLE SIR MALCOLM HAILEY: May I ask that figure again?

The HONOURABLE MR. SETHNA: 25 crores in 4 years.

The HONOURABLE MR. E. M. COOK: Is that all spent on Waziristan?

The HONOURABLE MR. SETHNA: Yes. Am I wrong?

The HONOURABLE SIR MALCOLM HAILEY: I will see the figure.

The HONOURABLE MR. SETHNA: I repeat that we have spent 25 crores in 4 years and we have got nothing in return for this enormous waste of money; and what is more the Finance Member tells us that there is still the 'indeterminate liability' for Waziristan. This mad adventure must cease, and the sooner it ceases the better for the country at large.

Now, Sir, in regard to the strength of the Army, Government have maintained that it should be kept up at its present level and they cannot possibly reduce not only the strength of the Army, but also its consequent very heavy cost. If the Army cannot be reduced, at least one thing can be done, by which we can effect a saving of $1\frac{1}{2}$ crores. If we are not going to reduce the numbers, I think we can, without impairing the safety of the country, substitute 10,000 Indian troops for 10,000 British troops. Each British soldier costs Rs. 1,971 per annum, and an Indian soldier Rs. 411. Therefore, if there is a substitution of 10,000 Indian troops, we keep the numbers as they are, but we effect a saving of 1 crore and 56 lakhs, and I repeat that in the opinion of the country at large, no matter what the Government might have to say to the contrary, the safety of the country will not be imperilled by such substitution. Our abnormal military expenditure is the root-cause of all our trouble and our heavy deficits and the Legislature must compel Government to agree with us in reducing Military expenditure. I quite understand that the Military expenditure is at present an untouchable item, but it can be very vitally touched if only the Assembly will inform Government that in those items they can touch and deal with they will vote no grants as asked for unless and until Government reduce, and reduce substantially, their Military expenditure.

Even assuming as correct and convincing the figures which Government have placed before us, firstly in regard to the unavoidable and to the inevitable character of the heavy expenditure and the consequent deficit, and even assuming that the best method of meeting this increased expenditure is by adding fresh taxation to the full extent of the deficit, the Legislature has to consider which of the new proposed taxes might be granted and which most scrupulously avoided. The one item above all others, not even excepting the salt tax, which the country to a man must oppose, is the proposed increase in the excise on cotton duty. The increase in salt duty will certainly affect the masses; so will the increase in the cotton excise duty, if not to the same extent to an appreciable extent, but the increase in the excise cotton duty is an insult to the intelligence of the country. The Honourable the Finance Member has informed the Press officially that he has suggested this increase, not due to any wire-pulling, not because

he is desirous of appeasing Lancashire, but for the sole purpose of adding to the revenue. I accept his statement, but if we are to be the masters of our own house, are we going to allow ourselves to be taxed in the manner proposed and allow Lancashire to benefit? However spontaneous it might have come to the Finance Member to raise cotton excise duty, he will have to admit that this increase of 4 per cent. certainly will benefit Lancashire.

The HONOURABLE MR. E. M. COOK: 'No'.

The HONOURABLE MR. SETHNA: It is true that there is also a similar increase of 4 per cent. on imports, but does not my Honourable friend know that, according to the proposed new taxation the local producers of cloth, in addition to the 4 per cent. which they will pay, will also have to pay, instead of 11 per cent., 15 per cent. on the sizing material, the stores, and the accessories they will purchase for their mills? They will have to pay four times as much on the import of new machinery and a higher income-tax. I have with me here the figures of an average mill in Bombay with which I am connected, and according to these figures I roughly make out that the increases in the items I have referred to will give an advantage of more than 2 per cent. to Lancashire. (A voice: 'What about yarn?') My Honourable friend says, 'What about yarn?' The percentage of foreign imported yarn which the cotton mills use is negligible. Imported yarn is mostly used by hand loom weavers.

Moreover, the productions of cloth of Indian mills are of qualities which are meant for the masses, not for the classes, and why should the masses be taxed any further than what they are already? But above all, the self-respect of the country demands that we should absolutely negative any suggestion for the increase of the excise duty. May we ask why, during the worst days of the war, when so much money was needed, when taxation of all possible kinds was resorted to England never dreamt of raising one penny from its cotton excise? Is there any cotton excise duty in any of the self-governing colonies? Will any British statesman have had the hardihood of proposing such a duty to Australia, to New Zealand, to Canada or to South Africa? Is it not monstrous therefore, and one cannot use a milder term, for the Government of India to come forward with such a proposal just when Great Britain has promised India self-government and has already contributed a first instalment towards that direction to raise the cotton excise duty? Are not the Government of India aware that in England not only the Ministers but the whole country are cognisant of the views we hold on the subject? I will quote a few sentences from the reply which the Right Honourable Mr. Montagu gave to the deputation from Lancashire that waited on him on the 23rd March last year. He said:

'The Government of India would have had to propose to their Legislative Assembly duties upon cotton coupled with a corresponding excise. That Legislative Assembly contains an overwhelming majority of Members fresh from the constituencies upon whose vote the issue would be decided. I do not hesitate to say as a mere hypothesis and prophecy that there would not be one single Member of that elected majority that would have voted for an excise duty upon cotton goods. They do not believe in it. They are protectionists; they prefer to get their revenue from protection; and the consequence would have been that your Bill would have been defeated in the Legislative Assembly.'

He further said:—

'Whatever be the right fiscal policy for India, for the needs of her consumers as well as for her manufacturers, it is quite clear that she should have the same liberty to consider her interests as Great Britain, Australia, New Zealand, Canada and South Africa.'

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The total amount of duty to be collected from imports and excise is 5 crores and 45 lakhs. My Honourable Friend, Sir Edgar Holberton, has suggested some means of avoiding cotton excise and charging what he calls consumption duties. I say, Sir, that the country would ten times sooner agree to increase the import duty from 15 to 20 per cent. or even 25 per cent. rather than consent to pay even a fraction of one per cent. in the shape of an increase of cotton excise duty.

Sir, the controversy on the cotton excise has been very bitter for years past; in fact, it has been an open sore for the last 20 or 25 years; but the country was greatly relieved when Lord Hardinge, in winding up the Budget debate of 1916-17, observed as follows:

'The Government of India have no desire to create controversy here, in England or anywhere else at the present time by the discussion of questions affecting Indian interests, but they are glad to have had the opportunity of placing on official record their views that the import duties on cotton fabrics should be raised, and that the excise duty should for the present remain at its actual figure and an assurance given that it would be abolished as soon as financial considerations will permit.'

We hoped that by this pronouncement Lord Hardinge had sounded the death-knell of this most obnoxious impost. Surely, my Honourable Friend, Sir Malcolm Hailey, could not have lost sight of this solemn pledge, and he must have spoken with his tongue in his cheek when this day last week, no matter how urgent the demand for more money, he came forward in all earnestness to propose an increase in the very cotton excise duties which Government have definitely promised to repeal altogether as soon as circumstances permit of their doing so.

I too should also like to say a word in regard to the increased duty on Machinery. I say that the proposal to increase this duty, which was for the first time levied at only 2½ per cent. a year ago, to 10 per cent. from this year will lay the Government of India open to the charge of deliberately holding back the progress of the country. It is only of late that India has taken kindly to industries. I admit that perhaps 10 per cent. will not kill industries, but it will certainly retard their progress. I also know that the levying of a 10 per cent. duty will, with one stroke of the pen, enhance the value of existing plants; but Government ought to see to the future prosperity of the country, and we want India to progress and this duty will give it a serious check. Under this head Government expect an additional revenue of 4 crores and 5 lakhs of rupees. This head includes Iron and Steel and Railway Material. If machinery were dropped, and the duty, instead of being 10 per cent. on Iron and Steel, were raised to much more, it would give a great fillip to the Iron and Steel industry of this country, and enable more such concerns to be started. (A voice: 'Like Tata's'). Not only Tata's but others in Calcutta, and if this protection is given to this trade many more concerns would come into existence sooner than they otherwise would.

I do not desire to exceed my time-limit. Much can be said in regard to Postal and Railway charges, but all I would like to point out is, that we ought to profit by the experience of Great Britain. We read just the other day that the London Brighton and South Chatham Railway alone carried nine million fewer passengers last year and the underground railways and omnibuses showed a combined decrease of 72 million passengers in the same period due to higher fares.

In regard to Postage rates I quote from the ' Outlook,' which says:

' That the Postmaster General predicted an increase for the last half year of £5,250,000 from the higher postage. It now appears that the increase obtained was £250,000 or four per cent. of that estimated. . . . An apologist might reply that a greater part of the discrepancy of 96 per cent. between revenue estimated and revenue obtained can be accounted for by the business collapse: but the collapse has taken place when the estimate was made, and there is still less warrant in a bad business period than in a good one for an attempt to raise the cost of doing business.'

We can say with equal justice that business in this country is also in a bad way and Government should be careful before they increase both their Railway fares and their Postal charges. Last year an attempt was made to raise fresh taxes from the better classes from people who could conveniently afford them. This year the additional taxation is to come as much from the rich as from the poor, and the poor will be severely affected by the increases in the Salt tax, on Kerosine Oil, on Matches, Cotton excise, higher Postal charges and Railway fares. And not only will they increase the cost of living but, as has been pointed out by the Honourable Sir Maneckji Dadabhoy, they will add very greatly to the existing political and economic discontent in this country. In retrenchment and retrenchment alone is our salvation, and the severest pruning must, of course, be in the military expenditure. If thereafter more money is still needed, then will be the time for us to see which particular taxes might be agreed to. But at all costs we should leave out, first of all, increase on Cotton excise, increase on Machinery, increase on the Salt tax, and also leave alone the quarter anna post-card, for these taxes will not only retard the progress of the country, but also prove a greater burden than the poor of this country can possibly bear.

The HONOURABLE MR. V. G. KALE: Sir, the Budget has been characterised by different speakers by different words. I would like to call the Budget an impossible Budget, because it is not possible for the country to stand the huge taxation which it is sought to impose upon the people. The situation to which we have been reduced financially has been due mainly to three causes. There are, first, the world causes which have been in operation and which have affected India in common with other countries. Secondly, there have been special causes to which we must attribute the present financial stringency and taxational difficulties, and they are principally due to the contribution which India made to the prosecution of the War. Very few people realise the great extent to which India made sacrifices for the successful prosecution of the War, direct and indirect. Apart from the War contribution of 150 crores, India had been disbursing large amounts of money on behalf of His Majesty's Government. We received payment for these disbursements in England. Funds accumulated in very large quantities in London, with the result that the whole of our Exchange system was disturbed and dislocated, and the consequences are being felt even at the present moment. My Honourable Friend, Mr. Sethna, inquired whether the Budget was made up on two different bases—the 24 pence and the 16 pence basis. The very fact that such a question is put in this Council must show what a confusion has been created in our financial arrangements and in the accounts that we keep, by the part that India has played in the prosecution of the War. The Budget has been placed, so far as I understand the subject, not on two different bases, but one basis—16 pence to the rupee; but the accounts are being maintained upon the old basis which was adopted two years ago, viz., the 2 shilling basis, and so far as remittances from this country to London are concerned, that is to say, the Home

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Charges and other amounts which we are remitting to London are concerned, there is the distinction between the two different bases. But the very fact that we have to assign 15 crores of rupees to the item of Exchange and another 9½ crores on capital account, goes to indicate to what straits the financial management of India has been reduced. And here I come to the third cause. The Government would not like that the word 'mis-management' or 'maladministration' should be used in connection with the management of India's finances. Whatever word you may use, however, the situation is there. Not only is a heavy load of taxation being imposed on the country in the coming year, but the heavy burden of debt, permanent and floating, which has been already incurred, is not likely to be reduced for several years to come. Now, the important point I wish to make in connection with the proposals for taxation is, that there must always be a reasonable proportion between national income and national taxation, and I want to inquire whether the next year's Budget shows a proper relation between the two. I will not go into the detailed calculations of the average income per head of the population in this country. Assuming that income to be Rs. 50 or Rs. 60, which is very doubtful, but assuming it to be Rs. 50 per head per year—the large masses of the people must be taken to have an average income of not more than Rs. 20 to Rs. 25—which means Rs. 2 or Rs. 2-8 per month. Can we imagine a man, woman or child living on Rs. 2-8 per month, and at the same time, being called upon to pay more for all the necessities of life? for food, for salt, for kerosine, for matches, and, what is more important, for clothing? Can you imagine a person on Rs. 3 or Rs. 2-8 a month, being called upon to spend more? We are told that the contribution on account of the increase in the salt tax is very small. But you have got to take that contribution along with the other contributions. Taken by itself, every tax is small; but after all, the burden on the back of the tax-payer is composed of a number of taxes, and for the next year these taxes have all been increased, and most of them are going to hit the masses of the people very hard. We know that prices in the country are very high. The index number of prices is still higher by nearly 75 to 80 per cent. than it was in 1913-14. The cost of living has gone up on all sides, and the Government may take it that the common mass of the people of India have been compelled to reduce their expenditure upon necessities of life, upon food, and upon clothing. The masses of the people are postponing the purchase of clothes and they are limiting their expenditure to absolute minimum necessities of life on which their health depends. Under these circumstances, how is it possible for the people to agree to the taxes which are being proposed? I can understand additional taxes being imposed upon profits, and upon higher incomes, but almost all these proposals of which I have been speaking, are proposals for the taxation of the poorer classes. Before the war, Government statisticians used to say that the prosperity of the country was increasing because it was reflected in the increasing imports of certain comforts and luxuries of life which were used by the masses. The finger was laid on the import of articles such as matches, soap and tinned sheets for the roofing of houses. What has happened to these articles? Their prices are going to be still further increased. Apart from all amenities of life, apart from all conveniences being reduced and denied to the people, the very necessities of life are going to be cut down and taxed. I find from the observations made by the London 'Times' that the Indian people are asked to remember that the constitutional and social progress of

India must involve a considerable cost and that the budget before us is the price the Indian people must pay for reform and progress. I would gladly agree to this proposition if the budget were going to make for greater social and political progress. What social or economic advancement is proposed as a result of the budget? I must say that the budget is the most uninspiring budget that I have ever read, the most dismal budget that it has been my fortune to read; (*A voice*: 'Misfortune'!) yes, my misfortune to read. There is no proposal in the budget with regard to social reform and social advancement. There can be no provision for social advancement and economic reform because the new taxes are required solely for making up deficits; and one does not know for how many years these deficits will have to be continued and thus social progress will have to be arrested. Along with the finances of the Central Government, we cannot forget the finances of the provinces, because the masses of people will be called upon to bear the central as well as provincial taxes; and the total burden of the taxes made up in this way from central taxation, provincial taxation and local taxation, will be very huge indeed! When Government is asked to set about certain reforms of social or economic character, we are met with a reply that it is not possible. 'Inquiries will have to be made, which will take a long time; and retrenchment and economy are not practical.' Under these circumstances, what is it that we are expected to do? The Government comes before us and says:

'Well, this is our budget. We cannot cut down expenditure by a single crore. You must, however, help us in putting on these taxes.'

I am very glad to find that my Honourable Friend, Sir Maneckji Dadabhoy, at the outset of his speech, was courageous enough to say that, if this budget is to stand as it is, it will not be possible for him to support Government or to co-operate with Government. (*A voice*: 'Co-operate so far as the budget is concerned.') I do not mean anything else. If such a great friend of Government as the Honourable Sir Maneckji Dadabhoy makes this observation, (*A voice*: 'He is often an opponent too.') I shall be pardoned if I say that the representatives of the people in this House are placed in an extremely awkward position. Government wants us to support their budget. And we shall be regarded as irresponsible critics if we do not allow and help Government to cover the whole deficit by means of additional taxation. Irresponsible, certainly we are! But we cannot help it; we are not to blame for it. We cannot say to Government—

'Well, step aside, and we shall show you how to carry on the financial management of the country satisfactorily.'

It is not within our power to say that, and consequently all we are expected to do is to support Government. But how can we do it? Consistently with our honest convictions, consistently with the interests of the public, and above all, consistently with our consciences, it is not possible for us to support the proposed taxational measures. The people cannot stand the additional taxation, and honestly and sincerely I think it is a budget which takes out of the small earnings and incomes of the people more than it ought to do. The cost of living will materially increase as a result of this budget. The cost of production will go up everywhere and we shall be moving in a vicious circle. The cost of administration has been increased because the cost of living has been increased. Now, the cost of living has again been increased by additional taxation, and the cost of administration consequently will also be further increased. We shall go on round and round and it will be an endless business. The industry and trade of the

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country will be handicapped on account of the increased cost of living, and this increased cost of living will cause a very great hardship to the poor. When you are going to tax the poor and the middle and lower classes, you can imagine what the condition of an average family will be? Everything is costing higher. Even education is costing higher. The Government of Bombay have recently issued a press note increasing even the High School fees. A poor family with two children learning and reading in a high school will find education a costly luxury beyond their reach. Even elementary education, which is to-day a luxury to the masses, will become impossible for them. Consequently, socially, morally, intellectually and materially, a great set-back will be given to the advancement of the country by this budget. My friends who are intimately connected with trade and industry, have made observations on that part of the budget which relates to taxes upon Trades and Industries. I will not, therefore, detain the Council with any remarks of mine on that subject. I shall, however, say one thing with regard to the Excise duties. I will look at them from the consumer's point of view and I must say that the consumer will find that the price of his cloth has gone up as a result of the excise duty. The manufacturers will take care of themselves. The mill-owners in India, at the present moment, have practically a monopoly in the supply of cloth. On account of the increased duty on imports and on account of the limited quantity of cloth turned out by the Indian mills, they are practically in the position of monopolists, and as such, they can coolly pass on the increased Excise duty to the shoulders of the consumers. The consumer will be the sufferer, because mill-owners are not philanthropists; and, if they can help it, certainly they will shift to the consumer the Excise duty wholly or partially. From the point of view of the interests of the consumer, therefore, I oppose the Excise duty. I do not want that the cloth of the poor should further go up in price. If you look into the statistics of imports and production of cloth for the last few years, you will find that the quantity of cotton cloth per head of the population that is used by the people in India, has gone down very materially. Before the war, it used to be about 13 yards per head. During the war, it was about 9 yards per head, and I am doubtful whether it would be possible in the near future for the people of India to have even 9 yards of cloth per head of the population on the average to clothe themselves. People will be under-clothed and under-fed and this will lead to a material deterioration in the moral, intellectual and economic condition of the country. Consequently, the taxes upon Salt, Cloth, Kerosine and Matches are the taxes which ought not to be thought of. If the Government cannot do without additional taxation, let the taxes be imposed upon the shoulders that are broad enough to bear them. Let the poor people—and the majority of the people of this country are poor cultivators—not be hit by these high taxes. According to the showing of Government itself, high prices of these commodities hit the lower class of the people. If I am not mistaken, in the memorandum submitted by the Government of India for the consideration of the Babington Smith Committee, they stated that high prices were pressing on the majority of people hard. Indeed, the present proposals of Government are calculated to have the same effect. Let Government pause before they finally make up their mind to insist upon the present proposals of taxation being carried out. All we can say is that we cannot conscientiously agree, having regard both to our honest convictions and the interests of the public, to support the taxes which have been laid before us. If any other proposals are placed before us, we shall consider them and give them such support as we can.

The HONOURABLE SIR ARTHUR FROMM: Sir, in discussing an important matter like the Budget, it is very difficult to refrain from referring frequently to the Honourable the Finance Member either by his official name or by the name of the Honourable Sir Malcolm Hailey; but I think I am expressing the feelings of all the Members of this Council when I say that, although we have frequently to refer to him either by his official name or by his personal name, such criticisms as we make are really intended in a friendly spirit; even if at times they appear to be acrimonious, our idea is to assist Government and not to place obstacles in their way. I fully recognise, and I think all the Members of this Council recognise, the difficulties which have beset the Honourable the Finance Member in presenting a Budget to the Legislature which means increased taxation. Increased taxation is never welcome, and, although many Members of the Legislature have held up their hands in horror and exclaimed 'Oh! this Budget,' I cannot but think that, in many respects, it was only what we expected.

I will first turn to the expenditure side, Sir, and here at once, of course, I come to the Military expenditure. I cannot help thinking that His Excellency the Commander-in-Chief must feel extremely flattered at the amount of time and discussion which is devoted to the department over which he so ably presides. I should like to say at the outset that I am in thorough agreement with what has been stated by both His Excellency the Commander-in-Chief and by the Honourable the Finance Member that the Military Budget cannot be reduced. I am thoroughly convinced by what has been stated, that the Army Department has done all it can to economise. We know the reasons why the Military expenditure cannot present a more favourable aspect to the Legislature. The chief of them is the increased cost of everything. Honourable Members of this Council will remember the general outcry for increased wages throughout the country, which outcry has been liberally met and is materially reflected in the price of everything, of food, of clothing, and of material; and the Army Department feel that as much as the rest of us do. Then, again, the Railway charges have gone up, and the Army Department feel that acutely in moving their troops about. They move their troops about, I understand, much more often than they wish to do to quell internal disturbances. The Waziristan policy has been criticised. I do not pretend to be an expert on it, but I do understand this much about it and that is, when the North-West Frontier is frequently being raided, what would any other Honourable Member of this Council besides His Excellency the Commander-in-Chief do? What would Honourable Members think it the best thing to do? Would they sit inside the borders and wait to repel repeated attacks which result in a disastrous loss of lives of innocent people, or would they not go straight for the heart of the disease and go into the enemy's country and fight it out there? That, I understand, is the policy which His Excellency the Commander-in-Chief is taking up at present.

There is another matter to which I would like to draw the attention of this Council in connection with the Military expenditure which is the amount which we have to pay for the safety of this great country of India, safety from invasion and internal disorder. In paying for the safety of this great country we do not pay one single pie for the safety of her sea borders, and I think Honourable Members should remember that in discussing this expenditure, when they lift up their voices and say what a dreadful amount we are spending for defence. Supposing you had your own Navy

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to support too. I have heard in many quarters that an Indian Navy would be liked and welcomed. I do not know whether it would be liked and welcomed if we had to pay for it. We are often compared with Japan. Now, Japan supports a very large Army; it also maintains a very large Navy; and in their financial year 1921-22, the cost of their Navy was £70 millions, or a third of their whole Budget. India has not got that to face at all, and I think that we should meet this Military expenditure which I am convinced is necessary for the internal and external security of this country. We should face it as cheerfully as we can.

There is another point in connection with this. I feel sure, Sir, that Members of this Council are most of them possessed of a lively imagination, and this lively imagination, I think, might be directed in this way. Cannot you imagine the discussions which have ensued between His Excellency the Commander-in-Chief and the Honourable the Finance Member before the Finance Member would agree to the amount to be set aside for Army expenditure. I feel quite sure that the Honourable Member must have had, if he will permit me to say so, many scraps with His Excellency the Commander-in-Chief over the amount. The Honourable the Finance Member must have said 'Cannot you reduce this, cannot you reduce the other'. I feel sure that in presenting his Budget the Honourable the Finance Member did not want to have a bigger Army expenditure than could possibly be fixed with equity. And, when in support of His Excellency the Commander-in-Chief the Honourable the Finance Member says that he is not prepared to recommend any reduction of the amount set aside for military expenditure, I think Members of this Council should accept it. (*Gries of 'No, no'.*)

Well, so much, Sir, for the expenditure side of the Budget. I now come to the revenue side. First of all, as regards the increase in Railway fares. There is one small matter about which I am not clear in this connection. The Honourable the Finance Member in his speech pointed out that, after the application of the increased Railway fares, it was estimated that the Railways would work at a loss of a crore of rupees . . .

The HONOURABLE SIR MALCOLM HAILEY: Increased goods rates.

The HONOURABLE SIR ARTHUR FROMM: Thank you, Sir, I intended to say goods rates. After the application of the revised freights on goods the Honourable the Finance Member estimated that Railways would work at a loss of a crore of rupees. Later on the 25 per cent. increase of Railway fares was referred to, and six crores is expected to result from that. Then six crores is taken into the credit side. Do I understand that we are to get 7 crores from the increased passenger fares?

The HONOURABLE SIR MALCOLM HAILEY: No, 6 crores.

The HONOURABLE SIR ARTHUR FROMM: Railways will then show a net credit in the Budget of 5 and not 6 crores. That brings down the total Budget Revenue to 28 crores and not 29. I will leave that point and hope the Honourable the Finance Member will explain that later on.

I have no particular remarks to offer as regards the income-tax and super-tax. We have got to swallow it. We do not like it, but we have to find money from somewhere.

We have heard a good deal of discussion about Salt, Matches and Kerosine, and about the poor man's tax. Well, last year when it was proposed to increase the Postal charges I have lively recollections of hearing a good deal about this poor man; in fact, the 'poor man' flag was put up and waved everywhere and we were supposed to be the oppressors of the poor man. I have never been quite convinced that my friends were not playing to the gallery of their constituencies . . .

The HONOURABLE SIR MANECKJI DADABHOY: Sir, I rise to a point of order. I do not know whether that remark is correct.

The HONOURABLE SIR ARTHUR FROMM: I meant nothing rude in any way. I did not intend to cast a reflection on Honourable Members. The remark was only made in the course of debate. But where is your poor man in this country that we hear such a lot about? Is he the mill-hand on my side of India? If he is then that poor man works on an average about three or four days a week instead of six. His wages have been increased, and now he won't do his work in the same way that he used to. We have found the same thing in some works with which I am connected. They work on an average four days a week instead of six, and yet they are called poor men. I say that they can afford to pay this tax and do another day's work.

Now we come down to Machinery. Here I am afraid I must join in the cry against the additional taxation. I do not like this tax of 10 per cent. when there was none a year ago. I agree with what my friend, Sir Edgar Holberton has said about it being a drag on industrial development, and if the Honourable the Finance Member does not propose to forego it altogether, let him at any rate reduce the proposed tax considerably. I also agree with my Honourable Friend, Sir Edgar Holberton, that those orders which have been placed before the introduction of this Budget should be allowed in free of the new tax. It might be contended that that would create a dangerous precedent, and that we might want to get our already ordered whisky in free of the increased tax also. But that is not so; what I want to point out is that Machinery which is intended for a new industry is coming to a non-paying concern, and therefore you will be charging capital if you insist on levying this increased tax on orders which have already been placed and which were placed on calculations based on the $2\frac{1}{2}$ per cent. import tax.

Finally, Sir, I come to this vexed question of Cotton excise. I do not propose to plunge into a deep whirlpool of discussion in connection with this. Although I am from Bombay I am not a mill-owner. Sir Edgar Holberton in discussing this matter gave the debate a medical turn, and talked about blue pills and Gregory's powder, and eventually arrived at 'consumption.' I do not know whether that was the result of the Gregory's powder and blue pills I cannot help thinking that he must at one time have had a medical training. I know nothing about the consumption tax. I do not propose to discuss it now. It is obvious that the result of this Excise duty and the increase in import duties will spell higher prices in cloth. That I think will be felt very hardly throughout this country. At the same time, I recognize that Government has to get the money, and I do not think the view of the mill-owners will be adverse to this tax. The mill-owners, I believe, were perfectly well satisfied with the margin of $7\frac{1}{2}$ per cent. which existed before the new Budget was introduced, and that margin of $7\frac{1}{2}$ per cent. is still maintained. One of the Honourable Members speaking before me said that this increased

[Sir Arthur Froom.]

Excise tax was an insult to the intelligence of the country. Well, the insult is so extraordinary that in Bombay when the details of the Budget became known most mill shares jumped up 10 points. (Laughter.)

I will not detain this House any longer. I do not think the Budget is a bad one on the whole. I do not like the Machinery tax. The Cotton excise will mean higher priced cloth for the people. I leave it to the other Members to fight their battles over that with the Finance Member. But, as I have said, Sir, I do not think that the Budget should be so adversely criticised as a whole as it has been, and I must congratulate the Honourable Member in charge of the Finance Department on the way in which he has faced a very difficult task.

The HONOURABLE RAJA SIR HARNAM SINGH: Sir, I sympathise with the Honourable the Finance Member. The financial situation as he pointed out is very difficult indeed. The revenue of the current year has fallen far below our expectations, whereas the expenditure has gone up beyond the estimate. As a consequence, the present year will probably close with a deficit of no less than 84 crores. The outlook for the next year is no less gloomy, although the Honourable Member has tried his best to increase the revenue by all possible means.

It is not difficult to see that abnormal and difficult conditions have prevailed in India for the last few years, seriously affecting the financial situation of the country. There has been a general depression of trade, and the poor monsoon of 1920 made the financial position worse. Economic and political causes have also affected the trade, and consequently the revenue of the country. I am aware that India has shared with all the other countries of the world the financial burdens which the world war has entailed. But, in spite of these facts, we cannot with equanimity face the heavy deficits that are confronting us year after year. Increased taxation may cover part of the estimated deficit next year; but I do not think it can completely fill the gap between the national revenue and expenditure. The national debt will, therefore, increase and the financial stability of the country will be endangered. The increased rate of interest of the new loans shows that the credit of India is not now so good as it used to be in the past. Every debt incurred adds a fresh burden to the already overburdened finances of the country. On the other hand, the increased taxation will not only involve serious hardship and difficulties on the people, and increase their discontent, but its effect on trade will be very discouraging. I shall not be surprised if this aggravates the trade depression which has been a contributory cause of the heavy deficit of the present year. There is another point with regard to taxation to which I want to draw the attention of this Chamber. Increased taxation does not always add to the revenue of the country. It raises prices, and makes the poor man pay more for the necessaries of life. But there is a limit to the resources of the people; and the poor accept privation, and the rich choose to give up the luxuries which they cannot afford. Consumption decreases, and trade suffers; but the national income may not increase in proportion.

Sir, I do not believe in taxing the poor people of this country beyond a just and fair limit. The Salt tax, for instance, will involve a great privation to the people. Salt is not only necessary for man; but also for cattle; and the burden on the poor farmers and agriculturists will be disproportionately heavy. I may also here point out that in addition to these

Imperial taxes, the Provinces will levy their own local taxes. This means naturally a double burden on the people.

Sir, I am inclined to think that the financial resources of the Government cannot be further increased without serious consequences, unless the prosperity of the country is assured by the rapid growth of productive industries in the country. But although I am not a pessimist I do not see a very brilliant prospect in this direction. The conditions, I am sure, will improve in time; but there are no signs, I am afraid, of an immediate and sure progress. The monsoon may play the same tricks, our foreign trade may not flourish for some time, Economic and Political causes may still operate against us. Sir, I do not like to hold before the House the dark side of the picture any longer. There is only one possible way of saving the country from an approaching bankruptcy, namely, Economy and Retrenchment.

The Military expenditure has gone up by leaps and bounds in the recent past. It now absorbs the major portion of the national income. This is really a serious question. The Washington Conference ought to have some effect on the Military expenditure in India. Public opinion is unanimous in India on this point. The financial position of India cannot effectively be improved without revising our Military policy, and moderating our Military expenditure.

Sir, I really do not know what the financial future of India is. When every year closes with a heavy deficit, and the national debt is gradually piling up, when instead of providing for the payment of old debts, we incur fresh ones, I cannot call the prospect at all cheerful.

Although I appreciate the difficulties of the Honourable the Finance Member, yet I cannot help thinking that the present Budget, as it has been presented, is extremely unsatisfactory and discouraging.

THE HONOURABLE LALA SUKHBIR SINHA: Sir, so far as my opinion goes the Budget as placed before this Council is most unsatisfactory and most disappointing. By this I do not mean to say that the Finance Member has not made efforts to make the Budget as satisfactory as possible. I think he has done his best, but I am sorry to say that he has failed in his efforts. He has taken the easiest possible way to meet the expenditure, that is by raising revenue from new taxation or by raising the duties. He said in his speech that there are three courses to meet expenditure, the first is to finance the deficit, the second to curtail expenditure, and the third is to raise revenues from new taxation. Sir, to my mind he has taken the last and the easiest course to meet expenditure. He has not taken into consideration the poverty of the country. He has not taken into consideration that the people here get only about Rs. 30 or 40 a year per head, out of which they have to pay about Rs. 7 a year or one-sixth of the income. Out of the Rs. 40, the income per head of the population, they have to pay for their food-stuffs, for their clothing, for the education of their children and for many other expenses, festivals, marriages, and so on. It is impossible and inconceivable for anybody to see how they manage and afford to live on this income and bear the expenditure which I have mentioned. Sir, during the last three years, the deficit has been not less than 90 crores. Last year the deficit was about 20 crores, and we expected that this year there would be no deficit. But it has gone up to 34 crores. I do not understand, Sir, how long this state of affairs will continue and how long these deficits will have to be made up by new taxation

[Lala Sukhbir Sinha.]

or increased duties. In the whole world, I admit, that the price of food-stuffs has gone up, but there is a limit to everything. If the expenditure has gone up the revenue has gone up, and it is for the Finance Member to see that the expenditure and revenue are kept within bounds, and to see that the expenditure does not exceed the revenue. The cost should be cut according to the cloth. The expenditure should be so arranged as not to exceed the income. If it exceeds the income, then there will soon be a day when we shall be bankrupts, and I think this country is sure to approach bankruptcy if efforts will not be made to keep the expenditure within bounds.

Sir, as regards expenditure, we find that in the Military Department not less than 52 per cent. is spent. In the Brussels Conference and the Nations League it is laid down that Military expenditure in any country should not exceed 20 per cent., but here it has gone up to 52 per cent. I was present yesterday in the Assembly and I heard what His Excellency the Commander-in-Chief said in support of his Budget. I quite agree with him that the country requires a sufficient Army for the external and internal peace of the country. But, Sir, I want to know why expenditure has gone up to 63 crores when it was only about 30 crores before the war. It is said that it is due to high prices that the expenditure has gone up. But so far as I know the prices have gone up by about 50 per cent. In that case the Military expenditure should not have gone up over 45 crores at the most. But we find that 58 crores have been spent on the ordinary Army and about 3 crores on Waziristan frontier. Some Honourable Members have said that the money spent on Waziristan has been a waste. I differ from them. I say that this money is not a waste, but it has been a gain to the country. We do not like the frontier people of Waziristan to raid our country. It is the duty of the Government to protect us from external raids and attacks, but the question is, what special reason has now cropped up to spend more money than was spent in the past? This question of the frontier has been for generations before us and Government have spent a good deal of money on the frontier. I think the Government should devise means either to make that frontier permanent in some way or other, or to devise means to have a permanent Army there, so that it may not be said that the amount spent there is a waste of extra expenditure. In the Army, I am ready to say, there is a large margin for reduction. In the Assembly as well as in this House, much has been said on this subject, and I appeal to His Excellency the Commander-in-Chief to see how much reduction can be made in his department having regard to the number and efficiency of the Army. I do not mean to say that the Army should be reduced too low or that the efficiency should not be maintained; but what I say is, that there should be a limit put to the number of Military forces. In this connection I may say whether it is possible or not to reduce the British soldiers. There are at present not less than 80,000 British soldiers. Besides this, almost all the superior officers are Europeans. Is it not possible to Indianise the Army? Is it not possible to reduce the number of British soldiers as soon as possible? Is it not possible to reduce the expenditure in the Supply and Transport department, in which we find that a large amount of money is taken by middlemen, by contractors? It has been stated that the Military is also required for internal peace and especially at this time when there is so much discontent in the country. I beg to submit, Sir, that in no country sedition or discontent has been put down by force or

rather by Military force. It is only by constitutional means and by a conciliatory policy that the people can be kept contented and satisfied. I do not know how long this military force will be utilized to put down the people, to put down discontent in the country, and how much money will be required to do so. I quite disagree with this policy of using military force to put down discontent in the country. The Government ought to take constitutional steps, ought to take such conciliatory steps as may satisfy the people, and not to use military force.

I may suggest one thing more to His Excellency the Commander-in-Chief, namely, that instead of having a standing army he may have more Territorial and Reserve forces. They will cost less and be utilized when the time comes for their help and use.

As regards the civil side, I find that from the pre-war times the expenditure has increased by not less than 70 per cent. In pre-war times the total was about 50 crores, now it has gone up to about 90 crores. Sir, I do not find any reason why in the Central Government, in those departments, in which many subjects have been provincialized and transferred, reduction has not been made. For instance, I may mention the departments of Forest, Agriculture, Irrigation, Medical, Education, Sanitation, Public Health, Industries and Commerce. When all these subjects have been transferred and have become Provincial, I do not understand why any reduction has not been made in the Central Government in these departments. The object of the Reforms Scheme is to make Provincial Governments as free as possible from the intervention of the Central Government. I do not see any reason why a reduction in these departments should not be made as soon as possible.

From the Budget I find that India has to suffer a great loss from Exchange. Much has been said about this question by experts, but what I find is that until and unless a Gold standard is introduced in the country, this question will always remain, and I find the time has come when the Government of India should appoint a Committee or take some other steps to settle this question once and for all, otherwise this question of Exchange shall always trouble us, and we cannot know where we stand as regards our finances.

Sir, the object of putting the Budget before the Legislative Assembly so far as I can understand, is to allow the Members to criticise it in the best possible spirit and to put forward suggestions for the consideration of the Finance Member. If the Finance Member thinks that whatever he has made up in his mind to do, he will not budge an inch from that, and will not take into consideration any suggestions that are proposed to him by the Indian Legislature, then there can be no question about it. He may do what he likes. But, Sir, I submit it is for him to consider suggestions and proposals that are made in both these Houses of the Legislature. We are ready to support him, ready to put before him suggestions in order to make his Budget as agreeable, and as satisfactory as possible. The Budget put before the country is very disagreeable. It will touch the poor more than the others. For instance, he has proposed Excise duty on Cotton manufacture. I think this duty is bound to pass on to the consumer. The price of cotton cloth made in this country will be more expensive, and the poor people will feel it. Similarly, it is the case with regard to Salt. For many years past no effort has been made to increase the duty on Salt, but it has been rather reduced year after year as it is used not only by human beings

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but mostly by cattle. India is an agricultural country, and if salt is not available for cattle, I do not know how the cattle will be able to work.

Then, Sir, post-cards. The Postal Department is not meant to be a source of income. It is a service for the people and should not be made a source of income. At present I find it has already given some net receipts of about one crore (*A voice*: 'There has been a net loss.') If any net loss has to be made up, then the Finance Member has some reason for raising the charges, but it is a question whether the post-card should be made half anna or some other postage should be increased, because the post-card is generally used by the poor who cannot afford to use half anna cards or one anna postage. If the Honourable the Finance Member can find his way to keep the post-card as it is and increase other postage, I think there will not be so much objection; but the chief objection is to the increase of the cost of post-cards. I think the House may remember that there was a great deal of objection to an increase in the case of post-cards last year, and after great discussion it was dropped and in addition to the half-anna postage a postage of nine pies was introduced as a compromise. But it is now found that the income from nine pies postage has not been sufficient, and therefore both this and the half-anna postage are going to be abolished and the one anna postage only is going to remain.

Then, Sir, it is proposed to put a duty on Machinery at 10 per cent. It is already admitted that India is very poor as regards industries, and every effort is now made by Government as well as by the public to develop its industries; but this duty of 10 per cent. will set back this development.

My friend, Sir Maneckji Dadabhoy, has proposed some new items of taxation that should be considered. One of them is to increase the duty on yarn. I think he is quite fair in making this suggestion. If yarn is taxed, say at 15 per cent, I think there would be no objection.

Then there may be an export duty on Bones and other Manures. It will bring a revenue as well as prevent a very useful commodity from going out of the country as Bones are badly wanted for the agricultural prosperity of the country.

With these few remarks I appeal to the Honourable the Finance Member to recast his Budget in the light of the suggestions and proposals made in this House and in the Assembly. If he will not do so, the present Budget will not be accepted by the public, and the present political situation will, I am afraid, be worse than ever. These non-co-operators are going about the country and have already begun within the last week saying to the people that the Government is going to tax you more and more and where will you be? The consideration of the present political situation is of great consequence at this moment, and therefore I appeal to the Finance Member to reconsider his Budget and recast it as much as he can, in order to make it more agreeable to the people.

[At this stage the Council adjourned for Lunch till Two-thirty of the Clock.]

The Council re-assembled after Lunch at Two-thirty of the Clock, with the Honourable the President in the Chair.

The HONOURABLE KHAN BAHADUR AHMEDTHAMBY MARICAIR: Sir, I congratulate the Honourable the Finance Member for the able manner

in which the Budget has been prepared. It is by no means an easy task to work at figures and put them in its proper form as presented before this House, and I quite realise the pains he has taken.

In this connection, I desire to make a few observations on this very important deliberation. I do not know whether it is necessary to say anything after the eloquent speeches delivered by the older statesmen of the House, but I will be failing in my duty imposed on me by my electorate if I do not say a few words at this critical juncture.

I shall first deal with those subjects that will materially affect the poor masses of India.

The extra taxation on Salt will, I think, be a great hardship on the masses. It is one of the urgent necessities of daily human consumption. One cannot live without it and it is only one of the necessities of life that is being used by the rich and the poor alike. Any interference with the use of salt by heavy taxation will seriously tell upon the health of the people. Moreover, salt is largely consumed by cattle and, if it is heavily taxed, it will affect a good deal in the preservation of cattle which are so very useful in various ways in this agricultural country. I, therefore, strongly oppose an extra taxation.

The next item is the tax on Kerosine Oil. After the introduction of Kerosine Oil in India, the old system of lighting with nut oil and castor oil has disappeared, and it has now become one of the chief necessities of Indian life and the masses cannot get on now without kerosine lights. It will be a great hardship if Government taxed the Kerosine Oil, which is after all produced in India itself.

Now I come to the increase in Postage. The doubling of post-card rate and the increase of $\frac{1}{2}$ anna and $\frac{3}{4}$ anna letter rates to one anna will surely and seriously go against the common interests of the poor. Considering the small profit which the Government is going to derive under this head, it is not worth interfering with the present rate of postage. Use of cheap postage is hitherto enjoyed in India from generation to generation, and any interference with it by the raising of the postal rates will produce a great outcry among the masses. I beg to suggest, therefore, Sir, to leave $\frac{1}{2}$ anna post-card rate as it is at present and introduce $\frac{3}{4}$ anna note paper post-card and also introduce 9 pies stamps for letters weighing one tola abolishing $\frac{1}{2}$ anna rate.

The next important item which has been spoken of so strongly, is the increase of Railway Fares. Passenger fares have been recently increased and any further increase under this head will, I am afraid, be very hard on the travelling public, especially the poor.

I do not mind about the increase in 1st and 2nd class passenger fares, but I do strongly object to the increase in third class fares, as it will hit the poor very hard. I am not unmindful of the fact that the present coal market is in an abnormal state and that the cost of coal will no doubt affect the working of the railways considerably. With a view to get out of this difficulty, I would suggest the use of wood fuel along with coal. This system has been worked in some Railways, *e.g.*, The South Indian Railway and the Madras and Southern Mahratta Railway and proved a success.

[Khan Bahadur Ahmedthamby Maricair.]

Then I am not in favour of increasing the Cotton Excise duty from $3\frac{1}{2}$ to $7\frac{1}{2}$ per cent. as it affects the indigenous industries. Cotton Excise Duty. The duty of $3\frac{1}{2}$ per cent. on this head was in existence for several years. The increase now proposed on foreign piece-goods is from 11 to 15 per cent. i.e., 4 per cent. in excess of the old rate, that means an increase of 37 per cent., whereas the Cotton Excise duty from $3\frac{1}{2}$ to $7\frac{1}{2}$ per cent. works out to over 100 per cent. If at all any increase be made it may be made to the amount equivalent to the duty increased on foreign piece-goods, viz., 37 per cent. to the present rate, which works out at about 5 per cent.

The next important item about which I raise my objection is the increase of import duty on Machinery from $2\frac{1}{2}$ per cent. to 10 per cent. Duty on Machinery. This exorbitant increase is most objectionable. Any heavy taxation on this item as well as on cotton means nothing but an embargo on the development of indigenous industries, and it will give facilities to other nations, such as Japan, etc., to monopolise the Indian Market. I believe it is the wish and desire of the Government to develop the Indian industries, whereas the present attitude which the Government has taken by increasing these taxations will, I am afraid, cause a great outcry among the industrial classes, as it will give a death-blow to the thriving industries of India.

I do not like to repeat the same question as so many Members spoke both in this House and the other House regarding the reduction of Military expenditure. I have also heard the speech of His Excellency the Commander-in-Chief on this subject in the other House, and I quite realise that sufficient military force is essential not only to safeguard the interests of the country, but also to safeguard the interests of law-abiding citizens. But it is essential that this very heavy item of expenditure should gradually be reduced. Moreover, as the safety of India means a safety of the Empire, it is equitable and just that the British Exchequer should also bear a portion of this heavy military expenditure and thus come to our rescue at this crisis. Military.

I know the Honourable the Finance Member will ask as to how to meet the deficit if reduction of proposed duty is made on the suggested commodities. Ways and Means. My answer is quite clear and simple, i.e., to remove the existing embargo imposed upon the shipment of rice to Ceylon and the Straits Settlements about which a great deal of discussion took place in this House. I really cannot understand the reason why the Government are still stubborn in not removing the embargo. They not only stand in the way of free trade, but they also lose millions of rupees by way of export duty on rice. In the year 1911, about 14 million tons were shipped from the Ports of Madras to Ceylon and the Straits Settlements. In the year 1912, about 15 million tons were shipped. In the year 1913, about 12 million tons were shipped. This means a revenue of several millions of rupees. I, therefore, strongly recommend the withdrawal of the restriction immediately and allow the trade to continue freely as before. I also suggest the withdrawal of the restriction on the export of wheat and levy a reasonable duty.

Another solution I beg to suggest is to impose export duty on ground-nuts shipped from all the ports of India to foreign countries. There has been a very large export from the Ports of Madras to Marseilles, a French

Port, and the Honourable Members of this House will be surprised if I mention the quantity of ground-nuts shipped from India;

In the year 1911 to 1912	.	.	.	.	3,822,583 tons were shipped
" 1912 to 1913	.	.	.	.	4,867,011 " "
" 1913 to 1914	.	.	.	.	5,558,120 " "

In the subsequent years the shipment has been decreased owing to the war and also due to exchange problem.

Well, Sir, even if a small taxation is levied on these commodities, it will bring in a very large revenue to Government, and I hope my suggestion will meet with the approval of this House as well as of the Government. After all it is a produce cultivated in India and taken to foreign countries and consumed by foreigners. Why not have the tax levied on this commodity when we ourselves are finding it very difficult to meet our financial position? I strongly recommend that instead of taxing and squeezing the poor Indian masses, a taxation on the goods shipped to foreign countries should be introduced and this taxation will be borne by foreign consumers.

Finally, I may say that any extra taxation on the items which will affect the poor will no doubt be a great hardship and it will give greater facilities for the non-co-operators to play on this harp and it means 'adding fuel to fire.'

With these few words I commend my observations.

(At this stage the Honourable Sir Maneckji Dadabhoi took the Chair.)

THE HONOURABLE MR. LALUBHAI SAMALDAS: Sir, this Budget has been called a bankruptcy budget, an insolvency budget, a dismal budget. I am not going to repeat those terms. But, Sir, it is very difficult to speak with patience and restraint when one sees the resources of one's country, frittered away in a way that cannot meet with the approval of the country. Sir, the difficulty is greater because we feel our helplessness in improving the situation. It is not only we that feel so, but even the Honourable the Finance Minister says that he is helpless. He is obliged to bring in Providence in his speech. He says: 'But Providence has seen otherwise'. That means he perhaps himself is not quite able to retrieve the situation. He does not only bring in Providence, but he brings in later on political troubles, labour troubles, which led to the stoppage of colliery and curtailed the raising of coal. His actual words were:

'We not only maintained the services by the purchase of foreign coal at a greatly increased expenditure, but it had of course a detrimental effect on our balance of trade.'

But I think we have a right to expect Government to see that those troubles were easily squashed. Some attempts ought to have been made earlier and things ought not to have been allowed to drift in the way in which they must have drifted if what the Honourable the Finance Minister has said is true, that it led to the curtailment of trade. Sir, the Honourable the Finance Minister is and has been the trustee of the country. He was good enough to say last year that:

'Speaking here to-day I frankly, and with no feeling of regret at the curtailment of our former powers, welcome the measure which has given us so powerful a partner in the trusteeship for the finances of India.'

Sir, the suggested trusteeship should be a complete joint trusteeship. The joint trustees cannot work only in one matter together and then leave the responsibility to the other trustees in other matters. Recognising that

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we were joint trustees we approached this Council or rather Mr. Kale did, and an attempt was made in the other House also, to give all the help that we could to the Finance Minister in improving the situation; and how was our request for co-operation treated? The Honourable the Finance Secretary opposed it and on a division it was lost. It is true that in the other House with more elected Members than we have, they carried it; but if the Honourable the Finance Minister thought that both the Houses of the Legislature were joint trustees with him, he might easily have taken us more into his confidence from the beginning. It may be said that there is a Standing Finance Committee and there is a Public Accounts Committee. Yet, in spite of those committees, expenditure has been mounting up; and it is not for us, unless we know all the details, here to say how far that committee was taken into confidence and how far all the facts were placed before them; but when we want a special Retrenchment Committee our request was met with a refusal. The Honourable the Finance Minister last year expected that he would be able to balance practically the expenditure and revenue; but he says that, owing to the war and owing to the slump in trade and other incidents, it was not possible to do so and we are faced with a heavy deficit. That deficit has been met by raising more money by Treasury Bills and other means. The situation is getting bad to worse from day to day and it is up to this Council to consider the best way in which the whole situation can be met. There is a deficit of Rs. 90 crores already during the last four years. That is bad enough. We all thought that during the first or the first two years after the cessation of the war, when war factors had not reached any stability, we may have to spend more; we were hopeful that at least in this year there would not be any necessity for fresh taxation and that we would be able to make both ends meet. Unfortunately that has not happened; and we have also been told that it cannot be done for some time to come. Had it been even that it was a temporary deficit this year, perhaps the House and the country would not have taken such a gloomy outlook of the situation as they have done. But the Honourable the Finance Member says plainly, straightly—and I congratulate him on his courage and straightness—that it is not a temporary deficit. We also feel that it is not a temporary deficit; and if it is not a temporary deficit, has not the time come when all of us should meet and put our heads together? We may not have the financial brains of the Honourable the Finance Minister, or the Honourable the Finance Secretary, or the Assistant Secretary, but we can honestly help; that is what we want to do. If Government will not accept our help, our assistance, it can only be due to two factors; one is either they do not believe in our *bona fides* or that they do not believe in our capabilities. If that is so I beg to say, Sir, that it would not be justified. As I said, we do not claim to be financial experts in the same manner as the Honourable the Finance Minister or the Finance Secretary may be; still we have some knowledge of finance and we are prepared to come forward and render all the assistance we can.

Coming to the details of the Budget, Sir, we find that the most important item is the Military. His Excellency the Commander-in-Chief told the other House and the Honourable the Finance Minister said the same thing, that it was not possible to reduce the expenditure by a single pie—he did not use the word 'pie', but it practically came to that—not an iota of the expenditure could be reduced. x x x

The HONOURABLE SIR MALCOLM HAILEY: Combatant strength.

The HONOURABLE MR. LALUBHAI SAMALDAS: Anyhow the expenditure could not be reduced. It is a pleasure to know that, as I take it, an attempt will be made to reduce the expenditure without reducing the strength of the Army. Now, I want to make certain suggestions to His Excellency the Commander-in-Chief, suggestions which are made only by a layman, and if I make any mistakes I hope His Excellency will realise that it is done more through ignorance of the technique than through any desire to hit at the Army. Sir, before I come to the details, I would like to speak on the general policy; and in this connection I think on behalf of this House we may express our thanks to His Excellency the Governor General for having allowed us to consider and discuss the Military item to-day; otherwise under the Act we would not have been able to do so. With that permission and with the desire of His Excellency the Commander-in-Chief to effect reduction in the expenditure, as far as possible, we all hope that a way will still be found by which, without reducing the strength of the Army in any way, we may be able to reduce the expenditure to such an extent that the Honourable the Finance Minister may be saved the trouble of raising all the monies that he estimates to have under the new schemes.

Coming to the general policy, Sir, His Excellency in the other House said—I believe it was His Excellency, but I am open to correction—that the Members who asked for taking away our troops from Waziristan were gentlemen either from distant Bombay or Calcutta

The HONOURABLE SIR MANECKJI DADABHOY: I must ask the Honourable Member not to refer to any speech made in the other House.

The HONOURABLE MR. LALUBHAI SAMALDAS: I bow to your ruling. It may be said that the amount we have to spend in the occupation of Waziristan is a sort of insurance against attacks either from Afghanistan or from the frontier tribes. I request His Excellency to reconsider the whole situation and see whether we are not paying too heavy a premium for the insurance that we are effecting. It is for him, for His Excellency and the military staff, to decide whether this occupation of Waziristan leads to the good of the country, or whether it might be permissible, in the financial interests of the country, to retire from Waziristan. Sir, it is not only the opinion of laymen; we are all laymen from Bombay and Calcutta; but I want to quote the opinion of a journalist who has studied the frontier question and the near East as well as perhaps any military officer of the Government has done—I refer to my Bombay paper the 'Times of India.' While reviewing the budget, the 'Times of India' after referring to the occupation of Waziristan, says:

'Waziristan is becoming a sink down which illimitable crores are being poured. The policy of occupation has become unbearably heavy. Withdrawal is always an unpleasant emergency to face, but there is on the Budget statement no alternative between withdrawal or something like bankruptcy. The policy of occupation was a mistake. It must be courageously reconsidered. The country is entitled to ask from His Excellency the Commander-in-Chief some alternative to this crushing burden for the protection of a very limited section of the Frontier.'

This appeal comes from a respectable journalist like Sir Stanley Reed, and I make the same appeal to His Excellency for a reconsideration of the whole situation in view of the fact that the country is becoming bankrupt. Sir, if it is not possible just now, owing to the frontier troubles or owing to the Treaty with Afghanistan being only very recently entered into, is it not possible later on for His Excellency to see if it is not possible to reduce

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the strength of the Army, not now,—His Excellency shows by a nod and says it is not possible—it may not be possible now—but it may be possible later on?

It may be that, as was stated here that the Army is to be sent from one place to another to quell local troubles as in Malabar. It may be
 3 P.M. that it is felt by the Government of India that the Political situation in India is not so very easy at present as to make any reduction in the Army. It is for the Government of India and His Excellency the Commander-in-Chief to take stock of the situation, but when taking stock of the situation, they must bear in mind the fact that the country is getting bankrupt. It cannot afford to find more money. Then there is the question as to how best to reduce the military expenditure. Referring again to the 'Times of India,' it says: . . .

The HONOURABLE SIR EDGAR HOLBERTON: May I know, Sir, if these newspaper extracts are in order?

The HONOURABLE SIR MANECKJI DADABHOY: I do not see any objection to quotations from newspapers.

The HONOURABLE MR. LALUBHAI SAMALDAS: The 'Times of India' says:

'We recognise that in many respects this is a very bad time to recommend any reduction of the Army in India. We recognise also the public spirit with which Lord Rawlinson has dealt with the question of military economy and the considerable savings he has made.'

The 'Times of India' further goes on to say:

'The military issue in India is therefore not only one of economy, but of retrenchment. That the Government of India must face and shoulder, if in no other way by rationing Army Headquarters with a sum considerably less than that asked for in the budget for the coming year.'

I hope, Sir, that His Excellency the Commander-in-Chief will very carefully consider the whole situation, not from the military point of view, but from the financial point of view and do his best to reduce, not the Army,—for I do not press for the reduction of the Army just now,—he will do his best to reduce its expenses so that the difficulties of my Honourable Friend the Finance Minister may be reduced, and on his behalf also I think he would make the statement which would please the hearts of the public that he will see his way to reduce the military expenditure.

Sir, the words 'vicious circle' have been used just now by my Honourable Friend, Mr. Kale, in one connection, and I want to use those words in connection with another matter. We have been told that the present strength of the Army is necessary, not only for the frontier troubles, but for the maintenance of internal peace and order. If we are going to have bankruptcy budgets year after year, and if we are going to have more and more taxation, there will be more and more discontent in the country. If there is more discontent, there will be according to the Government arguments greater necessity of controlling the forces of disorder and maintain peace in the country. That means more army would be required, and we cannot go on moving in that vicious circle without any retrenchment being effected very long. That is also a question which has to be very carefully considered, not by His Excellency the Commander-in-Chief personally, but by the whole of the Government of India and see whether it is not possible to do something, as the 'Daily Mail' or some other paper said, concession-cum-

repression does not lead to any good. Let it be either full concession or let it be repression, said the paper—the latter is a recommendation which we cannot approve. The country cannot go on in a state of excitement and agitation for years to come. We want a definite policy to be laid down by the Government. It is a political question, but politics do mix up with finances, and I am therefore obliged to refer to it. But this question also has to be settled once and for all.

We have been told, Sir, by my Honourable Friend, Lala Sukhbir Sinha, that we want to Indianise the Army, and asked His Excellency the Commander-in-Chief as to when he can do that. He has, I believe, made up his mind to make a beginning both as regards the officers as well as the Army. But I would like to draw the attention of His Excellency the Commander-in-Chief to the fact that if India is really going to have *Swaraj*—it may be in 10 years, or 15 years or 20 years, or it may be in a generation as was said by His Excellency, a beginning on right lines has now to be made. I remember, Sir, a definition of Home Rule given by Mr. Lionel Curtis some time back. He said Home Rule meant government by the representatives of the people, for the people and backed up by the army of the same people. That is the correct definition of *Swaraj*, and I hope His Excellency the Commander-in-Chief, when considering the whole situation will be good enough to see that a proper beginning is made so that the country may be able to attain *Swaraj* in the real sense of the term as early as possible. That is an appeal which, I believe, will be supported by almost all the Members of this House as also by the country at large.

Now coming to details—I do not know if I have exceeded my time-limit. May I know, Sir, how much time I have?

THE HONOURABLE SIR MANECKJI DADABHOY: You have spoken for 17 minutes so far.

THE HONOURABLE MR. LALUBHAI SAMALDAS: Thank you, Sir. I would just like to refer to the very clear Explanatory Note which was supplied last year written by Sir Godfrey Fell. That Note I take as the basis for this year's budget also, because this year's Note is unfortunately not so clear or elaborate, perhaps he has not had much time to devote to it. But looking at the figures and glancing through them which I received only last night, I think I am right in saying that most of the expenditure which was put down for 1921-22 is likely to recur. I cannot see any variations in the Note supplied for 1922-23. Therefore, I think I shall be justified in basing my remarks on the previous Note. We are told, Sir, that there has been no increase, if anything, a slight decrease, in the British Army as well as in the Indian Army, and yet in 1913-14, I am talking of salaries only, the amount of expenditure on British soldiers was 3 crores 45 lakhs. In 1921-22 Budget, it was 9 crores and odd practically, though not exactly, three times but $2\frac{3}{4}$ times. We have been told that the index figure, as my Honourable Friend, Mr. Kale, said, was 80 per cent. higher. It has been said that it was only 50 per cent. higher. But taking it at 80 per cent., is it not possible to reduce the salaries or make some arrangements by which the expenditure on the salaries could be reduced? I have been told that a soldier does not receive more than he would receive in England. If that is so, perhaps it is not possible to go in for reduction. But I merely wanted to draw the attention of His Excellency the Commander-in-Chief to the fact that, while the index figure has gone up by 80 per cent., the expenditure on account of the salary of the British soldier has gone up by $2\frac{3}{4}$ times.

[Mr. Lalubhai Samaldas.]

Then, Sir, there are two or three items which I would like His Excellency the Commander-in-Chief to take into consideration. The administrative staff and establishments, which cost Rs. 59 lakhs in 1913-14, are now put down at 1 crore and 57 lakhs, practically three times the sum. I want the Accounts branch to be as strong as possible, because it is the chief department that will control expenditure, and yet I do not see any reason why the Accounts staff and establishment should have been increased three times or so. It has gone up from Rs. 26 lakhs to Rs. 77 lakhs. Similarly, the medical staff and establishments have gone up from Rs. 56 lakhs to 1 crore and 76 lakhs,—more than three times. It is possible that during the war the soldiers had to be treated much more kindly, and more attention had to be devoted to them, and more hospitals had to be built. But I appeal to His Excellency the Commander-in-Chief to consider whether, in this year of bankruptcy, it would not be possible to reduce this kind of non-recurring expenditure. I am not talking of the recurring expenditure. I am talking at present only of the non-recurring expenditure which are charged to capital. There are several such items, but I won't take up the time of the Council by referring to all of them. There is only one item about which I seek to have an explanation. I hope I will be enlightened on it. On page 322 of this Blue Book an item is put down. The heading is 'The principal items making up the increase of £2,212,000.' One of the items—item (ii)—is 'Marriage allowances and allotments to families of British soldiers and airmen in India—a new item'. It is put down as a new item there, and the expenditure is £832,000. I do not know what that item is, and why, although it is new, it has been put down in this year of scarcity, and whether it can be removed. I seek this information and I appeal to His Excellency the Commander-in-Chief, if possible, to reduce it. We do not know what it is for, and I would like to have some detailed information about it.

Then, Sir, in this year's Budget, there is an expenditure on the movement of troops, an increased expenditure of 1 crore and 38 lakhs. That figure must have been arrived at on the basis of last year's figures, thinking that there may be some trouble like the Moplah troubles, etc., I think it can easily be reduced, because I fervently hope that we shall have no trouble, not only of that kind, but any other political or labour trouble, which will necessitate the sending of the Army from one place to another. But even if it is sent, I ask the Honourable the Finance Member whether he should not charge to the province which is not able to keep its affairs in good condition the travelling charges of sending the Army there. Why should we, the Central Government, bear that expenditure?

Coming, now, Sir, to the civil side . . .

THE HONOURABLE SIR MANECKJI DADABHOY: I would ask the Honourable Member to bring his remarks to a close as early as possible.

THE HONOURABLE MR. LALUBHAI SAMALDAS: All right, Sir. I would try my best to do so. I merely ask a few questions. My Honourable friends have spoken on Machinery and Excise and Salt tax. I won't repeat their arguments, but before I bring my remarks to a close, I would like to refer to two items. One is about the annuities regarding Railways. There are three different items entered in three different places. On page 303 of the Blue Book there is an item which is put down as 'Annuities in purchase of Railways—Rs. 5 crores and 3 lakhs.' There is another item on the same page 'Redemption of capital from revenue' which is

set down at 1 crore and 17 lakhs. That would mean that the one was total revenue and capital expenditure, while the latter was only capital expenditure. But in the other book (Budget statement) in Appendix B on page 2 it is put down—'Annuities in purchase of Railways—3 crores and 35 lakhs.' These two do not make up 5 crores and 3 lakhs, and I would like to have an explanation on that subject. If the explanation is given, I strongly support the proposal that has been made that the redemption of capital from revenue, 1 crore and 17 lakhs should be taken to capital, and so far our expenditure should be reduced.

Another item of expenditure which can be reduced has been suggested by various authorities. I specially desire to bring it to the notice of this House, because it has been suggested by my Indian Merchants' Chamber and Bureau. They advocate 'the diversion of 6 crores of interest earned in Paper Currency Reserve and excess of Gold Standard Reserve to revenue which Chamber consider permissible in view of proposed repayment of 4 crores Treasury Bills held by public.' It may be said that the total sum is 15 crores and only the interest thereon can be treated as suggested. I ask the Honourable the Finance Member to carefully consider this suggestion and see whether it is not possible to take out the whole of the 6 crores, and by doing so reduce the expenditure by 6 crores *plus* 1 crore and 17 lakhs, or 7 crores and 17 lakhs and the reduction which His Excellency the Commander-in-Chief may be able to effect.

Sir, as my time is up, I want now to refer to the Exchange. . . .

The HONOURABLE SIR MANECKJI DADABHOY: I would ask the Honourable Member not to embark on any new subject now.

The HONOURABLE MR. LALUBHAI SAMALDAS: I am sorry I have no time, but I will only just refer to one matter. We have a feeling, Sir, that the Honourable the Finance Member has an idea that people are going to non-co-operate with him as regards his Budget. He has told the Assembly practically. 'If you do not behave properly

The HONOURABLE SIR MANECKJI DADABHOY: I have already ruled that you should not refer to anything that has taken place in the other House this Session. I cannot allow you to refer to it because in this House we cannot refer to what has passed in the other House this Session.

The HONOURABLE SIR MALCOLM HAILEY: May I rise to a point of order, Sir? I am very loath as you may well imagine, Sir, to question in any way your ruling in this matter, but I think we were under the apprehension, rightly or wrongly, that Members of this Council might refer to speeches made by Members of the Executive Council in the other House, in view of the fact that they are allowed to speak, both in this Council and in the Assembly. May I add, from my point of view, that it would be a great convenience to me if any Member of this Council were, by your permission, allowed to refer to any speech I made in the Assembly, for perhaps they may desire to suggest points which I may be able to clear up here.

The HONOURABLE SIR MANECKJI DADABHOY: I understood our President to rule otherwise this morning, but as it is your personal desire

The HONOURABLE SAIYID RAZA ALI: I believe, Sir, that that is what he told the House this morning.

The HONOURABLE SIR MANECKJI DADABHOY: I thought that this morning the President had ruled otherwise, but as it is your desire to give your personal explanation, Sir Malcolm, I will allow the Honourable Member to proceed with his remarks.

The HONOURABLE SIR MALCOLM HAILEY: I am much obliged, Sir.

The HONOURABLE MR. LALUBHAI SAMALDAS: He wants me to speak.

The HONOURABLE SIR MANECKJI DADABHOY: Yes, I will allow you to do so, but you must be as brief as possible.

The HONOURABLE MR. LALUBHAI SAMALDAS: I want to ask the Honourable the Finance Member and this House why we come here away from our place, at some sacrifice, sacrifice of health, sacrifice of business? Do we come here merely for the fun of attending the Council debates or for being called Honourables? We come here because we think that we will be able to assist Government in shaping the country's affairs in such a way as shall best serve her interests. But we are told that if we do not act properly, that is to say, if we do not carry the budget as it is, the Parliament—there was an impression produced in our minds, I am merely saying what impression was made on our minds—that the Parliament which is the only body that can give by instalments *Swaraj* will not do so, and it was also said that we were losing friends in England. . . .

The HONOURABLE SIR EDGAR HOLBERTON: I rise to a point of order, Sir. This is certainly a new subject.

The HONOURABLE SIR MANECKJI DADABHOY: I have already allowed the Honourable Member to speak on the subject.

The HONOURABLE SIR EDGAR HOLBERTON: It is now 45 minutes.

The HONOURABLE MR. LALUBHAI SAMALDAS: I merely wanted to say that I hope the Honourable the Finance Member did not mean it, but if he did and if we can get *Swaraj* only by co-operating in the way in which he likes us to do, I would much rather have the benevolent despotism of the old days and the *ante status quo* than be a party to an arrangement where our co-operation would be useful merely to tax the people instead of allowing us to improve their material, moral and economic condition.

The HONOURABLE SIR MANECKJI DADABHOY: (Addressing the Honourable the Finance Member): Would you like to give an explanation at this stage, or would you like to make it at a later stage?

The HONOURABLE SIR MALCOLM HAILEY: I would rather do so in a speech which I hope you will allow me to make in closing the debate. Perhaps there may be other Members who have some misapprehension of the same nature as that of the Honourable Mr. Lalubhai.

The HONOURABLE SAIYID RAZA ALI: Sir, it is really difficult to withhold sympathy from the Honourable the Finance Member who finds himself to-day in this predicament. It has not been suggested, and in fact it is not a fact that due care and thought have not been bestowed on the framing of the budget. The Honourable the Finance Member, as is his wont, has taken extraordinary pains to make the budget as clear as he in the circumstances of the case could. The question, however,

Sir, is one of principle. We have to examine whether the principle on which the coming year's budget has been framed is one which can commend itself to any reasonable man.

I do not want to tire out the Council with quotations, but the burden of the song, if I may be allowed to say so, of the Honourable the Finance Member's memorandum is that revenue should meet expenditure. In many places he has given forcible expression to this view. Now, I for one, take emphatic objection to that proposition. The proposition is inherently wrong, and hence the troubles of the Honourable the Finance Member and of the Government of India. It is very wrong to say that revenue should meet expenditure. The correct proposition would be that expenditure should be within the revenue. But if you lay down a reckless standard of expenditure and after finding that you have not got enough revenue to meet it you want to cast your net as wide as the circumstances of the case allow you to do, there will naturally be strong objection taken to the manner in which you have acted. The only logical and reasonable manner of framing the budget is to find how much money is at your disposal. Having once determined that, you should try to distribute it among your Departments as fairly and equitably as you can. I do not suggest, that perhaps the Honourable the Finance Member did not resist the inroads that were made on his Department by various spending Departments. Indeed, I hope that he resisted and resisted to the bitterest end. All the same, the fact is there that the Honourable the Finance Member as a Member of the Government of India, now wants to vindicate his position before this House.

I do not propose, Sir, to go through very many questions. I would just take a few questions which affect the public at large and try to show that the additional proposals for taxation are not based on any sufficient grounds. Necessarily to show that, I will have to examine both our expenditure and our receipts. The receipts have fallen considerably and I do not think that they are very illuminating figures, excepting this that we are faced with a large deficit in the coming year. Now, Sir, what is responsible for this deficit in our budget? As every man in the street knows, our Army expenditure looms large in the horizon and is mainly responsible for this increase. About the military budget I shall explain my position in as few words as possible. Let us see what is the situation which we find around us to-day? The situation which confronts us, rather the situation, fortunately for us, before us is this, that the most powerful military power of modern times stands defeated and vanquished. There can be no suggestion that owing to German intrigue any invasion of India can take place. With our northern neighbour Afghanistan we have entered into a treaty of peace. There is no power in Central Asia left now from whom we can have any reasonable apprehension of any future invasion. Bolshevism lies prostrate at the feet of Western Europe. That being so, is it reasonable, may I ask, to suggest that because there may arise in the distant future any apprehension of danger from our North-West Frontier tribes, therefore we should keep the army not only in an efficient condition but in that condition which unfortunately is not commensurate with the money that we can afford to spend on it? Sir, going through the whole subject, I find that for this increased military budget two bogeys have from time to time been tried to be trotted out from end to end. The first is the frontier disturbance and the second is the maintenance of internal order in which are included the movements of troops. Now, Sir, so far as frontier disturbances are concerned, I make bold to say that, excepting the Afghan War of 1919, if you take an average period of 3 years preceding

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that year, I do not think that our border has been less turbulent than has been the case during the past three years. I do not, I may be allowed to say, disregard the Waziristan campaign, but as against it there have been a number of campaigns of a more onerous character from time to time in the past. No doubt the frontier tribes can give us trouble, but after all trouble can be met with trouble. If they have troubled us, they have experienced always more trouble from us. Our position is never actually in danger. Then coming to internal order I will submit, Sir, once for all that the primary function of an Army is to repel external danger. I say it with great respect to His Excellency the Commander-in-Chief that it is not the primary function of an Army to maintain internal order. The duty of maintaining that order, in the first instance, devolves on the police. If the police fail to discharge their duty, and I am glad to find that in this country the police have never failed to discharge their duty, then civil authority has a right to summon the military to its aid. Therefore, the plea that because there is danger of internal disorder, therefore we are entitled to commit ourselves to a huge military expenditure is a very hollow proposition. I must admit, Sir, that the movements of troops which have been necessitated during the past 8 months have unfortunately entailed a certain amount of expenditure, but there is no reason to suppose that what has been done during the past 8 months will repeat itself on a larger scale in the near future. I am convinced that our police, efficient as it is, is quite competent to deal with such local trouble as may crop up from time to time. Now I do not think it is necessary for me to give the figures of military expenditure. They are a matter of common knowledge. The military expenditure has gone up very enormously. In the year 1913-14 it was 18 millions sterling and in 1919-20 it went up to 41½ millions. It has since then stood between 42 to 44 millions with a tendency to go up. Now, Honourable Members will see that the expenditure during the past 8 to 9 years has much more than doubled itself. Is that a position on which we can congratulate ourselves? My submission is that it is not. I have already stated to the House that there being no danger of any invasion, or of any aggression from any quarter, this is just the time when we should embark upon a campaign of economy and retrenchment. In fact the question is one which has attracted very considerable public attention in England. Whatever may be the view, and I am free to confess that I do not know what is the view of the military advisers of the Government of India on this subject, namely, whether we are entitled to embark on a campaign of retrenchment as a result of the late war, there is no doubt that the view taken in England is that for the next ten years there is no reason to apprehend any danger from any quarter. In the instructions issued to the Geddes Committee, whose Report as Honourable Members know was out only last month, it is clearly stated that the Committee will be required to submit its Report "on the assumption that no great war was to be anticipated within the next ten years, although provision should be made for the possible expansion of trained units in case of an emergency arising." That was one of the instructions that were given to the Committee. To me it seems that our position in India is much safer than the position of England, because we have not got the huge commitments which naturally fall to the lot of England. Sir, as was pointed out by one of the speakers, we are not required to spend anything on the Navy. Now, I ask Honourable Members to remember that the Navy of England is there to protect us. That being so, is there any reason why we should unnecessarily increase our military expenditure, though our safety is assured by

the naval forces of the Empire, of which we are a unit? On the question of retrenchment, Sir, the point that will naturally suggest itself to many Honourable Members is as to how we are going to economise. One of the suggestions thrown out by more than one of the Honourable Members who have preceded me, is that we can make a satisfactory retrenchment by Indianising the Army. The suggestion was that so many British soldiers should be replaced by so many Indian troops. That is one way, but, Sir, that is not the only way of doing it. The question arises as to what has been the effect of war on modern warfare and on modern weapons. If one soldier at present is as good as two or three soldiers of the pre-war period then surely a clear case has been made out for reducing the strength of our Army, both British and Indian. I do not say that we should reduce the British forces alone. If the interests of economy demand it, let us reduce both the British and the Indian forces. Now the question is this. It is unfortunately a question on which I am not in a position to express any opinion worth much, namely, what has been the effect of the war on the efficiency of our Army. I am sure, Sir, that the distinguished soldier who presides over the Military Department will enlighten us on this point. Now I invite the attention of Honourable Members to the Geddes Committee Report where the effect of improved modern weapons has been brought out and where it is explained as to what use a soldier can be put now, and whether he is not as useful as three or four soldiers were before the War. It says:

'The units also from the point of view of fighting efficiency are far more powerful than they were in 1914-15. Owing to the introduction of machine-guns the fire power of an infantry battalion is given as 6 to 8 times as much as it was before the war, and that of a cavalry regiment four times as much as it was before the war. The introduction of heavy artillery, gas, and tanks has increased the fighting power out of all comparison with the number of men engaged, and officers who are intended to increase the efficiency of the army, have increased disproportionately to the men. Moreover, there has been added to the Defence force of the Empire the very costly and highly specialised arm of the air. There will, therefore, be a far more powerful Army than we had before the war.'

We can also say that we have got the nucleus of an Air Force in India and, in time to come, it will relieve a portion of our burden. Now, that is the latest authority, if I may be allowed to say so, on the subject. That being so, may I not suggest to the Government of India whether the time has not come for them to reduce the strength of the British officers and soldiers from 69,600 and odd to 46,400, that is by one-third? Apply the same principle to the Indian soldiers whose strength at present, as Honourable Members are aware, is 158,615. If you do that, you will get quite a decent amount to cover the lion's share of your deficit. This is the position, Sir, those are the facts. I do not think it is necessary for me to say more on the Army.

I will have a few words to say on other subjects. Very briefly stated, Sir, my position on the remaining part of the Budget is, that this is a Budget which taxes the poor more mercilessly than the rich. That is the main objection that I take to the Budget. Having worked out the figures I find that out of 2,165 lakhs, as much as 1,300 lakhs has to be borne by the poor and the balance to the extent of 865 lakhs falls on the rich. This classification of course I find with reference to the articles on which increased duties are proposed to be levied. For instance, I will say in a word that things like Salt, Passenger fares and Matches are not matters in connection with which the lion's share of the burden can fall on the rich. The share of the rich is denoted by Income-tax, Super-tax,

[Saiyid Raza Ali.]

Alcoholic liquors, Machinery and Sugar, if I may be allowed to include the last item in the list. That is the main fault that I find with the Budget. Now, Sir, the position is, what are we going to do? Going through the Budget I found that our working expenses on many of the Departments had steadily increased during the last two years. If we compare the accounts of 1920-21 with the revised estimates for 1921-22 on the one hand, and with the Budget for 1922-23, on the other hand, we will find that there has been a steady increase in the working expenses both on our commercial departments as also on our spending departments. On the other hand, the receipts from our commercial departments have not kept pace with the increase in expenditure. This is more or less of general application, but I will just note the important heads without going into the figures. My remarks apply to Railways, Posts and Telegraphs, Customs, Salt and Opium. We find that there is a steady increase under expenditure. This increase is represented by 20 per cent. to 39 per cent. in the working expenses without any proportionate increased income for these years. Now, that being so, Sir, I ask, are we to content ourselves, unfortunately for us, with this Budget or such portion of it as we may be able to swallow? The position is that it is not a satisfactory Budget, and I for one object, subject, of course, to my general objection, more particularly to the increased duty on Salt, to the additional Excise duty on Cotton goods and to the increase in the Passenger fares. Now, only one of these subjects calls for some remarks from me, namely, the question of the Cotton Excise Duty. The proposition has been very thoroughly discussed to-day, and I need not say much about that, but I would remind the Honourable the Finance Member not to forget that this question has got a very unfortunate history behind it. In the year 1894 this duty was levied simply because Lancashire thought that Indian goods would compete with its produce. That was clearly stated in the Council by the Honourable Mr. Westland, who was the Finance Member at that time. He stated:

‘Her Majesty’s Government, representing the supreme authority in the administration of India, and following the instructions of the House of Commons, have stipulated that if we are obliged by stress of finance to impose an import duty on cotton goods, we must deprive it of a protective character by imposing an equivalent duty upon similar goods manufactured in India, to the extent to which these enter into direct competition with goods imported from the United Kingdom.’

The whole subject has got a very unfortunate history and, therefore, every Indian naturally has a positive dislike for this duty. I am sorry that the Finance Member has thought it proper to increase this duty. As has been pointed out, the duty should have been taken off; if that were not possible, he ought to have allowed the sleeping dogs to lie and not raised the duty.

One word more, Sir, and I have finished. I, for one, am not prepared to support the Government’s proposals, especially with regard to the three items which I have indicated. Now, let us see what the Government’s attitude on the point is. I must at once concede that Government have a right to expect all reasonable assistance from us in the present financial crisis, and I, for one, am prepared to help the Government as much as lies within my power. All the same, are Government justified in supposing that, because Members have chosen to enter the Legislature, therefore it is their duty to support the proposals of Government, whether good, bad or indifferent? Much more so is the case with regard to certain departments

which are never put to the vote of the Legislature, *e.g.*, the Army and many portions of civil departments. Here, behind our backs, without our knowing anything of what you are doing, you increase your expenditure and, after increasing that and finding that your revenues are not sufficient to meet it, you bring it to us and say: 'You are our Councillors and you have entered these Council Chambers. Therefore, we hope you will be good enough to help us.' Sir, I submit that is not at all a fair proposition. If you really want to rely on us, take us into your confidence, lay the figures before us, put everything to the vote of the Council, put before us for vote the Military expenditure and also all other non-votable civil expenditure. It will be our duty to help you after seeing as to how many of the proposals for retrenchment which we may put forward you have carried out. Sir, that being the position I think it is a very one-sided arrangement, and the Government are not at all justified in coming to us and expecting us to do everything for them. If it is going to be a case of mutual confidence, let it be a case of mutual confidence; if it is going to be a case of convenient alliance whenever it suits the Government, then there is no reason why we on our part should not follow the same principle. I strongly object to Government getting all the half-pence and we getting all the kicks. (Laughter.) That arrangement is very, very unsatisfactory, and I must say, Sir, that if this Budget does not commend itself to the Legislature and is thrown out, the Government have nobody but themselves to blame for the manner in which they have been treating the Legislature ever since the Members chose to come here.

HIS EXCELLENCY THE COMMANDER-IN-CHIEF: Sir, I do not propose to take up the time of the Council this afternoon by repeating what I said yesterday in another place. But there are one or two points in connection with this discussion which, I think, it is right that I should mention in this House; and although I do not wish to detain you longer than I can help, I will also endeavour to meet the considerable volume of criticism that has been launched at the Military expenditure, both in this House and elsewhere.

Briefly, I endeavoured yesterday to point out the attitude of the Government in reference to this Military expenditure. One Honourable Member, Sir, this morning has referred to certain discussions that must have taken place between myself and the Honourable the Finance Member in coming to a conclusion as to what the figure of the military budget should be. I think I may tell him without revealing any secrets that those discussions have been very ample, have been very thorough, and, I may say, have been very cordial on both sides, with the result that the figure that you now see before you is the one that has been adopted by the Government as a Government, and is laid before the country for that reason. I have used every possible endeavour to cut down Military expenditure to the lowest possible limit. I had hoped that, in presenting the figure to the Assembly this year, we might have shown a considerable reduction on that which we presented last year. But circumstances have been against us. We have had to confront, to our disadvantage, a considerable rise in prices and extra expenses on the Railways and elsewhere, as well as higher charges from Home which 12 months ago we could not anticipate. The economies, therefore, that I had meant and agreed to carry out, which would have shown a reduced budget figure this year, have, I am sorry to say, been swallowed up by expenses that could not be foreseen. After going into every branch of expenditure most thoroughly, it has been borne in on me, and I am afraid there is no disputing it.

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

that, though we may by strict enforcement of economy be able to reduce the figure next year to some extent, no big or drastic or large reduction can be effected in the budget figure unless we proceed to cut down actual fighting troops. At the present juncture—and I lay emphasis on the fact that in all the remarks that I have made on this subject I have referred only to the present time—my opinion, as the Military Adviser of the Government, is that we cannot make a reduction in fighting troops. And that is because the position in which we find ourselves, both as regards the internal situation in India and the situation on the frontier, is not one that gives such confidence in the stability of the whole situation as to warrant us basing on it a policy of reduction. When circumstances improve, when the internal situation gives less cause for anxiety than it does at present, when the position on the Frontier is less threatening than it is at present, when the Treaty that we have signed with the Amir has been in existence a little longer than the two or two and a half months which is now its age, then I am quite prepared to consider the possibility of adopting some of the suggestions which have been made by Honourable Members, both in this House and in another place, for making reductions in the fighting strength of the Army as a whole.

Several Members have made a distinct reference—I might almost go further and say that they have made severe criticisms—regarding the policy that has been adopted in Waziristan. This is not surprising in view of the expense that it has led to in the last Budget and in former years; though I think the total figure which one Honourable Member quoted of 25 crores in the last four years is not one that we can accept as accurate. I will leave that point to be dealt with by the Finance Member. I would say one word in reference to Waziristan. Many of our critics seem to think that the Army has gone into Waziristan on a sort of filibustering expedition, with a view to gain honour and glory. I see some Honourable Members nodding their heads when I say this. I desire emphatically to repudiate any such suggestion. We, the Army, have been

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forced to go into Waziristan much against our will, in order to protect peaceful inhabitants within our own administrative border. There is no more unpopular service in the Army to-day than service in Waziristan. I do not know whether many Honourable Members have had the good fortune to visit that country. I am sure, if they had, they would sympathize with the officers and men whose unfortunate duty it is to serve there. I repeat that we have been forced to go in in order to protect our own subjects within our own administrative border against the constant and vicious and vigorous raids of the Mahsuds and the Wazirs from beyond the frontier. If someone else would take charge of these turbulent tribesmen, if someone would transport them to some other area, or even if they would agree to cease these raids and depredations upon our own peaceful inhabitants, no one would be better pleased than the Army. But we are bound as a Government to give protection to those of our subjects who live within our own administrative border. I say that is a duty of the Government, a duty which that Government must fulfil if it is going to deserve the term Government. We have entered on this policy in Waziristan in order to protect our tribes; and instead of remaining on the defensive within our own borders on a frontier or over an extent of frontier of some 300 to 400 miles, we have tried to suppress the disease at its centre, and so far we have been successful. I have referred to this, because I cannot help feeling that there is some misapprehension

in the minds of Honourable Members as to the reason for our policy and for the expenditure which we have had to incur. I say that we can look forward to considerable reductions in this direction during the coming Budget, in comparison with last year. No doubt if our relations with Afghanistan continue to be as good as they are at present, and if the Treaty that has been signed matures in the way that we hope it will, it will be of very material assistance in our frontier policy and in the maintenance of law and order even in the Passes and in the borders of Waziristan.

I will pass on now to the internal situation. When I see a state of affairs in internal India to-day, in which I am constantly, almost daily, called on to send troops to reinforce the Police in order to maintain law and order, when I see the unrest in almost all parts of India, and when I remember also the trouble that we had in Malabar in suppressing the Moplah rebellion, I cannot bring myself to recommend a reduction in our fighting troops. It has been suggested by some Member that it is not the duty of the Army to maintain law and order and to suppress internal disturbances; I quite agree. But when your Police are either not sufficiently numerous or not sufficiently trained to maintain the law within your own borders, it is inevitable that the Military should be called in to support it. It is not, again, a duty which the Army is intended for, nor is it one that should in actuality be charged against the Army Budget. The maintenance of law and order and the forces necessary to enforce them should be charged against the Provincial budget. But one can understand, when one looks at the financial position of the provinces, that they rather encourage the Army to support the Police. I say again that the Army dislikes this particular duty, and would be very glad if it were possible to get rid of it.

Now, there have been many criticisms by Members of this House on Army expenditure. One Honourable Member insisted on saying that the Military expenditure was 50 per cent. of our revenue. I cannot subscribe to this view, for if the percentage is to be calculated for purposes of comparison with other countries, it must be calculated upon the revenues not only of the Central Government, but of the Provincial Governments as well, and if those two are combined, I think you will find that the percentage of Military expenditure is only a little over 30 per cent. The same Honourable Member described our frontier policy as 'aggressive.' I think from what I have said of Waziristan, it will be clear that I repudiate the epithet 'aggressive,' as we have only undertaken these operations by force of necessity. Another Honourable Member suggested that I was a bit flattered by the amount of attention that the Military Budget had attracted. I am not quite sure that it strikes me in that particular light, though perhaps it might strike him (A voice: 'No, no').

Another Honourable Member referred to the desire for developing the Territorial Forces, a suggestion which I cordially accept. It is a development which has been carried into effect during the past year, and which we intend to proceed with during the coming year. We have already some nine battalions in being, and we have taken money in this year's estimate to raise another ten battalions. Some are getting on better than others. But we hope—and we hope with some confidence—that at any rate in certain areas in India these battalions will become eventually a success.

Another Honourable Member said—I am not quite sure whether I understood him correctly—but he appeared to be somewhat emphatic in saying that it was desirable not to reduce the numbers in the Army, but to reduce expenditure. I entirely agree with him. That is really

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having your cake and eating it. It is a principle that I entirely approve of, and nothing would give me greater pleasure than to reduce expenditure. This is what I have been trying to do for the last twelve months, to reduce expenditure in the Army, and though I don't mean to say that I have got to the utmost limit that we can, I do say we have approached it very nearly.

Honourable Members have also referred to Indianisation, and in this matter I should like to make reference to a phrase that I made use of in a speech yesterday in another place, which has, I gather, been misinterpreted by some Honourable Members. I made the following remarks in connection with Indianisation and with India's progress towards Dominion status and self-government. What I said was :

'In company with other departments of the State, the Army must eventually be Indianised, but will it ever be possible either in the Army or in the Civil Service to completely Indianise them and to wholly eliminate the British either in the one or in the other? I venture to think that it will be at least several generations before any such development can actually take place.'

I went on to say that we were making a beginning in the case of the Army, and were starting schools for the education of young Indians. Now I understand that my remarks have been misinterpreted as meaning that the Government of India propose to defer the policy of Indianisation for many years. It was far from my intention to convey this impression. On the contrary, I am endeavouring loyally to carry out the policy of the Government of India, with which I am in complete accord, to substitute Indian for British officers in the Indian Army as rapidly as is possible, consistently with the efficiency of the Army, for which I am responsible. All that I meant to convey by my remarks, which in this connection were an expression of my personal views, was this, that I do not believe that India will wish for several generations, if indeed ever, to deprive herself entirely of the services of British officers, both military and civil, who have done in the past, as they will assuredly do in the future, great work for this country, to which so many of them have devoted the best years of their lives. (Hear, hear.)

The HONOURABLE SIR DINSHAW WACHA: Sir, it is no doubt a matter of profound regret that the financial condition of the country at this moment should be so parlous as to evoke a public cry the echo of which we have heard in this and in the other House. But as far as the deficits are concerned, I am trembling now, particularly after the remarks which were made by the Finance Member in his speech, that the deficit of the nature of the current year might continue not only in the coming year but for some years together. That remark points out that our financial position has greatly deteriorated, particularly in the last four years, say from 1918. That being the case, I do not know where the finances of the country may drift to. It may be that we are perhaps on the brink of what I may call a Niagara of deficits in the future; and the question is, whether it is possible for us to stem the tide, the floodgates of which are now burst open, or to sit with folded hands, and agree to everything that Government may propose in order to meet those deficits. Governments in every country no doubt often find themselves in that awkward predicament in which the Indian Government has found itself to-day. Whatever may be the condition in the present day of Central Europe, we, at least, in India, have escaped all those ravages and devastations that have gone on during the war. India suffered absolutely nothing so far as the war was concerned; rather I should say and I wish

my friends here, the non-official Members, to remember that it has benefited a great deal by the war, not only economically, but in other respects. Where would India have been but for the Navy; where would India have been but for the way that England and France fought together side by side with our brave Indian troops to put down that bastard Imperialism which had threatened to sweep away the great civilization which the world acquired within the last 50 or 100 years? The fact is this, that were it not that England, the Home of Freedom, was fighting on the borders of France, and shedding the blood of millions of the flower of her sons, India would not have been saved. What would have happened had India been whirled into the vortex of the war? What might have been her condition to-day? I ask again my non-official friends to remember, accurately, impartially and justly, whether India is not to-day in an infinitely better position in every way on account of the war, because it has escaped all the horrors, the devastations and the costly expenses from which all Europe has suffered. On the other hand, it is well known, as the favourable balance of trade showed, that during the war period India gained, gained ever so much, that in the last two years following the Armistice there was a boom, boom in industrial concerns, boom in joint stock concerns and boom in other numerous concerns floated with a capital which mounted up, I believe, so far as my memory goes, to something like two hundred crores of rupees. Where did India earn all that favourable balance of trade during the war period and a couple of years after? Go back to the last ten years before the war. Could anyone assert that India would have gained so much in trade, ordinary, normal trade? No. I think I can challenge anybody who may say that India did benefit as much during the pre-war days, or even prior thereto. Therefore, India stands to-day in a stronger position so far as the economic benefits that accrued from the war. If her financial condition has of late unfortunately received a rude shock there are no doubt causes for it. Those causes, I believe, have been very ably and lucidly put forward fully, frankly and courageously, by the Honourable the Finance Minister. There are two broad factors which have contributed to the present financial position of India—the internal factors and the external factors. We know what those internal factors are, particularly one which grievously affects us because of the famine of the previous year (1920), famine which always leaves its baneful aftereffects on the year subsequent thereto. All those conditions have to be taken into account. Other internal conditions are at present in the melting-pot. India is somewhat in a chaotic condition at present and has suffered and is suffering on that account. We must seriously take that element also into account. When we take all these things into our consideration and couple with them the distracted world factors, I for one am not surprised that there is such a very huge deficit. But, when I say that I am not surprised, I must qualify my statement by at least one remark, and that is this, that there has been going on for some years, if I may say so, an accumulation of small deficits. If Honourable Members will only closely study the financial statements of the last 10 years they will find one thing. I think my Honourable Friends, the Finance Minister and his Secretary, will correct me at once if I am wrong in saying that during the last few years expenditure has been allowed to out-run the revenue. That may be allowed in one year; that may be allowed in another year; but when it goes on year after year, I am afraid, Sir, we are inevitably driven to come to an impasse, and the day of reckoning must come. That day of reckoning has come upon us now. The cumulative effect of all these small deficits that have gone on for some years past has brought us to this stage, combined, of course, with the other factors

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to which the Honourable the Finance Member has referred. I should say that if the last 10 years' continuous revenue is taken, it will be found that, were it not for the railway surplus which it is the practice to merge into the general revenue account, we might have been in a very different state. I think I have calculated, of course I speak from memory, that from 1911-1912 up to 1920 the case has been this: if you deduct from the general revenue the railway surplus, you will find that in almost all the years there has been a material deficit. Of course, that deficit was not seen because of the merging of the railway surplus there. But if you deduct that surplus you will see in its nakedness each year's deficit almost. I do not complain of it. The dire necessities of Government were great, and, of course, they had to use that surplus, though I am one of those who for years past have been speaking about it as an unsound practice that the railway surplus should be merged in this general revenue account. My contention was that it should always be exclusively used for the development, further development, and extension of railways alone. Had that been the case, it is possible that the railway conditions might have been better and there might have been some alleviation of the congestion of traffic about which the public, specially the mercantile public, have complained. But that is not our concern to-day. What is past is past. I did not mean to refer to it, neither do I want to blame anybody. There is an end to it. There is, however, no doubt that this fact has added to the present dismal situation to which the Honourable the Finance Member has referred and which has obliged him to come before us with a very heavy bill of enhanced taxation. We very loyally submitted to the taxation of the current financial year which was about 19 crores. For the coming year, of course, it has gone up to 31 crores! Now, Honourable Members in this House, as elsewhere, have no doubt greatly objected to many of the items of this new taxation. Some of them object that there is a tax on Salt, a tax on Kerosine, a tax on Matches and one thing or other, which, of course, greatly affect the domestic economy of the masses, the poor masses. My friend, the Honourable Sir Arthur Froom, suggested in his speech that there are no poor masses at all or, if there are poor masses, as far as mill labourers are concerned, they are very happy and well-off. That may be. But even taking all the textile operatives, not only in Bombay and Ahmedabad, but in Calcutta and other places, including Madras, there is a large mass of the labouring classes who are poor and eke out their existence from day to day and who, during famine time, flock to the relief works in order, of course, to gain a little food and a little money. . . .

THE HONOURABLE SIR ARTHUR FROMM: But they do not work.

THE HONOURABLE SIR DINSHAW WACHA: It is not the case that they all do not work. Sir Arthur Froom is entirely mistaken. I admit at once that the mill hands in Bombay and Ahmedabad have latterly got so much increase to their wages that they do not, of course, attend to their work for 26 days of the month but for about 20 days. It is a fact that by working for 20 days they get more money than what they used to get before for 26 days. Their wages have been increased by hundred per cent. and more. But we are talking of India as a whole. We must not mix up one section of the labouring community, which is very happy, with the larger classes of labourers, the millions, who are eking out their daily subsistence. Remember also that we are just now in a good year with prospects of a rich harvest. Heaven forbid, supposing the next monsoon fails, of which, as we all know, we may not be too sure, what consequences may follow?

I think more than one Finance Minister has said before that as far as our finances are concerned, it is a "gamble in rain." That rain-gamble also goes to upset a great deal of the financial position of the Government. I say, Heaven forbid, if to-morrow there is another famine in the country, if not a general famine, famine here and famine there. No doubt the provinces are expected to find relief to a certain extent under the Reforms Act—what aid the Government of India will give to them when they come up to it for relief is another matter. When all these contingencies are considered I do say that, as far as the millions of the poor are concerned, the poor are poor. They are always poor from the days of the world. Their lot is the same everywhere, and it is not in any way exceptional to this country. But having regard to the fact that we have got our large mass of the poor, the question is whether a duty on Salt is expedient just now. I do not say about other taxes, but this Salt duty is one which is particularly hard. It has been said that it only comes to 3 annas per unit. I admit that statement. But that is not the only thing. Matches, Kerosine oil and other things all combined together go, of course, to swell the expenses of the poor. Many a mickle makes a muckle, and in the case of the poor this is all the more true. As my friend the Honourable Mr. Kale pointed out, there is local taxation and provincial taxation apart from Imperial. It may be very small but even this combined small taxation for the poor is too much and it adds, of course, greatly to the expenses of their domestic economy and brings them on the verge of hardship and inconvenience, if not semi-starvation. Therefore, I say that we have to look to the condition of these poor masses first; and in this connection it is said that the Excise duty on cloth makes it a great deal worse for them. Now, I am one of those who from the very beginning, when the Excise duty was first introduced in 1895 or 1896 opposed it, opposed it not only individually, but opposed it in my capacity as a Secretary of the Bombay Presidency Association. We sent long memorials to the Government of India of those days. I do still maintain that the Excise duty is most burdensome because it hits the poor. I have not known in the whole industrial history of Europe or America for a century and more that an Excise tax is put upon an indigenous industry, whatever that may be. Nowhere is it being levied and I should certainly be glad to be enlightened by the Finance Minister if he can inform us that there is a country in the world to-day where Excise duty of this character has been levied for years and years. Of course the mill-owners are flourishing and they agreed to the $3\frac{1}{2}$ per cent. duty which has been levied for years. Now it is going to be increased. It may be that this additional 4 per cent. duty on piece-goods may not perhaps injure the mill-owners themselves, that is to say, the manufacturers; but it will certainly injure the poorer classes. As the Honourable Mr. Kale very rightly said the production of cloth is not materially increasing in India and the imports of Manchester cloths are diminishing year by year—I find it has reduced the import duties for the current year by nearly two crores of rupees. What then will be the effect of putting this extra duty on cloth which will be something like one anna per yard? The greater reason for which I fight against this Excise duty is this. Everywhere, even in the case of the income-tax, what do you do? You take the tax on an earned income. Here, it is not a tax on income, it is simply a tax on production, which I consider to be most inequitable. Suppose you grind and labour to produce ten thousand pounds per day, but if that quantity will not cover your cost are you to be made to pay a tax on the loss you incur? I consider that to be a monstrous thing. It is an inequitable tax, against which I have been fighting and fighting for years and against which I fight to-day.

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I say it is most unsound and unfair, and it is even worse than an income-tax, because you are asked to pay on your income. But here you are asked to pay on your loss. What I say is that, if by any means this additional duty is given up, it would be far better and I think it would create a great deal of contentment amongst the masses. Well, they have for the last few years been paying a rupee and a half for a pound of cloth for which they used to pay 8 to 12 annas before. In other words they pay now 6 annas per yard which sold previously for 2 or 3 annas. In this Excise duty upon cloth, of course the profiteers will put on their own profits, apart from those of the manufacturer, and the middle-man his, and last of all the small retailer. Thus, this Excise duty on cotton will eventually fall on the head of the ultimate consumer and, since everybody wants cloth, the burden that will fall on the masses will be exceedingly heavy. Therefore, I appeal to the Honourable the Finance Member and to Government to consider the incidence of the duty from the point of view of the poor Indian humanity. It will never do to see these poor people going without cloth. Many children go naked about the streets because we have the sun. Children in England could not do so. They may go without shoes but they cannot go without clothes. Here in India, where we have the sun almost always, owing to the climatic conditions children go about naked till the age of 5 or 7 years. All these are conditions which have to be taken into account.

Then, as to Salt. I need not inform Honourable Members that the salt duty was very heavy before Sir John Strachey in 1878 revised and equalised it for all India. In some provinces it was $3\frac{1}{2}$, in some provinces it was $2\frac{1}{2}$ and in some provinces it was 2 per maund. Sir John Strachey did the wisest thing by abolishing the big salt cordon which went round the whole country, and at the same time reducing the duty to a flat rate of $2\frac{1}{2}$. That remained so till the Honourable Sir Evelyn Baring, who was afterwards Lord Cromer, the great regenerator of Egypt, as our Finance Minister, found our financial conditions so favourable in 1882 that the first thing he did was not only to free India from all revenue import duties except those on Arms, Ammunition and Liquors, but also to reduce the Salt tax. If India has since prospered exceedingly, it is because of that free-trade policy which Sir Evelyn Baring introduced, but which our Neo-Protectionists of the hour are now going to supersede. What would be the effect I cannot say, though, what Sir Ibrahim Rahimtulla, the King of Protection, acting as Chairman of the Fiscal Commission might recommend I cannot say. Coming back to the point of this Salt duty, I may observe that the Honourable Sir Evelyn Baring reduced it by eight annas. The Bengal Chamber of Commerce, I believe, and some other people said:

'This does not affect them much, it is not more than 10 or 11 annas per year per head; why do you reduce it, why do you forego it?'

The Honourable Sir Evelyn Baring gave a very good reply and I wish that every Member of this House, every Member of Government, will also remember that reply. He said:

'Eight annas per year even to the poorest man is very much. It gives him a *dhoti* or a *lota*.'

Now, if all this extra taxation on Matches, Kerosine oil, Salt and Cloth are taken together, it will make a very large sum. It will be more than eight annas per head, and you must consider what these eight annas and more per head will mean, especially if you also take into consideration

the diminishing purchasing power of the rupee. I admit that, as far as the purchasing power of the rupee is concerned, everybody is suffering. The Government themselves are suffering and I further admit that is also a cause of this deficit. But I do say this, that the Salt tax is a very burdensome tax for the masses and, if by any means the Government of India and the Finance Member could see their way to keep it at Rs. 2 or Rs. 1-8, that is only increase it by eight or four annas more, I think it would be a very great relief. The Finance Member and the Government of India would earn the gratitude of the masses. I do hope and earnestly hope that, notwithstanding that the financial conditions are bad, they may be able to find some other means, some other resources, wherewith to recuperate the reduction which they might make in the Salt duty.

Then, Sir, I wish to speak also on the subject of Machinery, Stores and other kindred commodities. Of course, the mill-owners are no doubt crying out against the taxation on these, and perhaps, it is natural. Everywhere there are what you call interests and interests, and every interest tries to protect itself. It is so in Parliament. In the lobby there during a Budget time you will find the railway interest tries to get as much relief as it can for railways, other industrialists do the same. The iron and steel manufacturers, the Lancashire manufacturers all scramble together, saying to the Chancellor of the Exchequer to reduce this and reduce that. It is human nature, but I do say that, apart from the mill-owners, we are now embarking on an industrial development of a very extensive character. In these circumstances, is it wise, is it expedient, is it financial statesmanship to increase these duties on Machinery very high, from $2\frac{1}{2}$ per cent. to 10 per cent? That is too much, and I think that, if the Finance Member will only be content with taking five per cent. everybody will be glad. The same is the case with Stores and other articles which all go to increase the cost of production. The cost of production in one thing or another falls on the ultimate consumers, and the ultimate consumers are the masses. Therefore, the burden eventually falls to a large extent on the poor and, if the maxim of economists is true that taxes should be so adjusted that those who are most able to pay should pay the most and those who are least able to pay should pay the least, if that be the case, then I ask who are the least able to pay but the masses. Will you not do anything to alleviate the heavy burden of the masses? Why make them discontented? Sound finance is the bed-rock of national prosperity, and sound finance means that you must keep the masses contented and prosperous. That being the case, Sir, I would only appeal to the Finance Member and the other Members of the Government to see if they cannot find a way to reduce the Salt duty, to bring down the Excise duty to $3\frac{1}{2}$ or 4 per cent. and also to make a reasonable reduction on Machinery and Stores. There is always a way to be found if one is sought. But I will no longer refer to this subject. Time is passing.

I wish however to draw the attention of Members to another matter. What will be the effect of this present heavy taxation—30 crores of additional taxation—supposing that it is imposed. What will be the effect on the country itself? Will you not be diminishing the ability of the tax-payer? And what is then to happen next year when there may be another deficit, as the Finance Member himself has forecast, when the ability of the tax-payer to meet his fresh demands has been reduced by the present taxation? The condition of India being what it is, while international trade and commerce remain in the present chaotic condition, I do not believe that we shall get out of this mire of deficits for the next five or

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ten years. Are we then to face a deficit every year? That is a very serious consideration and will require financial statesmanship of the highest rank from whoever may be the Member for Finance. We are entering upon a very troublous and parlous condition of affairs, and I think it will be wise and expedient on the part of the Government to see that the taxes are not imposed which will overburden the already greatly burdened tax-payer. You will break his back and then there will be no hope indeed. This is merely an adversity Budget. The adverse circumstances of the times have necessitated it. But if these adverse Budgets are to continue from year to year, and if taxes are to increase more and more, it goes without saying that you will materially diminish the ability of the tax-payer till at last he will be unable to meet any demands. Where shall we be then? Perhaps in the lowest depth there may be a still lower deep threatening to devour all. Is that a stage which the Government wishes to reach? I hope not. If this avalanche of deficits, if this Niagara is going to flood the whole country, we will be overwhelmed and swept away in the tide of financial ruin. During the last 50 years India has prospered. Are we going to make her more prosperous by encouraging her industries, manufactures and trade, or are we going to impose a crushing burden of taxation on taxation of a particularly unproductive kind which shall impoverish it? I would not have so much objection if the expenditure was of a productive character. But that is not the case. We have a large unproductive expenditure; and of this unproductive expenditure the military expenditure is the most unproductive. None can deny it. I am sorry that His Excellency the Commander-in-Chief is not here at present to listen to what I am going to say on it. He observed this morning in his speech that it is impossible to reduce military expenditure any further. He has reduced it to the irreducible minimum. But what is the cause of this expenditure? His Excellency further said that if the Provincial revenues were taken into account the percentage on military expenditure to the total revenue will be less. I am afraid His Excellency was not quite correct. I have some figures here for the years from 1911-12 to 1919-20. In those years Provincial and Imperial revenues were combined. The Provincial revenue has only been separated since 1921-22. But what was the net annual expenditure on the military for the seven years from 1911-12 to 1919-20? From the Parliamentary return of those years I find that the ratio of net military expenditure to net revenue was 69½ million pounds per annum. And what was the ratio during the remaining two years namely, 1919 and 1920? While the annual expenditure during those 7 years was 6·93 million pounds per annum during the two following years it was 11·7 million pounds per annum. What does that show? This only that the Army charges have gone up higher and higher. There are two matters about this military expenditure which have led onward and onward to the increase. One is continuous frontier expenditure. The other is the fatal Army amalgamation of 1859. India has cried aloud during the last 40 years about the second one. It is the one about which the Indian Government itself has written despatch after despatch to Secretaries of State. Lord Lytton, who was himself the author of what is called the 'scientific frontier', sent a despatch to the Government of England in 1878. Lord Lytton was followed by Lord Ripon and Lord Dufferin and others. But the question still remains unsolved. The War Office is absorbing a great deal of the revenues of India. Why, because the War Office demands year after year its pound of flesh in pursuance of the amalgamation scheme? And what is that pound of flesh? Nothing

but this, that India has been made an unwilling partner under that amalgamation scheme and is forced to pay huge sums for soldiers' pay, depôts and other matters. Professor Fawcett, who was a Member of Parliament and sat on the first Committee on East India Finance from 1871 to 1874, and who was a master of the art of cross examination, brought out from various army experts who were witnesses the unchallenged fact that the amalgamation scheme was at the root of the great mischief which Indian military expenditure was creating on the revenues of India. It was an amalgamation, as he said, of two countries, poor India and rich England. It is something like a partnership between two men, one with an income of £1,000 and another with an income of £20,000, the former being something in the nature of a sleeping partner with no voice in the business, but paying every pie that was demanded, just or unjust. The War Office calls for the tune and India has to pay the piper. That is the whole essence of the amalgamation! It is a contract between a poor man and a rich man, and the rich man quietly smokes his pipe and says to the poor partner, 'kindly foot this bill.' The poor partner does not know why he should pay; but all the same there is the partnership, and a contract is a contract which cannot be got out of; and in that way India has paid through the nose year after year from 1859 till to-day whatever sums demanded counting by hundreds of lakhs. Unless and until this amalgamation scheme which is ruinous and mischievous is abolished nothing that you can do will reduce your Military expenditure. But you will never be able to abolish this amalgamation scheme until, not only the Members of this Council and the Government, but the general public emphatically cry out against it and say that India can no longer suffer this amalgamation scheme to go on. Then only will your military expenditure be reduced but not otherwise, whether Waziristan is or is not evacuated and other Frontier activities cease. I tell you plainly and you will remember my words,—I am an old man nearly 80 years of age—and die to-morrow that, unless this amalgamation scheme is abolished, you will never get out of the clutches of the War Office which tyrant like keeps an iron grip on India. That is the position of India so far as military expenditure is concerned, and it is the one potent cause above all other causes. It is the *root cause* of the annual disturbance to our revenue.

I am sorry, Mr. President, that I have overrun my time, like the Finance Member who allows to overrun his expenditure. But I will now conclude by saying this only; I most earnestly appeal to the Government of India to do everything in its power to put an end to this ruinous amalgamation and to speedily put its financial house in order. I appeal to all the Members of the Government of India to put their heads together and see how far they can at least reduce this Salt duty and the Excise duty on cloth and give what relief they can give to the tax-payer. If no relief can be given then there remains one last resource which, though to be condemned on abstract economic principle, must be deemed as a practical expedient. The Honourable the Finance Member asks what is the use of borrowing? I admit that borrowing is a very unsound principle for meeting a deficit, but sometimes a desperate disease requires a desperate remedy. In that case leaving alone the Salt duty and other objectionable taxation, borrow 10 crores of rupees at 6 per cent. interest for 25 years. You will have only to pay interest to the extent of 60 lakhs of rupees every year, and if you will try to liquidate that loan in 25 years, you will have to set apart 40 lakhs more for reduction of the loan every year, say a crore in all from the annual revenue. That will be spread over 25 years, and in that way the financial troubles of the Government of India may

[Sir Dinshaw Wacha.]

be relieved and industrial development can be allowed to smoothly go on. Such an arrangement will make the people more contented and prosperous than they are and free the Government from all adverse criticism. With these remarks, I resume my seat.

The HONOURABLE COLONEL SIR UMAR HAYAT KHAN: Sir, there are always two sides of the shield, and we who live in the Punjab near the frontier have to think differently. History will show that the Punjab has always been invaded and hundreds and hundreds of villages have been left without any population. It is true that for some time we do not see this. When there are some hardy nations who are now more or less taking up conscription, we have also to be alive to that. All the other provinces have never been invaded and the Members from other provinces have no experience of invasion, because each time the invaders have come they have come up to Delhi and stopped there. We have been the sufferers. It is for this reason, Sir, that I think the Army should be kept efficiently. There has been something said about amalgamation. If we had not gone from here and the Army in France and elsewhere in other theatres was not one, and managed by the same department, I think we would not have had the success. The Kut affair is very well known, the reason was that the news from India did not reach the place and the enemy was under-estimated. I think the Army as a whole is a thing that we want efficiently to be maintained. How can we do without it? Then again, Sir, take the Department of Education that is now started in the Army. It is the business of the Education Department to have these men educated. Hundreds and thousands of these men get educated in the Army, and that money is also added on to it. After all they are men in the Army. These are poor whose lands are not sufficient to maintain them. They require to live. If all these men were disbanded, they would have no means of living. It is also felt by the martial classes who have fought in the last war that they were taken away from their own professions and when they came back after hard fighting, they were put to trouble by being thrown out, being disbanded. On the whole I agree with the Budget, but there are one or two things, which, to be true to my constituency, I must point out. Some of them have been pointed out by the other Members. The most important of them is that the poor should not be taxed. One particular class of people have escaped taxation, and that is the capitalists and the money-lenders. We cannot tax them, because many of them do not show their accounts. They have got many sets of accounts, one for the Court, one for themselves and the other for departments. If every district were to sell standardised books and there are water-marks and the stamp on the paper and if it is insisted on that only those books should be allowed to be put forward in Court, and if such books as are standardised and sold, are produced before the taxation department it is then that you can tax them properly. Hitherto we the agriculturists have been taxed for them. Again, Sir, of course the Punjab and other provinces have been paying for Bengal which has got a permanent settlement. We ought not to pay for them. Let them tax themselves, if they like, for their own expenses. (Hear, hear.)

Then, another thing that is worth putting before this House is that the chaukidars, lambardars and policemen are low paid and they therefore have to live on the country. All the wrongs that they do are dubbed on to the Government, and this is one of the causes of discontent. If these

people were appointed by the local people themselves, then directly they misbehaved, they could be dismissed. Now, the dismissing authority is different and the appointing authority also is different and the people who are suffering have no voice in the matter at all. I think the more the people are associated, the better it will be.

Only one thing more I wish to point out. I refer to the tax on Machinery. India requires machinery and when it is only a young country in that respect to nip it in the bud is not a good thing.

I hope due consideration will be given to the suggestions put forward by the Members before the Finance Member. On the whole I think I can congratulate the Finance Member on the success of the Budget.

The HONOURABLE MR. E. M. COOK: Sir, I do not propose to deal in any general way with the criticisms which we have heard to-day. I only rise to offer a very few, brief and somewhat disjointed remarks in response to several requests that have been made for information. In the first place, the Honourable Mr. Lalubhai Samaldas has been in some trouble about these Railway annuities. He maintains, I think, that there is some discrepancy between the figures in the blue book and the figures in the pink book. I can assure him that the matter is perfectly clear and that the pink figures are really the same as the blue figures, if you look at them together. The Honourable Member will find, if he opens the blue book and the pink book at the same time, that the total annuity payment in 1922-1923 (page 2 of the pink book and page 308 of the blue book) is £3,357,500. Now, if you convert that at Rs. 10 to the pound, you get 3 crores and 35 lakhs; if you convert it at Rs. 15 to the pound, you get 5 crores and 3 lakhs. That accounts for the difference. Out of that 5 crores and 3 lakhs, 1 crore and 17 lakhs represents real capital payments, and the remaining 3 crores and 86 lakhs represents true interest charges.

The Honourable Mr. Lalubhai also said:

'What about this 6 crores that is appropriated in respect of interest on our paper currency investments?'

I should like to remove one slight misapprehension that he is under, and that is that it is not 6 crores in respect of the paper currency investments; it is roughly 3 crores. If he turns to the table on page 331 of the blue book, he will find that out of those 6 crores, about 3 crores, including the Exchange adjustment, is in respect of the excess assets of the Gold Standard Reserve about £40 millions. I don't wish to prejudge any discussion that may take place subsequently, on some other day, as to the merits of this appropriation; but I must point out that the effect of not making it would be that we should be borrowing from the Gold Standard Reserve, and it is, I think, at least questionable whether that would be a proper solution of the difficulty.

I think one Honourable Member asked for some details of the 4 crores and 5 lakhs, which was mentioned in the Finance Member's Budget speech as representing the extra revenue which would be obtained by putting up the 2½ per cent. duties to 10 per cent. The estimate is as follows: 185 lakhs from Machinery; 110 lakhs from Iron and Steel and 110 lakhs from Railway plant, making up a total of 405 lakhs.

Another Honourable Member gave a figure of 25 crores as the total expenditure on Waziristan. The correct figure is 20 crores and 11 lakhs, up to the end of the current year.

[Mr. E. M. Cook.]

I think the only other point I need trouble the Council with, at this late hour, is the Honourable Mr. Sethna's remark when he suggested—or so I understood him—that some of our accounts are kept on a 1s. 4d. basis and some of them on a 2s. basis, and I rather got the impression that he was not quite satisfied that there had not been a little concealment somewhere, more particularly as regards the true Military expenditure. This budget has been called all sorts of names, but, except by my Honourable friend, it has not been called equivocal. The Honourable Mr. Kale has corrected the Honourable Mr. Sethna, to some extent, and has pointed out that the figures are all on the same basis. The accounts are on the 2s. basis, and an adjustment has therefore to be made in order to bring the Home charges back to the true market rate of exchange. In the case of the commercial departments that adjustment is made under the head concerned, but in the case of the non-commercial departments it is all lumped together under the head 'Exchange.' That has been the practice which has been followed for many years; whether it is a good or a bad practice I won't argue; but why raise this only about the Military expenditure? My Honourable friend might have raised it about any of the other non-commercial heads. (*A voice*: Particularly about Military expenditure). If my Honourable friend's observation is merely a request for information, then it is all right, but I hope that he is not making any suggestion that we were tucking away something which we would not like the public to see. If he looks at the figures of the Home charges given in the blue book, he will find that the Exchange adjustment on Military expenditure in 1922-23, which will be taken to the head 'Exchange,' works out almost exactly to 5½ crores . . .

THE HONOURABLE MR. V. G. KALE: Therefore the Military expenditure is not 62½ but 68. That is my point.

THE HONOURABLE MR. E. M. COOK: The Honourable Member put the point not so directly. I got the impression that he thought we had tucked something away somewhere. I now present him with the information that the adjustment is 5½ crores.

THE HONOURABLE MR. V. G. KALE: Then the military expenditure is 68 crores instead of 62½.

THE HONOURABLE MR. E. M. COOK: I think my Honourable friend's arithmetic is correct. Of course the same adjustment would have to be made for the current year, as also for past years.

I should like to have dealt with one or two other observations, but I do not wish to interpose between the Council and any other Honourable Members who wish to speak. I should, however, like to say that I don't admit that we could fund these deficits by increasing our borrowings. With very great respect to the Honourable Sir Edgar Holberton I don't admit that the Government have been too cautious as regards their ordinary annual borrowings. It is quite true that our rupee loan this year was 49½ crores, but he must remember that of that amount nearly 20 crores went to the discharge of war bonds, and about 5½ crores was lent by us to the Bombay Government, instead of their floating a loan themselves; so altogether only about 24 crores could be regarded as new money. We have entered 25 crores as our rupee loan this year, and also new sterling loans of £16 millions. I don't think, having regard to the state of the market for

Indian sterling securities, and to the fact that this year we have very few war bonds maturing, that my Honourable friend can fairly say that that estimate is over cautious.

(At this stage the Honourable Sir Maneckji Dadabhoy left the Chair.)

The HONOURABLE DIWAN BAHADUR V. RAMABHADRA NAIDU: Sir, It is unfortunate for us that we who are in the second year of our existence are asked to face a budget which is worse than the previous one.

The Council must be doubtless aware that 87 per cent. of the population mainly depend upon agriculture. The Indian farmer is one that deserves sympathy from the highest to the lowest. The Indian peasant is proverbially poor. He depends mainly on monsoon conditions and a single drought upsets him. He cannot boast of even one hearty meal a day. He toils day and night being wedded to the soil. His income is fixed. His condition is not in any way bettered. The increase of taxation proposed on Salt, Yarn, Kerosine Oil, Post and Telegraph, and Railways may heavily press on him. I would plead on his behalf that he must be left undisturbed. Ryots must be allowed to travel as formerly without paying the extra 25 per cent. railway fare which the Government propose to levy. Let them enjoy the privilege of writing upon the quarter anna post-card. Instead of constructing the costly strategic railways on frontiers, may I venture to suggest that it would be profitable to construct tanks to facilitate irrigation? It will not be out of place, if I mention that a network of irrigation schemes as pointed out by the great Engineer, Sir Arthur Cotton, would be an advantage to India.

It is a fundamental principle that Expenditure must not exceed Revenue. The Government well knew the financial crisis of India. It is a wonder how the Government of India recommended the general increase in the salary and allowances for all the higher services in India without bestowing any thought upon the limit of their resources.

His Excellency the Commander-in-Chief Lord Rawlinson declared the other day that he, as military expert to the Government of India, cannot advise them to reduce the Army from what he considers to be an irreducible minimum. Last year the Government increased the expenditure on the military from 40 crores to 62 crores of rupees. The increased expenditure may be said to be due to the reorganisation of the Army which was begun by Lord Kitchener and given effect to fully last year. A committee sat at Simla to inquire into the requirements of the Army. We are at a loss to know whether that committee was entrusted with the task of retrenchment also. Military expenditure is swallowing up more than half of our income. It has grown intolerably costly. Much money is already sunk in the unfortunate Waziristan. The little affairs on the frontier as they are called really cost us a mint of money. It is for the military experts to tell us when we shall get rid of this incubus. When Mr. Geddes is able to show an appreciable reduction in the Army expenditure in England, is it not open to the Government of India to pronounce what amount could be reduced in the budget for the Army?

It passes one's comprehension that His Excellency the Commander-in-Chief with all his efficient Army could not put down at once the rebellion in Malabar. It is sad to reflect that he allowed it to last for many months and we have not seen the end of it yet.

Even as early as 1881 Lord Ripon whose Vicerealty is enshrined in the hearts of India's millions and who, it must be remembered, had to face an

[Diwan Bahadur V. Ramabhadra Naidu.]

Afgan War, the legacy of Lord Lytton's forward policy, and its concomitant frontier troubles, vigorously protested against an increasing Military expenditure. Writing to the Duke of Cambridge, Lord Ripon said :

'It is impossible for the finances of India to bear the burden of additional military expenditure. Every branch of our civil administration is already starved.'

When so long ago as 1881 it was found that Military expenditure had reached the limits of endurance by the people, I need not point out that its steady increase in the interval of 42 years which has elapsed, has gone beyond those limits, and no wonder that the cry for retrenchment is insistent and real. In this view I am glad I have the support of no less an authority than the 'London Times' which in referring to this year's budget says 'that the budget need not have been so large while India's military expenditure has become disproportionate to her Imperial revenue', and it urges the Government to terminate the forward military policy on the North-West frontier.

In saying this I am aware of the situation created internally by non-cooperation of which we have had a tragic instance in Malabar. I dare not suggest a sudden reduction in the strength of our Army, but may I not hope that means will be found and a programme will be adopted, as early as possible, for a gradual and a steady reduction in our military budgets, so that the burden may be eased though not at once, but in the course of a definite number of years?

After all, let me console myself that the additional taxation which we and the Government are forced to impose on the people, will not be a permanent fixture, but it will be removed soon after normal conditions come to prevail.

The HONOURABLE LALA RAM SARAN DAS: Sir, this Budget I am sorry to observe, is very depressing and very disappointing. It is the primary duty of Government to keep its subjects contented, happy, and flourishing. I think this new proposed taxation does not tend towards this object at all. It is a matter for great regret that the Reformed Councils should have started not only with an empty purse, but with a big deficit every year. These growing deficits have enhanced the difficulty which our Finance Member has to face in tackling the Budget each year. The manner and the way in which he has tackled the Budget this year and has kept the Government solvent is looked upon with great dismay and resentment in the country. I would strongly recommend that the Finance Member may kindly recast the Budget and give the Budget a toning-down effect. The root-cause of the present discontent in the country is economic distress, and, in case this economic distress is increased, I think Government will find more troubles than it anticipates. Military expenditure, of course, is enormous and a number of my Honourable friends have greatly dealt with this matter. His Excellency the Commander-in-Chief has said that the percentage of the Military expenditure on our total revenue is not 55 per cent. but 30 per cent. Even 30 per cent. is very high as compared with the normal times. I cannot understand and I think Sir Edgar Holberton and Sir Arthur Froom, who seem to have justified this high Military expenditure, have not convinced this Council regarding the necessity of keeping up this, I should say to a great extent, unnecessary expenditure. At present the European Army is all recruited in England and under the present system it has to be paid for at the rate of salaries which are paid in Great

Britain. India is a much poorer country and it cannot therefore afford to pay the wages which are current now in England. I would suggest that the European Army for India should be raised here and in that way I think a good saving can be effected. We have noticed that our Army expenditure has been constantly rising, and from 18 millions sterling it has now reached 42 millions. Of course, a great deal can be said on the point that, when other countries are increasing their armies, why should not India increase her armies? This competition, I consider, is disastrous in its effects, and for that reason a Conference was held at Washington which considered the reduction of armaments and the reduction of expenditure thereon. India, too, has, I am glad to observe, gone in that direction by coming to some terms with Afghanistan. We are, of course, liable to be attacked from Central Asia and in order to safeguard India, some Army is to be maintained. But in case treaties could be made with these countries, I think we can safely reduce our Army. New duties as now proposed are bound to retard the progress of our industries, and I consider that Government is adopting an inconsistent policy when it, instead of fostering the industries, gives them a set-back. India requires great industrial development and it is only through the industrial development that the country can bear higher taxation or raise more revenues than it can at present. Sir Arthur Froom has depicted the picture of a poor Indian differently and Sir Dinshaw Wacha has given a right reply to that. What I want to add to that is, that a number of harvests have consecutively failed and that India has thereby suffered very heavily. The cost of living has gone up very high and there is a large portion of people who find it very difficult to have a good living. There are famines in the country and a number of people die of starvation. Of course, India has gained by the great war, but that great gain I find is in the matter that Indian armies have fought side by side with their British brethren and have gained and enlisted the sympathy of the British Parliament and of the world at large. Excise duty on cotton piece-goods will be considered and will be misconstrued in various quarters. As the Honourable Saiyid Raza Ali has already quoted the policy underlying this Excise duty, it is not, I should say, proper. British people are for free trade, but in this way, they are trying to resort to protection of Lancashire. The import duty on Machinery has been increased practically four times, and this fact will be taken by the public as a great step towards retarding the industrial progress, and I would strongly advocate that, in the interests of the development of the country, Machinery should be treated free. It has been said that this budget taxes particularly the rich and not the poor. I do not agree there. What I think is that the poor are being equally taxed and taxed heavily. Salt tax, increase in Railway fares, increase in Postage rates and particularly in the Post-card, will be a great hardship on them. His Excellency the Commander-in-Chief has explained that in Waziristan the operations were simply defensive and that they were not offensive. Well, it is a great consolation to know that, because at present the finances of our country do not admit of any offensive operations. I quite agree with my friend the Honourable Sir Maneckji Dadabhoi that, although he and I both are against the export duties, export duty on seeds, bones, minerals, oil seeds, coal, hides and skin and jute be increased in case the finances of the country demand them.

THE HONOURABLE SIR MANECKJI DADABHOY: I did not refer to jute and minerals in my speech.

THE HONOURABLE LALA RAM SARAN DAS: Very well, I add those items myself. What we see, Sir, to be the chief feature of the new budget.

[Lala Ram Saran Das.]

is an increase in import duties alone, but there is no increase in the export duties. I see no reason that only the imports should be touched and that exports should be quite free. The loss of 16 crores in Exchange is simply deplorable, and some efforts should be made to avoid this loss in the future. Of course, I cannot at this stage say whether a Gold currency in India is advisable or not, but I should say that some steps should be taken either by the introduction of Gold currency or something else by which such results may be avoided. One of the Honourable Members of this Council took Rs. 50 a month as the average income of an Indian. I disagree with him. I do not think our average income is even Rs. 30 a month. (Cries of 'Rs. 50 a year and not a month') I think you are probably right. My friend the Honourable Sir Umar Hayat Khan has cast a great slur on the commercial community by saying that they keep forged accounts or that they keep triplicate accounts for different purposes. I myself happen to be a zamindar as well as a business-man and I strongly resent that remark. Business-men keep more accurate accounts in their own interests than agriculturists whose accounts may or may not be kept so elaborately. The Honourable the Malik Sahib has also drawn the attention of the House to the fact that capitalists and money-lenders are not being properly or adequately taxed. I differ there also from my Honourable friend, who, for all practical purposes, is a capitalist himself, because he himself, as an agriculturist, has to deal with the big produce that he gets from his lands.

I am glad to learn from His Excellency the Commander-in-Chief that ten more battalions of the Territorial Force are to be added this year, but His Excellency has not shown us what corresponding reduction has been made in the ordinary forces when this new force has been added to our present forces. On page 321 of the Demand Estimates, under the head of increase in column 1, I find that the increase in the price of food-stuffs and other consumable stores over the scale adopted in the Budget of 1921-22 is one crore and 83 lakhs. As far as I know the forward contracts for wheat and other food-stuffs are being entered into at comparatively very cheap rates, so I cannot find any justification for such a big item being retained here. I hope that the Honourable the Finance Member will enlighten us on this point how the amount of 1 crore and 83 lakhs has been arrived at.

As regards the Air Force, of course I am not an expert in that direction, but, so far, we have not seen that we have gained very much materially by the introduction of the Air Force, and, in case the Air Force has to replace the ordinary Army, in case the Air Force is considered to do more work because of its easy accessibility to any place, a corresponding decrease in the ordinary strength of the Army ought to be made.

Of course it has been a great satisfaction to me to hear from His Excellency the Commander-in-Chief that, in case the new Treaties with Kabul and perhaps with other countries come into effect and are adhered to by the Governments with which they have been made, he expects to show a great reduction in his demand next year. Of course, we all wish that there may be peace in the land and that the other Governments, I mean the other countries in their own interests, as well as in ours, might agree to this humane proposal.

THE HONOURABLE MR. K. V. AIYYANGAR: Sir, I have little to add to what the non-official Members of this Council have said, but I want to add a few words on one or two points. His Royal Highness the Prince of Wales in his speech at Madras assured us that our voices are respected

in the Councils and they go to frame the policy of the Government. All right-minded gentlemen of the ruling race, who believe in the higher destinies of the Indians, are of the same opinion. Let us dismiss from our minds the silly outpourings of such diehards as the President of the Bengal Chamber of Commerce who has the other day tried to discredit the Government as influenced by Resolutions in the Legislature.

In examining the Budget that is before us we feel and hope that the Government will be responsive enough to consider favourably the wishes of those who are co-operating with them for working out the reforms with success and who are at the same time here for doing good to the country. The Budget that is before us is sure to press very heavily on the poor and also to wipe out the nascent industries of the land. In the face of hard facts no sophistry or threats can influence us to take any other view. Even the Secretary of State a few days ago has said in Parliament that India is a highly taxed country. Let us examine the difficulties of Indian textile merchants in the light of fresh taxation proposed, and in doing so I would be only adding to what the Honourable Sir Dinshaw Wacha, the Honourable Mr. Sethna, and others have said about them. The income-tax and the super-tax on the mill-owner comes nearly to half of his profits. Added to this a 10 per cent. tax is put on Machinery in case a new mill is to be started. And the *ad valorem* duty of $7\frac{1}{2}$ per cent. on cotton manufactures works out to nearly 30 per cent. of the net income. Then there is the tax on advertisement. While the packet post containing foreign advertisements are allowed to be imported free of duty, the Indian merchants are handicapped by the heavy duty put on paper, etc., With the increase of Salt duty, Postage, Cloth, Kerosine, Match boxes and the increased Railway fares, the Indian mill-owner will decidedly have to pay a higher rate of wages to the labourer. Apart from the standpoint of the mill-owner, even if we take the standpoint of the poor people, as was pointed out by the Honourable Mr. Kale, the tax on cloth will be a very heavy burden on the poor. The Indian-made cloth is, as Mr. Sethna drew our attention to, used only by the poorer classes. Even in these days of Indian cloth boom very little margin of profits will be left, while in ordinary times this industry is bound to perish if this high duty is continued for years. With all these difficulties coal cannot be obtained very easily and it has to be imported all the way from England. Though no sympathy can be felt for the mill-owner who imports foreign yarns and weaves here, yet it should be said that that trade of the mill-owner with a five per cent. duty on yarns is doomed for ever. The Indian mill-owner fares this way and I need not dilate upon the condition of the poor people under this Budget. It is feared that the cost of living will nearly be doubled with the increase of the Salt and Sugar duty and a rise in the price of Cloth which the poor usually wear. The wishes of the representatives of the people should be respected when they emphatically protest against a tax being levied on two essential necessities of life—food-stuffs and cloth. The duty on Kerosine, Match boxes and the increase in Railway fares and Postage is also sure to press very heavily upon them.

The touchstone of the Reforms is the economic progress of the country; and if in the Reforms we see only very heavy taxation without corresponding benefits in the shape of improvement of education, irrigation, sanitation and industries, we have to agree even with the leaders of those who do not co-operate in running the Reforms. They seem to be justified in saying that the policy now followed is only a set-back to Indian progress and not an advance.

[Mr. K. V. R. Aiyangar.]

In the name of Exchange so much injustice has been done to our land. We do not want to have the prestige of an Indian currency, but we would like to have pounds, shillings and pence instead of rupees, annas and pies. If English notes and English coins are introduced into India, I think half the trouble in connection with Exchange would end.

The merchant community in our Presidency view the proposed rise in the super-tax as very abnormal, and they term it, in a telegram that was handed to me this morning, 'confiscation pure and simple.'

Provincial finance too is very disquieting. The lion's share that each Province has to contribute to the Imperial Exchequer is taken objection to. Lately in Madras an ingenious but uncharitable charge was made on the Councillors of the Imperial Assembly and of the Council of State, to the effect that they have not moved the Council to effectively reduce the provincial contributions only because they were actuated by a motive, that is, that we consisting more of Brahman Members did not want to place more finances at the disposal of transferred subjects in the provinces and thereby attempt to bring unpopularity on the non-Brahman Ministers. Let us dismiss it as a base, unfounded and silly charge. The Members of the Central Councils should be credited with the forethought, that even if it be not for demonstrating the efficiency of the Indian Members holding the portfolios of transferred subjects, at least for the subjects themselves they would have exerted themselves to put more money into the hands of the Provinces. We Councillors have the wisdom to foresee also that during the next elections, when the Nationalist party is sure to be in a majority, they will be subject to the same handicap as the present Ministers are in the finances, and so the system of taking heavy provincial contributions should be mended in the initial stages by us. As a matter of fact many Members in the Assembly and here have been exerting themselves in that direction. To come to the main issue in regard to provincial contributions. There is some force in the argument that only because there are the transferred subjects, the items considered to be of less importance, that little money has been allowed to be handled by the provinces. The authors of the Reforms anticipated that, if the provinces are allowed to have at their disposal the sum needed for their provinces, the Ministers would spend the money and would not support taxation to pay for the Imperial revenues. There is no doubt that the transferred subjects are starved and that the pruning knife has to be applied to cut them even below the level of the pre-transferred period. A Madras Minister has been telling us the other day that he had to cut short much of the necessary items of expenditure. . . .

The HONOURABLE THE PRESIDENT: Order, order. The Honourable Member must get closer to the Budget.

The HONOURABLE MR. K. V. R. AIYYANGAR: At present both Provincial and Imperial Finances are in a very bad condition. I do not lament the loss in the Excise revenue from drinks or the loss due to the curtailment of the imports of foreign goods. Both these are *highly beneficial* for the moral and economic progress of India, and in course of time the Government as well as the representatives of the people have a duty to perform in seeing that these two items of income are wiped away from the Indian Budget. It is no doubt a large sum and the financiers of Government should vigorously work out the other sources of taxation, but I repeat it is their duty to see that these two items are not counted upon at all.

In such abnormal times as this it can be pertinently asked whether the Government cannot postpone the expenses contemplated to be incurred on Railways and other items that consume much of the capital expenditure. Here I acknowledge the force of the argument raised by the Honourable Sir Dinshaw Wacha that the Railways are paying concerns and we should not reduce the expenditure here. If we cannot reduce expenditure in that direction, then there are other items. Why not give effect to what the Honourable Sir Dinshaw Wacha has suggested in his speech of saving a crore, and spreading the savings for over a period of 20 years to save this huge deficit? During the war Railway and other items were curtailed and in this year of our abnormal deficit we should copy the war-time budget and curtail these items. When the country is enjoying peace I echo the sentiments of many that the Military budget also should be cut short. I do not blame the Commander-in-Chief or the Honourable Sir Malcolm Hailey for having such a huge budget for the military. But if we are to probe into the facts of this matter, we should find that the whole deficit is due to the working of the Esher Committee Report. It is due to that enemy of Reforms. He is not here and I do not know whether I am permitted to say it, but Sir Michael O'Dwyer, who was responsible for drafting out the proposals of the Esher Committee, is responsible for this huge deficit.

Why should all the deficits be covered by fresh taxation? We may vote for a deficit Budget and also cover part of the deficit by the flotation of a loan. I am sorry that we cannot be a party to this heavy taxation, and we decline to be made a tool for this purpose. It is not only that the country will pounce upon us for co-operating in the dirty task, but it is against our conscience. As it is we should throw out the Budget and respectfully request our Finance Minister to substantially amend the taxation and save the country from famine and chaos, which would be the inevitable result of the Budget as it has been presented to us.

THE HONOURABLE SIR MALCOLM HAILEY: Sir, the preparation of a Budget is at any time no light task. But the preparation and the presentation of a Budget in a year such as we have experienced—a year which has been described as exhibiting the deepest depression in trade for a hundred years—I say the presentation of a Budget in such a year presents a task full of anxiety, full of difficulty, full of heart-searching, for Government. Yet such a task has its alleviations. It has at any rate had such alleviations for me to-day, when I have listened to the remarks and the criticisms of this Council. The Council, as I anticipated, has fully recognised those difficulties; it has not failed to express some measure of sympathy with Government in the very abnormal and unusual circumstances which we have had to face. Not only so, but the Council has realised that it is a problem in which we need the assistance of its co-operation, and its constructive ability. The Honourable Mr. Lalubhai asked whether or not we need its advice.^c Need I reply to that? We welcome not only its advice, but also its practical suggestions, for many of its Members are men deeply versed not only in current finance, but in the problems which have attended the financial history of this country. I know that many Members have felt it incumbent on themselves to criticize us severely; they have indeed spoken of the Budget in epithets that I have not hitherto seen applied to it elsewhere. It has been called reactionary, retrograde and impossible; it has been said that certain parts of my proposals are an insult to the intelligence of India. One Member, if I have not misunderstood him, even suggested that to vote some of my projects of taxation would be a dirty task. But I am far

[Sir Malcolm Hailey.]

from resenting such terms, for I know that those epithets are only used in order to add impressiveness to the criticisms which have been made.

I have conceded that this Budget has been treated by the Council to-day in the spirit in which one would wish to see a serious and responsible Assembly treat a problem presenting such overwhelming difficulties. In dealing with the causes which have produced the deficit of the current year and of the three previous years, they have not, as others have done, charged Government with running a rake's progress with unthinking profligacy for a long series of years. They have realised that our deficits in the past have been due largely to abnormal circumstances. They have not forgotten that in the accumulated deficit of 90 crores, which now weighs so heavily on us, are to be found not less than 23 crores due to the Afghan war, and a further very large sum due to frontier expeditions. They have also realised, I am sure, that in that same amount is included large adjustments on account of war expenditure in the last two previous years. They will have realised, I am equally certain, that part of that deficit is due to the effort which India made to assist Great Britain in the great war owing to the high interest charges involved in financing the free grant of 100 millions which India contributed to Great Britain in her difficulties. If that is one of the causes of our present condition, it is not dishonourable to India. (Hear, hear). It reflects no condemnation on the financial management of this country. Sir Dinshaw Wacha, in analysing the cumulative deficits of the past years said that for many years (over ten years in fact) we had really been working to a net loss, in that we had depended on the profits we were making from our Railways to equalize our expenditure in other directions. As a matter of figures that charge is true; I admit it that we have consistently added the Railway surplus to our general expenditure. I know his feelings on the subject; but I would ask him whether India at large was during those years prepared to accept the proposition that we should not add on to the general revenues the surplus profits from Railways. I think that in spite of the criticisms that have now been levelled at us in regard to that side of our financial policy, yet at the time India at large was thoroughly convinced that our action in taking the profits of Railways to our general revenues was justified. As for the deficit of the coming year and of the year which is passing away, that I think needs no further detailed explanation or justification at my hands. It is very generally recognised that it is due to causes over which we have no control. It is due to the world depression of trade, to the falling exchange, to the losses we have incurred in working our great commercial departments. I would only ask the Honourable Members here present to realise that great as has been the increase in our expenditure of recent years, great and regrettable as it might have been, yet it is small indeed in comparison with the increase of expenditure of other great countries which have been through the world war. The expenditure of England is now 5 times what it was before the war. The expenditures of France and Italy are from 7 to 9 times what they were before the war. I mention this fact only as showing, if additional proof were necessary, that we ourselves would have found it difficult to escape in the present abnormal conditions of the world from a calamity which is common to nearly every other country, namely, a great and unavoidable increase in expenditure, together with the falling off in ordinary revenues.

Well, there the deficit is and the problem which has troubled us and has troubled the Council, is on what principles are we to act in the face of a deficit of this nature? Are we to leave it uncovered? Sir Maneckji Dadabhai suggested that it was not necessary to cover the deficit to the extent

we have suggested. I think, however, that after taking up that attitude, he showed a certain tendency to avoid standing by his conclusions. He asked us why we should attempt to cover our deficit, when England is the only country which has attempted a similar operation? Let me ask him on what analogy then is our finance to be based? Is our finance to be based on the analogy of the bankrupt countries of Central Europe or on the analogy of the country which has always stood highest in the world for its financial conscience and its financial soundness? I knew that the East does not always need to or wish to follow the West; but if it is looking for a preceptor in State finance, I think it can take no better preceptor than England.

But we have been offered an alternative suggestion. It has been put to us that instead of attempting to cover our deficit, we should be content to meet as much of our expenditure as possible from our loan operations. Now, on the 1st March I attempted to explain the great difficulties underlying a policy of that nature, that is to say, that if we are to meet our expenditure purely by extending our floating debt, that is, from accumulating fresh Treasury Bills, we might, even if we should succeed in raising the necessary money (a matter of grave doubt), easily provoke a crisis in the money market. At any particular time there may be a fresh and insistent demand for money, and if we were coming on the market at the same time, we might provoke a very serious state of affairs indeed. It is suggested, however,—I think Sir Edgar Holberton suggested this—certainly the Honourable Lala Ram Saran Das did so—that we should meet our expenditure from loans proper. My Honourable friend, Mr. Cook, has already explained the circumstances under which we have taken a sum of 25 crores as a reasonable limit for our Indian loan for next year. Although we should be glad to get more than that, yet I think it would be exceedingly unwise to rely on budgeting for a much larger loan in India than we have already provided. Honourable Members who have put forward this proposition, have at the same time limited it by certain safeguards. They have said that, given something like stability in the country, given something that would guarantee us against a prospect of serious disorder in India, then we can safely calculate on getting a larger loan. It is that guarantee and that proviso which in my mind constitutes the greatest difficulty. If we could be certain that the paralyzing effects of the agitation in this country would pass away, we might well assume that the loan market would be more favourable. But the Council knows, as well as I do, perhaps more intimately than I, what the state of the country is. Can we justly make those assumptions, and can we justly budget on them? If, on the other hand, we are right in taking the more limited view of the possibilities already described by me, then undoubtedly the whole of our loan would be required to meet the standing capital liabilities which I have described in my statement of 1st March. Nothing that is would be left for meeting the ordinary current expenditure of the year.

Then, Sir, if we put on one side that device, what is left? We have been told here that there is one way, and one way only, to meet this emergency that is, a serious reduction in expenditure. Now, just as when the discussion was carried on elsewhere, the attack has centred almost entirely on military expenditure, for the opinion seems to be that our efforts to retrench civil expenditure, (though I again assure the Council that those efforts will be sincere and will be pushed home to the best of our ability) would not make any substantial difference to us. It would in that case be left to us to attempt to meet our deficit by a serious reduction of military

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expenditure. Now Mr. Sethna referred to the possibility of our allying ourselves with those vituperative critics who are prone to condemn any attack or any criticism of military expenditure. I need not tell him that I am not likely to join those vituperative critics; I do not sympathise with them; certainly in so far as they are vituperative I dissociate myself from them. The Council knows to what I refer, and will take my meaning. But as regards military expenditure our justification in reply must be of the shortest. The Council has heard His Excellency the Commander-in-Chief on the subject; and Mr. Sethna referred also to my defence of military expenditure. For myself, however, I have left the explanation of military expenditure to the Army Member of our Government. I need not repeat in detail what he has said; but the point comes simply to this, that the Government, that is the Government as a whole, after the most careful examination of military expenditure came to the conclusion that no further economies of any importance could be effected without a reduction in combatant troops. Certain Members have spoken as though the fixation of the military budget consisted in a series of conversations, possibly amicable and possibly otherwise, between the Commander-in-Chief and the Finance Member. That is very far from the actual procedure adopted. The items of military expenditure are examined, the possibilities of reductions are explored by Government as a whole, and I can only say that Government as a whole has come to the decision that no serious further reduction could be made without reducing the present strength of the troops or seriously modifying the composition of the Army. . . .

The HONOURABLE SAIYID RAZA ALI: That decision is wrong.

The HONOURABLE SIR MALCOLM HAILEY: Well, Sir, I am merely stating the decision we came to after the greatest deliberation, and if the Honourable Saiyid Raza Ali thinks that we were wrong, I can only bow to his superior judgment, which I am naturally bound to respect; but I am afraid that at present he has not furnished me with sufficient facts in order to allow me to put pressure on Government to alter their decision. His mere statement to that effect is not sufficiently convincing. Since Government has come to that decision, it is not competent for any Member of the Government to put forward his individual views; it is not competent for the Commander-in-Chief to express the view that the sum is entirely insufficient, or for the Finance Member to urge that the sum is entirely excessive. I have stated the full and considered opinion of Government as a whole, and by that decision we must stand. So, if no serious reduction can in effect be made there—and I must take that as an hypothesis for the present,—then we come to the means for meeting the deficit.

Now I think the House generally has agreed—I have heard very little against the proposition that I put forward—that the great commercial Departments must be made to pay for themselves. Members who have spoken have shown a strong dislike to the proposal that we should increase the rates of Postage and Passenger fares, but nobody has denied our main proposition that these Departments must not be run at a loss to the general tax-payer. As to the exact details—well, Sir, the details are always open to discussion and recasting. But I desire to hear what concrete proposals there are for making these Departments pay their way other than those we have put forward.

Then as to the proposed taxation. Our list of proposed taxes was long. That they should commend themselves to the country as a whole was, I

know, practically impossible. That they should have been welcomed by the Legislature—that again I know was hopeless. I can only say that we put them forward after the gravest deliberation, and in view of our necessities and nothing else. They have been objected to on two grounds—firstly, that they would add very greatly to the burden on the poor, and secondly, that in certain cases they were inequitable in themselves. Any tax on consumable articles must add to the burden on the cost of living; so much must of course be admitted. What I cannot admit here are the calculations that we have heard as to the extraordinarily exiguous income which now represents in modern circumstances the average income per head throughout India. Sir, if some of the calculations we heard to-day were correct, then I am afraid that a large number of people in India would, during the last 2 or 3 years, have passed entirely out of existence. It is quite clear that the current calculations as to the average income per head must be revised in modern circumstances. Given the general increase in average incomes, I cannot believe that an addition of 3 annas per annum per head on account of salt, however people may dislike it for political reasons, can in itself be regarded as excessive. Nor do I believe that if you take the huge number of people who travel by passenger train every year and divide that over the sum which we propose to get by the increased fares, then the addition would amount to a very heavy individual burden. However, there the fact remains. If you can give to us a more certain, a more equitable, a more evenly distributed way of producing the money, let us bear it, and we shall be only too glad to consider it; but, in the meanwhile, my proposition remains, that the money is required to cover the deficit and that it would be little short of disastrous to attempt to carry on without it.

Then there are certain items of taxation which have been attacked because they are unreasonable or unjustifiable in themselves. Of course the principal of these is the cotton excise duty. Now, Sir, it cannot be supposed that Government were for one instant blind to the long and contentious history of that tax. It cannot be supposed that Government entered lightly on my proposal which would be likely to alienate the mill-interests of Bombay and Ahmedabad and elsewhere. We know well what our obligations are to them in regard to our previous loans. We know how exceedingly difficult it would have been throughout the War and since the War to finance the country unless we had had their goodwill, their confidence and their trust in our financial stability. The reason, and the only reason, why we proposed to make this addition to the cotton excise duty was because we were raising the general import duty on cloth to 15 per cent., and we felt that the extra 4 per cent. which we are proposing to place on cotton excise would not in itself make any addition to price of cloth to the general consumer. I think I am right in saying that the prices of mill cloth are largely, if not entirely, based on those of the imported article. What would be the consequence therefore of raising again the tariff duty on the imported article and leaving the cotton excise alone? If I am correct, the consequence would have been simply that amount of extra profit to the mill-owner. The Honourable Sir Dinshaw Wacha, versed in these old controversies from the past, made a powerful appeal for the absolute abolition of the duty. May I ask him one question? Would the abolition of the cotton excise duty result to-day, or in any early period of time, in a reduction in the price of cloth to the consumer?

The HONOURABLE SIR DINSHAW WACHA: Certainly it would. No prophet is required to tell that.

The HONOURABLE SIR MALCOLM HAILEY: I still pause for a definite answer to that question.

The HONOURABLE SIR DINSHAW WACHA: My argument is that it is inequitable.

The HONOURABLE SIR MALCOLM HAILEY: The mill-owner naturally bases the price of his production on the competitive rates.

The HONOURABLE SIR MANECKJI DADABHOY: But you control them, if they go astray.

The HONOURABLE MR. SETHNA: What about competition between mill-owners themselves?

The HONOURABLE SIR MALCOLM HAILEY: There is very little competition. They are answerable for only 40 per cent. on the total cloth consumed. As for control I say Heaven help the man who might come before this Legislature and put forward a law suggesting that the mill-owners should reduce the price of their product to what we consider to be the proper price! Well, Sir, those are the grounds on which we hope to put that forward. Now, as to the alternatives that were offered to us, I again wish to acknowledge the fact that the Council has put its constructive ability at our disposal, to help us in the sore and difficult task which is before us. Well, Sir, Sir Maneckji Dadabhoy would, instead of raising the cotton export duty and the duty on machinery, on which so powerful an attack has been made from every quarter here to-day—an attack of which we must take account,—instead of doing that, he would raise the flat rate of company super-tax. That is a proposition, Sir, which will have to be seriously considered before the next stage in the annual Finance Bill. Then, again, Mr. Lalubhai Samaldas would reduce our liabilities by transferring to capital the sum which we now set apart from revenue for payment of railway annuities. He would also take the step which has been advocated in the press and elsewhere of ceasing to earmark to the paper currency reserve the interest on our paper currency securities. Those are two difficult propositions, the latter at all events of very wide import since it is one with which our credit with the rest of the world is somewhat wrapt up; and the House will not perhaps expect me to give a definite answer here this evening. Mr. Maricair would put an end to all our difficulties by removing the embargo on the export of rice. I do not propose to deal at length with his suggestion, because he was, I think, under some misapprehension as regards the figures. If I am correct, he has mistaken millions for thousands. In any case I would point out that there is no restriction at present on the export of rice from Burma and that the sole remaining restriction is in regard to export from India; the net amount of export from India is comparatively small. Sir Maneckjee Dadabhoy and Lala Ram Saran Das would both assist the position by export duties. Sir Maneckjee would put them on coal, on bones, on manures and even on wheat. Lala Ram Saran Das would add to these taxes on minerals, also on jute, forgetting, I think, that we have an export tax on jute already. Now, Sir, it was perhaps not very imaginative of us that we decided not to introduce any tax of an entirely new description. Export duties do not of course in themselves constitute a novelty. We have tea, we have jute, we have hides. But we did not wish to add to the list for we did not wish in any way to prejudice the decision on the issues which lie before the Fiscal Commission. We kept therefore to what some of my friends no doubt may consider the purely hackneyed lines; we took existing taxes and we proposed additions to them believing that before we enter into any large policy of raising funds by

heavily taxing our exports, we ought to wait the report of the Fiscal Commission.

Sir, I must conclude what I have to say regarding our budget and regarding the criticisms on it. But one point of substance remains. Lala Sukhbir Sinha put it to me that the most undesirable consequences will follow if I 'refused to budge.' Of course, it is not for me to refuse to budge. It is for Government to consider and reconsider, if necessary, the criticisms evoked by proposals which have been placed before the country. But leave that alone. What is to happen if Government refuses to alter its position? I am glad of an opportunity of referring to what Mr. Lalubhai Samaldas said in regard to an impression which had conveyed itself to him that we had yesterday adopted an uncompromising attitude—an attitude which implied that we would carry this budget through under our statutory powers at any cost; finally, that we had even gone so far as to say to the country—'If you do not pass this budget and every item of it, then, beware, for you won't get *Swaraj*.' Now it would be impossible for us to hold out any such threat. It would be impossible for us even to entertain language which might convey the impression of any such threat. I would remind my Honourable friend that the exact position which I had to meet yesterday was simply this—that not one, not two, but many of my critics had said to me—'Unless you reduce some substantial sum, such as 20 crores of rupees, from the military budget, we will wash our hands of the whole affair. We will throw on the Government the entire responsibility of every item of this iniquitous taxation. We will dissociate ourselves entirely from the whole proceedings.' Now, that was a definite statement made to us. The statement made to us was not that if we persisted in pressing our attempt to carry through any particular item of our taxation, the speakers would take the action I have described. The statement made to us referred particularly to a lump deduction of a heavy nature from the military budget. In discharge of my duty as a Member of Government, I had to say that Government had decided that it was impossible in the present situation to make any reduction of combatant troops, and therefore that I could hold out no hope of any such lump deduction from the military budget as has been asked for. I had to ask in consequence what would be the attitude in view of my answer. I felt it incumbent on me to add this warning. 'If you persist in it, if you persist in a policy of entire dissociation, if you say that the whole responsibility must rest with the Government, that they must carry through the rest of the measure themselves by exercise of their statutory powers, then I have to ask you what will be the effect of that action in regard to your aspirations for a speedy advance on the path of constitutional reform.' I held out no threat, Sir. If there was a threat, it was made to us. If there was a challenge, it was made to us. And, so far as concerns any answer given by me it was not a threat and it was not a challenge; it was simply—and I say this with emphasis—the advice of a friend, who has always attempted to promote India's advance on the path of constitutional reform; it was the advice of such a friend to those whom that advance is designed to profit; it was given in that spirit, and in that spirit only. (Hear, hear).

ADJOURNMENT OF COUNCIL.

The HONOURABLE THE PRESIDENT: Since there is no official business for to-morrow, there will be no meeting to-morrow. The Council is adjourned till Wednesday, the 15th, at Eleven of the Clock.