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OF THE

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LEGISLATIVE ASSEMBLY.

Friday, 16th February, 1923.

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

MEMBER SWORN:

Mr. A. V. V. Aiyar, C.I.E., M.L.A. (Finance Department: Nominated Official).

QUESTIONS AND ANSWERS.

PETROL CHARGES.

352. ***Mr. R. A. Spence:** Are Government aware that there is widespread discontent at the high charge for petrol levied by the Companies controlling the oil fields of India and Burma and that India is not receiving any benefit as she ought to do from what may be termed a local industry of her own products?

The Honourable Mr. C. A. Innes: The attention of Government has been drawn to statements to this effect in the public press.

BURMA OIL COMPANIES' CHARGES FOR PETROL.

353. ***Mr. R. A. Spence:** Are Government aware that the retail sale price of Burma petrol in England is only two shillings per gallon, equal to 24 annas currency, whereas in Bombay the price is 32 annas and in Calcutta 30 annas per gallon and that, even allowing for the special War tax of six annas, the Oil Companies in Burma obtain more for their petrol from the India public than from foreign export in spite of heavy freight charges to Europe?

The Honourable Mr. C. A. Innes: The prices are believed to be as stated.

Sir Montagu Webb: Arising out of that answer, Sir, may I ask if Government contemplate taking any steps to secure to consumers in India the full benefits which may be expected reasonably to arise from the existence of local oil-fields?

The Honourable Mr. C. A. Innes: May I ask what steps the Honourable Member contemplates?

RETAIL PRICE OF PETROL.

354. ***Mr. R. A. Spence:** Will Government state the approximate retail price of petrol to the public in India and Burma for each year from 1916
(2341)

to 1922, and what reduction, if any, has been allowed on Government purchases?

The Honourable Mr. C. A. Innes: The present retail price of petrol is 1-14 per gallon in Calcutta and from 1-10 to 1-12 in Rangoon. Information as to prices in preceding years is not available. Petrol supplied direct to the military authorities is exempt from the usual excise duty, but no reduction in price is allowed by oil companies on such purchases.

Dr. H. S. Gour: May I ask the Honourable Member what is the cost price of petrol in India?

The Honourable Mr. C. A. Innes: I have no information on that point.

Mr. K. B. L. Agnihotri: What is the price of petrol per gallon in Delhi?

The Honourable Mr. C. A. Innes: I do not know, Sir.

IMPORT OF BURMA PETROL INTO INDIA.

355. ***Mr. R. A. Spence:** What has been the import in gallons of Burma petrol into India during the first 9 months of the fiscal year 1922-23, and the export to other countries over a like period?

The Honourable Mr. C. A. Innes: Returns of coastal trade are not published monthly and therefore figures showing the quantity of petrol imported from Burma into India during the first 9 months of the current fiscal year are not readily available. The export from Burma to other countries during the same period amounted to 12,872 thousand gallons.

PETROL IMPORTATION.

356. ***Mr. R. A. Spence:** Is any petrol other than from Burma imported into British India and if so, what was the quantity in gallons for the year 1921-22?

The Honourable Mr. C. A. Innes: Small quantities of petrol are imported into British India from foreign countries such as the United Kingdom, Ceylon, Straits Settlements and the United States of America. Such imports amounted to 1,348 gallons in 1921-22.

Sir Montagu Webb: Does Government recognise, in view of this reply, that there obviously exists a combination to maintain prices in India at an artificially high level?

The Honourable Mr. C. A. Innes: No, Sir.

WAR TAX ON PETROL.

357. ***Mr. R. A. Spence:** (1) What was the amount of revenue realized from the War tax of six annas per gallon on petrol during the fiscal year 1921-22 and the quantity in gallons exported to other countries?

(2) Now that the War has been officially declared to have ended, has Government considered the expediency of removing this special War tax and in place thereof levying a reduced excise duty on all petrol produced in India and Burma both for export and local consumption which, while

not necessarily reducing the revenue, should have the effect of reducing the sale price in India and Burma and thereby assisting the expansion of motor transport?

The Honourable Mr. C. A. Innes: (1) The excise duty levied on petrol during the fiscal year 1921-22, amounted to Rs. 69½ lakhs. The quantity of petrol exported to other countries during the same period amounted to a little over 20 million gallons.

(2) The Government of India thank the Honourable Member for his suggestion but he will realise that it is quite impossible for me to anticipate in any way the Budget speech of my Honourable colleague, the Finance Member.

Sir Montagu Webb: May I take it from the Honourable Member's replies that Government feel that there are no means at their disposal by which these artificially high prices can be controlled?

The Honourable Mr. C. A. Innes: The Honourable Member must give me notice of questions of that kind.

UNSTARRED QUESTIONS AND ANSWERS.

SALARIES PAID ON RAILWAYS.

173. **Mukhdum Sayad Rajan Baksh Shah:** Will the Government be pleased to state the total amount paid as salaries to the staff (superior and inferior) of the Indian Railways as below:

- (1) Amount paid to Europeans and Anglo-Indians and Indian Christians.
- (2) Amount paid to Mohammadans, Hindus, Sikhs and others respectively?

Mr. C. D. M. Hindley: The information in the detail asked for is not available. It can be collected only by special compilations by the different railways and the Government are reluctant to put Railway Administrations to this trouble.

EXPENDITURE ON PERSONS UNABLE TO EARN THEIR LIVELIHOOD.

174. **Mukhdum Sayad Rajan Baksh Shah:** (a) According to the last census of India what is the total number of persons in each province who on account of being blind, lame, dumb and crippled are unable to earn their livelihood?

(b) Whether such persons are given any aid from Imperial Revenues and if so, what is the total amount spent on this account. The information may please be given separately for Christians and non-Christians and under non-Christians, figures for Hindus and Mohammadans and Sikhs should be given separately?

The Honourable Mr. A. C. Chatterjee: (a) The number of persons returned at the last census of India as blind or deaf-mute is given in the attached statement. No statistics regarding lame or crippled persons are available.

(b) No special contribution is made by the Government of India to Local Governments but the latter no doubt make provision themselves.

In the case of areas directly under the administrative control of the Government of India allotments are made annually, but it is left entirely to the discretion of the heads of minor administrations to spend the money in the most suitable and useful manner. The budget provision on this account for the current financial year amounts to Rs. 28,380 in all. It is impossible to give information separately for Christians and non-Christians or for Hindus, Muhammadans and Sikhs.

Province, State or Agency.	<i>Deaf mutes.</i>	<i>Blind.</i>
	Persons.	Persons.
India	189,644	479,637
Provinces	155,426	367,165
1. Ajmer-Merwara	138	1,308
2. Andamans and Nicobars	2	5
3. Assam	5,370	7,206
4. Baluchistan (Districts and Administered Territories)	249	819
5. Bengal	31,264	33,468
6. Bihar and Orissa	18,647	28,466
Bihar	14,912	20,542
Orissa	1,705	3,312
Chota Nagpnr	2,030	4,312
7. Bombay (Presidency)	10,732	35,058
Bombay	8,850	27,696
Sind	1,852	7,311
Aden	80	51
8. Burma	11,877	24,523
9. Central Provinces and Berar	12,807	37,496
Central Provinces	9,226	28,329
Berar	3,581	9,167
10. Coorg	20	93
11. Delhi	156	659
12. Madras	21,284	36,697
13. North-West Frontier Province (Districts and Administered Territories).	1,897	2,980
14. Punjab	18,305	53,615
15. United Provinces of Agra and Oudh	22,678	105,072
Agra	15,565	72,063
Oudh	7,113	33,009
States and Agencies	34,218	112,472
16. Assam State (Manipur)	187	522
17. Baluchistan States	433	1,274
18. Baroda State	598	6,794
19. Bengal States	764	747
20. Bihar and Orissa States	1,389	2,926
21. Bombay States	3,960	14,699
22. Central India (Agency)	1,749	10,637
23. Central Provinces States	1,275	3,340
24. Gwalior State	1,415	6,134
25. Hyderabad State	3,410	19,138
26. Kashmir State	4,513	4,049
27. Madras States	3,076	3,895
Cochin State	504	1,250
Travancore State	2,169	1,680
Other Madras States	408	465
28. Mysore State	3,609	5,188
29. Punjab States	4,453	11,436
30. Rajputana (Agency)	2,577	19,709
31. Sikkim State	144	27
32. United Provinces States	666	1,857

EXPENDITURE ON RELIGIOUS BUILDINGS.

175. **Mukhdm Sayad Rajan Baksh Shah:** Will the Government please state whether:

- (i) Government grants are given for building of churches of all Christian sects (Roman Catholic, Protestant and others) and their Bishops are paid anything as a stipend from Government, if so, please state what is the total amount spent on this account;
- (ii) Whether any similar building grants are paid for erection of mosques, temples and Gurdwaras and whether the Imams of mosques and Pandits and Mahants of Gurdwaras are paid some stipends from Government, if so, what is the total amount spent on this account?

The Honourable Mr. C. A. Innes: (i) Under certain conditions Government provides for or makes contributions towards the construction of Protestant and Roman Catholic Churches. The Anglican Bishops of Calcutta, Madras and Bombay alone receive full stipends from Government while the Anglican Bishops of Lucknow, Lahore, Rangoon and Nagpur receive from Government revenues the pay of senior chaplains. The total amount spent on Ecclesiastical buildings including churches, cemeteries and parsonages during 1920-21 (the latest year for which figures are available) was Rs. 2,50,769. About Rs. 1,22,371 are at present expended by Government on the salaries of the Bishops of Calcutta, Madras, Bombay, Lucknow, Lahore, Rangoon and Nagpur.

(ii) The Honourable Member is referred to the reply given to his question on the same subject No. 330 on the 5th September 1921. As then stated non-Christian places of worship have been and are financially assisted by the State through grants of land and alienations of land revenue made for religious purposes and to some extent through expenditure for archaeological purposes. The amount so spent cannot be stated but is undoubtedly very large.

EXPENDITURE ON FAMILIES OF SOLDIERS KILLED DURING THE WAR.

176. **Mukhdm Sayad Rajan Baksh Shah:** What was the total number of Indian soldiers and others who were killed during the last great war? The information may please be given separately for Hindus, Mohammadans, Sikhs and Christians and it may be stated how much is spent annually from Imperial Revenues towards the maintenance of the bereaved families of deceased persons of each class?

Mr. E. Burdon: The total number of Indian soldiers and other military ranks who lost their lives during the Great War, from all causes, is 58,946. The Government of India regret it is not possible to state how many of this number were Hindus, Mohammadans, etc.

To collect the information desired by the Honourable Member in the second half of his question, it would be necessary to require all Controllers of Military Accounts to undertake a special and most laborious compilation which, in the opinion of Government, would not be justified by the result. The information cannot for this reason be furnished.

DEATHS OF BRITISH AND INDIAN SOLDIERS IN GERMAN EAST AFRICA.

177. **Mukhdm Sayad Rajan Baksh Shah:** Will the Government be pleased to state what was the total number in British forces who conquered

German East Africa from Germans during the Great War, and how many of them were Indians; what was the total number of men who were killed in the German East Africa war and how many of them were Indians?

Mr. E. Burdon: The total strength of the British forces which were engaged in German East Africa during the Great War is not known to Government. A statement giving the number of Indian personnel, combatant and non-combatant, despatched to East Africa during the years 1914-1918 is laid on the table.

To the second part of the question, the answer is that the total number of men killed amongst the troops sent from India was 1,654, of whom 1,497 were Indians. The Government of India have no information as to the total number killed amongst all the troops that were engaged in East Africa.

Statement showing the number of Indian personnel, combatant and non-combatant despatched to East Africa during the years 1914-1918.

Combatants—

Indian officers and warrant officers	826
Indian other ranks	33,633
Non-combatants	12,447
TOTAL	46,906

LEGAL RIGHTS OF INDIANS IN KENYA.

178. **Mukhdum Sayad Rajan Baksh Shah:** Will the Government please say whether in connection with the present disputes in Kenya (East Africa), the Government has had some correspondence with Nairobi and the Imperial Government, about the legal rights of the Indians? If so, will the Government kindly lay that correspondence on the table?

Mr. J. Hullah: The reply to the first part of the question is in the affirmative. Government do not think it advisable to lay the correspondence on the table.

The Honourable Member is, however, referred to the answers given by me on the 15th and 20th January 1923 to questions asked by Messrs. Jamnadas Dwarkadas and Seshagiri Ayyar, and also to the announcement made by me on the 30th January 1923 relating to the postponement of the general election in Kenya.

HAJ PILGRIMAGE.

179. **Mukhdum Sayad Rajan Baksh Shah:** Will the Government be pleased to lay on the table the following information:

- (a) Number of Haj pilgrims who left India for Haj during the years 1910 to 1918 and 1919 to 1922.
- (b) In case of fall in the number of such pilgrims during the years 1919 to 1922, the reasons for the decrease may please be stated?

The Honourable Mr. A. C. Chatterjee: (a) The numbers were 73,378 and 57,614, respectively.

(b) The number of pilgrims has always been liable to marked fluctuations. Government have no special information as to the reasons for the decrease.

INDIANS IN MARINE AND AIR FORCES.

180. **Mukhdum Sayad Rajan Baksh Shah:** Will the Government please say whether efforts are being made to recruit Indians in the commissioned ranks of the Marine and Air forces, so that the Indians should have opportunity to qualify themselves for the marine and air militia similarly as fixed number of commissioned posts have been reserved in the inland military forces?

Mr. E. Burdon: The question of rendering Indians eligible for commissions in the Royal Air Force is under consideration. Indians are not eligible for such commissions at present.

Indians are already eligible for commissions in the Royal Indian Marine. A committee to examine, amongst other things, the question of recruiting Indians as officers in the Royal Indian Marine has been appointed under the Resolution moved on the 12th January 1922 by Sir P. S. Sivaswamy Aiyer in the Legislative Assembly and accepted by Government, and the Committee is about to commence its inquiries.

INDIAN MILITARY COLLEGES.

181. **Mukhdum Sayad Rajan Baksh Shah:** Will the Government please quote the number and localities of colleges for military training in British India worked on the lines of such colleges in England, and state how many Indian students are reading in these colleges?

Mr. E. Burdon: The only college of the kind at present in existence in India is the Prince of Wales's Royal Indian Military College, Dehra Dun. The number of students now at this College is 50.

MOSQUES IN DELHI.

182. **Mukhdum Sayad Rajan Baksh Shah:** (a) Has the letter published on page 7 of the *Muslim Outlook*, Lahore, dated 28th January 1923, describing the pitiable condition of the mosques at Delhi, been brought to the notice of the Government?

(b) If so, whether any action has been taken to redress the Muslim grievances; if not,

(c) Will the Government kindly take necessary steps to secure that the mosques mentioned in the letter receive the same attention as the places of worship of other communities referred to therein?

The Honourable Sir Malcolm Hailey: (a) Yes.

(b) and (c) The Honourable Member's attention is invited to the statement I made in the House on 6th instant in reply to Mr. Seshagiri Ayyar.

ARMS RULE COMMITTEE'S REPORT.

183. **Mr. Ahmad Baksh:** (a) When is the Government going to give effect to the report of the Arms Rule Committee?

(b) Has the Government agreed on any point of the minute of dissent to the Report? If so, on what points?

The Honourable Sir Malcolm Hailey: I hope very shortly to be in a position to make a statement on the subject.

SALARY AND PENSION OF HIGH COMMISSIONER FOR INDIA.

The Honourable Mr. C. A. Innes: May I take this opportunity, Sir, of correcting a misstatement which I inadvertently made in replying to a question by Mr. Seshagiri Ayyar the other day. Mr. Ayyar asked me whether Sir William Meyer, the late High Commissioner, drew his pension in addition to his salary as High Commissioner. Acting on the information supplied to me, I replied in the negative; but being not quite satisfied I cabled Home to the High Commissioner for information and I find Sir William Meyer did draw his pension in addition to his pay as High Commissioner.

MESSAGE FROM THE COUNCIL OF STATE.

Secretary of the Assembly: Sir, a Message has been received from the Secretary of the Council of State, which runs as follows:

"I am directed to inform you that the Council of State has, at its meeting held on the 15th February, agreed without any amendment to the following Bills which have been passed by the Legislative Assembly:

1. *A Bill to supplement the Malabar Completion of Trials Act, 1922.*
2. *A Bill to amend and consolidate the law relating to the regulation and inspection of Mines.*
3. *A Bill to consolidate and amend the law relating to steam boilers."*

RESOLUTION RE ADOPTION OF A POLICY OF PROTECTION.

Mr. Jamnadas Dwarkadas (Bombay City: Non-Muhammadan Urban): Sir, I rise to move the Resolution that stands in my name on the agenda paper. It runs thus:

"This Assembly recommends to the Governor General in Council that a policy of Protection be adopted as the one best suited to the interests of India, its application being regulated from time to time by such discrimination as may be considered necessary by the Government of India with the consent and approval of the Indian Legislature."

I need scarcely say, Sir, that this is one of the most momentous questions that have come before this House for obtaining the decision of the House upon. The decision that the House will give on this most vital question will, I need scarcely say, affect the future of India. This question has been before the Indian public ever since the advent of British rule in India and the House is also aware that respected Indian publicists, most of whom have now passed away and some of whom are still with us, have spoken in clear and unmistakeable terms as to the policy that India should adopt on this question. Unfortunately, situated as we were in those days, neither the opinion of Indian leaders or the Indian public, nor the opinion of the Government of India, even as it was then constituted, were paid attention to by those who were in authority in England. The fiscal policy for this country was dictated not by the Government of India in this country nor by the people of this country as represented in the Legislatures of this country but by the Secretary of State, and that, not even in the interests of this country but in other

interests. Ever since the inception of British rule in this country leader after leader has spoken unmistakably on the question of India having the right to decide its own fiscal policy and most of the Indian leaders have condemned the policy of free trade forced on this country, a policy which was dictated by interests other than our own. You find, for instance, Mr. Gokhale calling the fiscal policy that was forced on this country "the darkest spot in the administration of India." You find men like Romesh Chunder Dutt condemning the policy which was largely in the interests of other countries than India. You find men like Ranade condemning the policy of forcing free trade on this country which brought about the economic poverty and the misery of the masses of this country. Time after time, not only outside the Legislatures, but even in the Legislatures the question was brought forward by Indian Members of the Councils asking for a voice on the part of the Government of India and the Indian Legislature in the determination of the policy that was best suited to this country. Unfortunately for this country the cry of the Indian leaders—and if I may add also, of the Government of India—was a cry in the wilderness. You will remember, Sir, and I am sure this House will remember that even in the earlier periods when the struggle between this country and Lancashire was going on in the Legislature itself, Members of the Government of India openly declared that the policy which was being forced on this country was not at all in the interests of this country and we were unfortunate enough to be compelled to continue a policy which was not of our seeking, which was not in our interest, but which was forced on us by other interests. Finally the cry of the Indian Legislatures and of the people of India culminated in the appointment of the Industrial Commission to find out whether or not there were possibilities in the country for industrial development. Even then, as the power to dictate the policy was in the hands of the Secretary of State and not with the Government of India, the question of the fiscal policy best suited to this country was precluded from the deliberations of the Industrial Commission. Mr. Montagu and Lord Chelmsford then instituted an inquiry into the political problem in India and we find in their Report that it is clearly stated that they believed that one of the greatest grievances of India was that they had no voice in determining their fiscal policy and that they were forced to adopt a policy which was not in their interests. As a result of the inquiry instituted by the late Secretary of State and Lord Chelmsford and as a result of their deliberations the Joint Parliamentary Committee made a recommendation in which it clearly stated that in future, after the introduction of the Reform Act of 1919, all questions of fiscal policy should be determined by the Government of India in consultation with the Indian Legislature; and in cases where the Government of India and the Indian Legislature were in agreement the Secretary should cease to interfere. It was in accordance with this recommendation that the demand for an inquiry into the best policy suitable for this country was renewed here and ultimately a Commission was appointed to conduct that inquiry. We are here to-day to discuss the recommendations made by that Commission and to decide as to whether we should adopt the recommendations made unanimously by the Commission or whether we should continue to bless the policy which has brought about serious consequences in this country, which has brought about a state of economic dependence incomparable in the annals of the history of the world. India had once the reputation of being one of the richest countries in the world. To-day, as the House knows, it has the reputation of being one of the poorest countries in the world. Its dependence to-day is almost entirely, on land; and in years of famine especially, one feels in the words of Lord Curzon that

[Mr. Jamnadas Dwarkadas.]

“ the resisting power of the people is practically *nil*.” The Fiscal Commission has made recommendations. I do not want to go for the moment into the differences that exist between the Report that is signed by all the members of the Commission and the views laid down in the note of dissent that has been recorded by the minority. Because, although one feels that there are some points on which a difference exists it cannot be denied and I am sure my Honourable colleagues on the Fiscal Commission here will bear me out when I say that so far as the fundamental question is concerned the Commission has come to a unanimous conclusion. I may also be permitted to say that in my opinion a few of my colleagues started with a bias in favour of a policy of free trade and after the examination of witnesses, after a perusal of the written evidence that was submitted to us, and after the deliberations that were carried on in our meetings, they came to the conclusion that, all said and done, the policy of protection was best suited to the interests of this country. It is to the credit, I think, of the Members of this House that even on this Commission, where members of both the Indian community and the European community worked together, not much difficulty was felt in deliberating this question of vital importance, round which so many controversies have raged in the past and that so far as the fundamental conclusion is concerned we were practically unanimous. The Commission has recommended that the policy of protection is best suited for this country and that this policy of protection should be applied with discrimination. The Commission examined the economic situation that exists in this country. The Commission found that the dependence of the mass of the people was too much on land. The Commission found also that the argument that if India went in for industrial development, it would be at the cost of agriculture, had no force in it, because the population that could be drawn for the purpose of industrial development assuming even that industrialisation went on at a very rapid pace, would not be so large as to affect the work of the agricultural population in any way, that considering that more men were now engaged in agriculture than it was necessary or wise for them to do, it would be a help to the agricultural population if members of their families devoted themselves to the work of industrial development in this country. Not only that. But the Commission also found that if a policy of protection were adopted, and if as a result of it the wealth that is now drawn away from the country would remain in the country, the country would be the richer for that, the country would then have better resources at its disposal to be used towards the furtherance of the irrigation policy which would ultimately go to increase the prosperity of the agricultural population. Incidentally the Commission found also that, apart from being a hindrance to the agricultural population, a policy of industrialisation would go a great way in placing at the disposal of the country resources which could be used for the furtherance of the agricultural policy of this country; for, the object of the policy of protection and thereby encouraging industries in this country is mainly to keep the wealth of the country in the country itself. The wealth that is now being drawn away from the country by the necessity of importing from foreign countries manufactured articles and exporting from here raw materials which could be very well used for producing manufactured articles at much cheaper rates if a policy of industrialisation was adopted will remain in the country which would be the richer for that. At present what happens is that most of our manufactured articles are imported from foreign countries. Many of these articles are produced out of the raw materials that are exported from this country. The raw materials are the real wealth of the

country, but the use of this real wealth of the country is made not by this country but by other countries, for these raw materials are sent back to this country in another shape; only the country has to pay a much larger price for these articles than the price the country received for the raw materials out of which these articles were manufactured and sent here. If we could by adopting a policy of reasoned protection encourage the industrial development of this country, we could make use of these raw materials here so as to save us all extra cost that we pay for the manufactured articles that are imported. We found that the only remedy for solving the economic problem of this country was to go in for a bold policy of industrialisation so as to keep the wealth of the country in the country itself and not to allow foreign countries to take the benefit of the abundance of raw materials and other conditions that are favourable to industrialisation which exist in this country. It is a fact, Sir, that India possesses a natural genius for industrial development, for, all those who have studied the ancient history of this country know full well that this country had never depended entirely on agriculture, that there were times when the industries of this country prospered, that there were times when the articles manufactured in this country were not only used by this country itself but were even exported outside this country. I admit that the invention of machinery was probably the first reason that hurt our trade outside this country, but to say that this country does not possess an industrial genius, which is the *sine qua non* of industrial development, is to show a complete ignorance of the facts of history. That this country possesses a natural industrial genius, and that it is rich in raw materials and other natural resources cannot be denied by any one who has studied even the Report of the Industrial Commission. That the country has also a large labour supply is a fact which is beyond question. As a matter of fact, I feel that it contains such a large labour supply that even if the attention of a fraction of our population was diverted by a policy of industrialisation to work in factories, it would bring about very good results indeed.

Another argument that has very often been used is that the capital of this country is shy. Now I admit that to a certain extent that argument does hold water. But why has the capital of this country been shy? Honourable Members will realise that the capital of this country has been shy not because that the people were not willing to invest in industrial enterprises, but because they had no confidence in the policy of the powers that be, because the policy that they dictated was not in the best interests of this country but it was in the interests of other countries. Just consider for a moment what the situation was when a natural protection was afforded during the war. Was the capital of the country then shy? Has it not been the experience of all of us that in those days when an opportunity was offered by a natural protection given to this country by the war that capital could easily flow wherever there was need for starting industrial concerns? And if a stable policy and a more steady policy in the interests of this country were decided upon by the Government of this country, then I have not the slightest doubt in my mind, and I am sure Honourable Members will have no doubt whatsoever, that it will not be a difficult proposition to induce the people of this country to allow their capital to flow for the purpose of promoting industrial concerns. But apart from that, I am not one of those who shut out the possibilities of allowing foreign capital in this country for the purpose of helping the industries of this country. Under certain limitations imposed as a consequence of the concessions made in their favour by a tariff protection and other forms of

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protection, I should certainly welcome foreign capital to flow into this country for the purpose of building up the industries of this country. But I repeat that I would allow it only under certain limitations imposed by Government. So far as the question of concessions, licences, monopolies, contracts is concerned, the Government themselves have declared the policy of imposing certain limitations on foreign capital. I shall go a step further and impose those limitations even in the case of industries which are started and which are given tariff protection. But that is a matter of detail. My point is that every possible advantage that a country can possess for the purpose of industrial development exists in this country. All that is needed is to give an impetus by means of a policy of protection which will stimulate the people of this country to go in more and more for industry to the ultimate advantage of this country itself. Now, we have, therefore, recommended a policy of protection to be adopted by this country. But we were not blind to the dangers that necessarily accompany the adoption of such a policy. We had the opportunity to see that no country that can boast to-day of having industrially advanced has reached its present stage without at one time or another of its industrial development adopting a policy of protection. Look at Germany, look at America. We do not want to copy the example of the United States of America. The tariffs are too high there, I admit. But look at Germany. Look at England itself, which has risen from a policy of protection to be a free trade country when it was able to stand on its own legs and hold its own against other countries. But, even to-day, those of us that have read the discussions in the House of Commons on the safeguarding of Industries Act and the debate on the dye-stuff question, know full well that the policy of protection is still being resorted to by England where its interests conflict with the interests of other nations. Take the example of Japan. Mr. Montagu and Lord Chelmsford pointed out in their report that India always holds up the example of Japan, which, in our own times and having started on its industrial development long after we established our factories here, has reached a stage of industrial development by which it holds its own against other nations of the world. What is that due to? A policy of protection. A policy in which the Government and the people combine for the furtherance of the interests of their country. We have then the example of other countries none of which has reached its present stage of industrial development without having resorted to the policy of protection at one time or another of its industrial development. But, as I said, we were alive to the dangers that would naturally accompany the adoption of such a policy and therefore we have provided safeguards in our recommendations which would minimise those dangers. For one has got to remember this, that, if this country after a period of continuance of the policy of free trade which has rendered it helpless and incomparably poor and miserable, if it adopted a policy of protection with a view to rapid industrialisation, although the ultimate gain to the country would be certain, the period of transition would be fraught with great dangers to this country, if proper safeguards were not provided in the recommendations of the Fiscal Commission. What would be the danger? The danger would be that it would unnecessarily raise the prices of articles of the necessities of life which ought to be made available to our poor countrymen at as cheap a rate as possible. Now, I admit that there is great force in this argument, and it is because I admit that, that, I think the Fiscal Commission has provided safeguards against it. Take our present

revenue tariff. No one who knows anything about the present revenue tariff can deny that the tariff rates are not quite low, that the necessity of larger revenues for meeting the heavy military expenditure of the country has forced the hands of the Government to resort to high revenue tariffs which do tell, I admit, on the pockets of the poor people of the country. But what an unscientific and arbitrary system of revenue tariff you have at the present moment. If you can adopt a policy of protection and replace this present arbitrary unscientific system by a scientific tariff system which would bring into the coffers of Government the revenues that they require for their legitimate purposes and at the same time go a great way in helping the industries of this country, then, it seems to me that it would be futile to deny that that policy should be acceptable to the Government and the people of this country. I hold that, if proper discrimination in the selection of industries were exercised, if proper discrimination was exercised in considering the claims of each industry by means of establishing a Tariff Board, as recommended unanimously by the Fiscal Commission, it would not be difficult to evolve a policy of protection with discrimination which would bring about prosperous results for this country, reducing to the minimum the burden that in the transitional period the people might have to bear as a result of the adoption of that policy. No one denies that in order to rise from the position of helpless dependence on other countries for manufactured articles to a position of self-containedness, one must pay a price. We do wish that that price should be as small as possible, that it should be reduced to the minimum that it is possible for us to reduce it to, and it is for that purpose that we have recommended that that policy should be applied with discrimination. There is a small difference here between the majority and the minority. Both recommend that the policy should be applied with discrimination. Both recommend that a Tariff Board should be constituted with a view to investigating the claims of various industries as they come before us. Both say that due regard should be paid to the conditions that are indicated in paragraph 97 of the Fiscal Commission's Report. But, while the majority in my opinion insists that those conditions should be rigidly and for all time applied, the minority dissents there and says while these conditions may go on for the moment, it is not wise nor right to tie down the hands of the Tariff Board or of the Indian Legislature and the Government of India to a rigid and permanent application of these conditions. In the light of experience that we might gain in the course of a few years, it might be possible for us to say whether those conditions should be made more stringent; or as the minority think that the conditions should be less stringent when the people are prepared to bear a greater burden than they are at the present moment in a position to bear. It is no use, therefore, says the minority, to tie down the hands of the Government of India, the Tariff Board and the Indian Legislature to a rigid and permanent application of these conditions. But that is a matter of detail again. But so far as the policy of protection with discrimination is concerned, the Commission is unanimous on the point that that policy should be adopted by this country. There were other differences also between the majority and the minority. For instance, on the question of foreign capital, about which I have already spoken. The minority is anxious that the object with which protection is being adopted in this country should not be frustrated.

As a result of the recommendation made by the Joint Committee the Secretary of State has no longer that power, but the Government of India and the Indian Legislature now enjoy that power. The House will

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remember that in those old days Mr. Gokhale pointed out that he would have no hesitation in recommending a bold policy of protection if the application of that policy was in the hands of the Government of India itself. But, he said, as the situation stood then, it was entirely within the purview of the Secretary of State to direct the application of a policy of protection. In that case, he said, the danger would be that influential interests in the foreign countries would persuade the Secretary of State to give them all the benefit of the adoption of a policy of protection, thus perpetuating the grievance that we have, that the wealth of the country is driven in one form or other from this country to other countries. That danger no longer exists. As a result of the recommendation made by the Joint Committee the Secretary of State has no longer that power, but the Government of India and the Indian Legislature now enjoy that power.

Rao Bahadur T. Rangachariar (Madras City: Non-Muhammadan Urban): Not yet entirely so.

Mr. Jamnadas Dwarkadas: It was established by convention by the late Secretary of State when he refused to interfere at the request of the Manchester deputation with a conclusion that was reached by the Government of India and the Indian Legislature. I am sure the present Secretary of State will also respect that convention and respect the recommendation made by the Joint Committee. If it is not done, then I am afraid the policy laid down in the reforms will be futile and will create a good deal of suspicion in this country. I am not prepared for a moment to doubt the *bona fides* of the Secretary of State or of the Government of India so far as that policy is concerned. Now, the Government of India and the Indian Legislature will direct the application of that policy, and the danger that Mr. Gokhale thought existed then, no longer exists. But even then, if without imposing any limitations or any conditions we gave the benefit of a policy of protection to foreign capital, we might probably be running into some danger of the wealth of this country being driven away into other countries as a result of the adoption of that policy. That is why on this question the minority would like to extend the application of those conditions which are accepted by the Government in certain instances also in the case of industries which are under tariff protection. Then there is another question dealt with by the Commission with which, for the present at any rate, we are not concerned, and that is the question of Imperial Preference. I am informed that a discussion on this subject, if at all it is raised, will be raised on a subsequent date. I am not concerned with that question for the moment at any rate. Then there is the question of excise. I don't think I need go into the question now.

Mr. President: No, I cannot allow the Honourable Member to go into that question.

Mr. Jamnadas Dwarkadas: I am sorry, Sir, if I have exceeded the time limit. I shall try to bring my remarks to a close. With regard to export duties the Commission has laid down that export duties should not be encouraged and that the policy of having any export duties should not be adopted by Government and the Indian Legislature, for that policy hurts the interests of the growers. We were anxious to see if we could get further benefit of a policy of protection by imposing export duties but we have unanimously come to the conclusion after deliberation that that policy

cannot but hurt the interests of the growers in this country and therefore, except in the case of a monopoly like jute, we have excluded from our recommendations the question of export duty, altogether. I have in the brief space of half an hour tried to place the case for protection

(*An Honourable Member*: " Three-quarters of an hour ".)

Mr. President: Order, order.

Mr. Jamnadas Dwarkadas: I do not think so. I have tried to place the case for protection before the Honourable Members of this House. I have tried to be as fair as I possibly could. I have avoided all references to controversial questions because no useful purpose can be served by raking up memoirs of the past. I have only dealt with what the future is concerned and I believe that if we bury the dead past and decide to launch to-day upon a policy of reasoned protection which will help rapid industrialisation in this country, we shall have done a great service to the permanent interests of this country. Not only that. But having launched upon a policy of encouraging the growth of those industries which are considered the key and basic industries of this country as recommended by the Fiscal Commission, we shall have established in this country itself those resources which will be our real wealth for all time to come, and not only our wealth, but they will be of the greatest advantage to the Commonwealth in times of emergency. In the time of war the resources that exist will be of the greatest advantage to the Empire. So, a policy of reasoned protection applied with discrimination will not only further the interests of this country but will enable India to be a tower of strength to the British Commonwealth in times of difficulty. It is for the House to choose which policy it will adopt. The country has for years past demanded that a policy of protection alone could give rise to industrial concerns in this country and would help the establishment of industries in this country. It is for the House, as I say, now to decide. I should only like to remind the Government of India that the fear that the Secretary of State is likely to interfere must be allayed by them unmistakably and in clear language. Whatever be the policy, let that policy be decided not by any one who is not in this country but by those who are competent to decide it, namely, the Government of India and the Indian Legislature. I am convinced that this policy is in the interests of the masses of the country. I am not here to plead for the interests of a particular class or of a particular province. I am here to plead for the interests of the country as a whole and I want Honourable Members to remember that nothing should be more dear to them than the interests of the country, that the country is greater than the classes or the masses, and that every policy that is in the interests of the country should be resorted to without any reference to any class. Let me concentrate on one result that will be achieved by the adoption of a policy of protection. That result is that your country as a whole will be enriched, that the wealth that is now drawn away from your country will ever remain in this country, that your people will be prosperous, that your people will be rich, that your people will be happy and they will be more serviceable not only to this country but to the rest of the world by attaining to that position. I leave it to the House again as I say to adopt any policy that they like. The Commission never wanted industrialisation to be built on the shaky foundations of the poverty of the poor and the tremendous wealth of the rich. The Commission wanted that industries in this country should be built up on the solid foundation of the simultaneous growth of the prosperity of the

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classes as well as of the mass of the agricultural population and the labour population. It is because of that that the Commission has provided all those safeguards that are necessary in the adoption of the policy of protection. I commend this Resolution to your vote. If the House decides that the policy of protection should be accepted, then I think it will be a red letter day in the history of this House; it will be a red letter day in the history of this country for, from a period of helpless poverty, we shall have taken a step which will ultimately enable us to reach a position of equality with other nations, of prosperity and happiness within our own country. Sir, I move the Resolution.

The Honourable Mr. C. A. Innes (Commerce and Industries Member): Sir, I beg to move that for the original Resolution the following be substituted:

"That this Assembly recommends to the Governor General in Council:

- (a) that he accepts in principle the proposition that the fiscal policy of the Government of India may legitimately be directed towards fostering the development of industries in India;
- (b) that in the application of the above principle of protection, regard must be had to the financial needs of the country and to the present dependence of the Government of India on import, export and excise duties for a large part of its revenue;
- (c) that the principle should be applied with discrimination, with due regard to the well being of the community and subject to the safeguards suggested in paragraph 97 of the Report of the Fiscal Commission;
- (d) that in order that effect may be given to these recommendations, a Tariff Board should be constituted for a period not exceeding one year in the first instance, that such Tariff Board should be purely an investigating and advising body and should consist of not more than three members, one of whom should be a Government official, but with power, subject to the approval of the Government of India, to co-opt other members for particular inquiries."

Sir, may I begin with one preliminary remark? I do not propose to follow the example of Mr. Jamnadas Dwarkadas in his speech on the original Resolution. I do not propose in any way to go into the controversial history of the past. If this amendment means anything at all, I am sure that the House will see that it means the wiping of the slate, that it rests for us to decide what the new writing on that slate should be. I entirely agree with the remarks of Mr. Jamnadas Dwarkadas made at the end of his speech that instead of occupying ourselves with the dead past we should concentrate on the future. And let me add one more remark. I do not propose again to follow Mr. Jamnadas Dwarkadas's example and I do not propose in any way to range at large over the field of the Fiscal Commission's recommendations. My purpose here is to put two practical questions to the Assembly. I want first to get a principle accepted, and secondly, to concert with the House measures to make that principle effective, and that, Sir, is the whole purpose of my amendment.

In moving that amendment, the Government feel, as I am sure this House realises, a heavy sense of responsibility. I will discuss later the exact implications of the terms in which my amendment is couched. For the moment, the point I wish to emphasise is that this amendment marks an epoch in the fiscal history of India. Hitherto, traditionally, our tariff has been a revenue tariff. I am free to admit that in recent years the character of the tariff has undergone a change. In the last year or

two, under the stress of our financial needs we have travelled far from our old policy of a light uniform duty on almost every class of import. Our general rate of duty is no longer light, and there have been breaches in the principle of uniformity. The general rate of duty is 15 per cent. ad-valorem. On some classes of import the rate of duty is as high as 30 per cent. On other classes it is as low as $2\frac{1}{2}$ per cent., and yet on other classes, there is no import duty at all. It is perfectly true that, as the Fiscal Commission has pointed out, in the framing of a tariff which contains such high rates of duty and such a wide variety of rates considerations other than those of pure revenue must have entered and I do not deny that they have entered, but the fact remains that the Government of India have never yet consciously adhered to the principle of protection as an integral part of its tariff policy. That is why I say that this amendment of mine marks a fundamental change of policy. For the first time, the Government of India ask the Legislature to agree to the proposition that their tariff policy may legitimately be directed towards fostering the development of industries in India. Some people in this House may think that we have hedged round the principle with too many reservations and too many safeguards. I will come to that point later. But what I say now is that in a matter of this kind, the all important thing is the admission of the principle. It is the first step that counts. As I said, the Government feel a very heavy sense of responsibility in asking the Legislature to take this step. We owe it to ourselves and to the country that I should give a brief explanation of the main considerations which have weighed with us in coming to so momentous a conclusion. But it is not my purpose to enter into any elaborate, any lengthy or any abstruse economic argument. That part of the case has been fully dealt with in the Fiscal Commission's report and I am content to leave it at that. My feeling is that this debate in the Assembly to-day will lose half its value if we attempt to deal with this vast and complex subject except on the broadest and most general lines.

Now, Sir, let me be quite frank. Some of us, Members of Government, have not come to the conclusion embodied in this amendment without deep searchings of heart and without forebodings. However authoritative the report of the Fiscal Commission may be, that report cannot and does not relieve the Government of its responsibility in the matter, and some of us cannot help feeling that there is cause for anxiety. If the result of our policy is that development of industries which we all have so much at heart, that is all to the good. But let us look at the other side of the shield. I am not concerned at present with the more obscure dangers which seem to be inherent in a policy of protection. I refer to the danger of political corruption and the danger of the formation of trusts. Nor am I concerned with the danger that the only result of our policy may be the fostering up in India of inefficient industries. But what I am concerned with is this. Whatever may be the merits of a policy of protection, I do not think that there is any one in this Assembly who can stand up and say that the moment is entirely propitious for the inception of that policy. It is no use blinking facts. We have to take into account the state of affairs as it exists in the world around us and outside us. Half that world has tumbled into ruin. It no longer exists as a customer, and that means that the remaining countries, especially those countries whose prosperity is bound up with their export trade, must fight more desperately than ever for the markets which still remain open to them. Moreover, in those countries, the potential productive industrial

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capacity has increased enormously owing to intensive reorganisation and extension during the War. Now those countries are faced with the spectre of unemployment. The manufacturers are fighting with their backs to the wall merely to keep their works open and their men employed. The workmen are accepting reductions in wages. Owners are foregoing profits. Shareholders are going without dividends, and vast reserves of inherited skill, aptitude and efficiency are being mobilised all to one end, namely, the bringing down of the cost of production. That is one side of the picture. It shows the sort of competition that India has got to meet,—better directed, more intense, more efficient,—economically than ever before. On the other side there is India. India has still to organise most of her industries; she is in most of her industries confronted with that most difficult and most protracted of all tasks; the training up of a force of skilled efficient operatives. While that task is in progress the cost of production must be high, and that means that however carefully we may discriminate, the measure of protection necessary to ensure the end in view cannot be small. And that again means that *pro tanto* our policy of protection must increase the level of prices for the consumer generally and particularly for the agricultural and middle classes. There is no getting away from this fact. By discrimination we may mitigate the rise. But the fact remains, and it is so certain that I do not propose to argue it, that a policy of protection must mean an increase in prices in India. Now, I am well aware that many countries, most countries in fact, have gone in boldly for a policy of protection in spite of this disadvantage. But we are not considering the case of other countries. We are considering the case of India. We are not considering the case of countries with rich natural resources, with sparse or comparatively sparse populations and with a high standard of living like the United States of America and like Dominions such as Canada and Australia. People of countries like that can no doubt pay the inevitable price that protection demands. They can no doubt stand up to a high level of prices and a high level of taxation. But in India we have a country of 300 millions. Two-thirds of that population are agriculturists. Most of them are poor and the standard of comfort is low. One thing, I think, is certain. If the agricultural classes which form the bulk of the population in India were able fully to grasp the issues involved in this question of free trade *versus* protection, and if they were able fully to bring their influence to bear upon this Assembly, I doubt very much whether this Assembly to-day would accept my amendment. I doubt indeed whether I should be putting that amendment forward. The agricultural classes in every country in the world, I think I may say this with confidence, stand to gain the least and lose the most by a policy of protection. But even if we leave the agricultural classes out of consideration is there anyone in this House who can view without alarm, having regard to the conditions of India, the prospect of a substantial rise of prices following upon the development of a policy of protection. It is easy to speak of measuring prospective gain against immediate loss. It is easy to say that India must be prepared for a sacrifice. But surely the experience of the last few years has demonstrated even to the most unobservant the effect of high prices not only upon the public finances of India but also upon political, social and economic conditions throughout the country. Let this House remember that high prices have added to the wages bill for the Public Services in the last few years, 9 crores of

rupees. Let this House remember that high prices created a period of industrial unrest with all the vast economic loss that a period of industrial unrest involves, from which period we are only just emerging. I am aware that Chapter V of the Fiscal Commission's Report deals with this point, but naturally it weighs with peculiar gravity upon us, who are responsible for the Government of India.

Nevertheless we are prepared to accept the considered conclusion of the Fiscal Commission that on the whole the right policy to adopt is a policy of discriminating protection. The first point I have to make is this. I do not suppose that there is any country in the world where this question of free trade or protection has been decided on purely economic grounds. Some of you may have read Mr. Percy Ashley's book "Modern Tariff History." In that book he points out that even Lists' great work in, which he developed the theory of infant industries and argued the need for protection to enable a country to pass from a purely agricultural state to a mixed agricultural and industrial state owed the widespread approval it received in Germany less to its economic argument than to the great political appeal it made to the necessity of maintaining, completing and strengthening German nationality. There is the same sentiment at work in India. On the one hand India aspires to Dominion status, that is to say, she aspires to political independence within the Empire. On the other hand she aspires to economic independence. She hopes that within the Empire she may be economically independent. And behind this national feeling there is the pressure of a real economic grievance. Every impartial observer views with sympathy, I think, the difficulty which confronts every middle class parent in India in finding a career for his son. The Indian parent hopes that industrial development will increase the avenues of employment open to the educated Indian boy, and will open up more and more avenues which will bring that boy into contact with the hard practical realities of business life. Again the Government of India in the last few years has been doing its best to encourage industrial development, and we have long recognised that the introduction of the Reforms would mean a change in the fiscal policy of India. Lord Curzon gave public expression to this feeling in his speech in the debate in the House of Lords on the Government of India Bill, and it was with full knowledge of the trend of feeling in India that in 1921 we appointed the Indian Fiscal Commission. That Commission contained not only distinguished Indians but also distinguished Europeans. It contained three Presidents or past Presidents of important European Chambers of Commerce. It is quite true that there was a difference of opinion. There was a minority report as well as a majority report. But I am not concerned at present with the differences in the Commission. What I am concerned with is the fact that the Commission was unanimous in recommending that a policy of protection was the right policy for India. That, Sir, is a very remarkable fact and naturally it is a fact which has weighed very greatly with the Government of India. And finally as Mr. Jamnadas Dwarkadas has pointed out the issue to-day is not a clear cut issue between a policy of protection and a policy of free trade. The stress of events has forced our revenue tariff to a point where it is no longer a pure revenue tariff, and the choice that lies before us to-day is the choice between a tariff with arbitrary protective effects, irregular in its action and with no certainty of continuity, and an attempt to regularise the position by remodelling that tariff, in part at any rate, on frankly protectionist lines. That is to say the logic of events has reinforced the pressure of public opinion, and that is why we

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have acquiesced in the policy which this amendment seeks to get accepted to-day.

I come now to my amendment. I am free to admit that it differs little in form from Mr. Jamnadas' Resolution. But I have thought it only right and only honest that I should explain clearly what is in the minds of the Government of India. Briefly our position is this. We agree in principle to protection. We make it clear that the principle must be applied cautiously and with discrimination, and we accept the unanimous recommendation of the Commission that before the principle is applied in concrete cases there must be a previous preliminary investigation by an authoritative impartial advisory board.

I will now take the clauses of the amendment in detail. Clause (a) needs no remark on my part. It accepts the principle of protection. Clause (b) makes it clear that in the application of this principle of protection regard must be had to the financial needs of the country and to our present dependence on import, export and excise duties for a large part of our revenue. Partly this clause is intended to make it clear that we must take our financial situation into account in considering certain specific recommendations of the Fiscal Commission in regard to export duties, certain classes of import duties, cotton excise and the like. The House will remember that the Fiscal Commission has recommended that two export duties, the export duties on hides and tea, should be taken off altogether; it has recommended that the cotton excise duty should go and it has recommended also that no import duty at all should be collected on machinery and on certain classes of imports, such as raw materials for Indian industries, copra and sulphur being cases in point. And it has recommended also that in certain classes of industries the most suitable form of assistance is bounties. These recommendations involve either a direct sacrifice of revenue or direct expenditure on the part of the Government of India, and I think that it will be clear to every one that, in considering recommendations of this kind, we must take careful note of the state of our finances. Partly again, the clause is intended to mark the need for caution in whatever advances we make. The House knows the importance of customs receipts in our Central revenues. Certain figures have been given in paragraph 25 of the Fiscal Commission's report; they are not quite correct, but I will give only the salient figures. In 1913-14 Customs revenues accounted for 13·7 of the total receipts of the Government of India; in the current year we have budgeted for a net Customs revenue of 45·41 crores of rupees, that is, 34 per cent. of our total revenues. Moreover, our basis of taxation is narrow, and I think that most people here will agree that we are perilously near the limit. It is true that retrenchment may enable us to reduce our expenditure at a price; on the other hand, we have over 9 crores of provincial contributions which we are pledged to reduce and ultimately to abolish. I do not wish to make too much of this point. After all, one of the main advantages claimed for a policy of protection is that industrial development will add ultimately to the wealth, and, therefore, to the taxable capacity, of the people. My point is that the transition period must be difficult, and that we must always keep in view the danger of disorganising the public finances by too rapid and too violent action. Sir, it would have been easy for me to omit all reference to the financial situation. After all, we are concerned to-day only with the principle of protection, and it would have been easy for

me to omit all reference to the fact that the financial situation may operate as a brake on the application of that policy. But, Sir, the fact stares us in the face, and would it be honest for a responsible Government and for a responsible Legislature to shut its eyes to that fact?

I now come to the third clause, Sir, and, here again; I do not propose to say much. After what I have said, every one in the House will, I think, agree in the unanimous recommendation of the Commission that the principle of protection must be applied with discrimination, and, if we admit that discrimination must be exercised, I cannot think of any better criterion than a criterion based upon the well-known economic doctrine of comparative advantage. After all, what does it mean? It merely means this that we should concentrate our efforts on those directions where effort is most likely to prove fruitful of good to India.

In some ways the last clause of my amendment is the most important of all. The House will have noticed that I have made little mention of the difference between the majority and the minority reports. I have done so deliberately. I have not occupied myself with the question, as it was put to me, whether our protection should be protection with a big P or protection with a little p. The point to fasten on is that the Commission unanimously agreed in the recommendation that a policy of protection should be adopted and, whether we agree with the majority or whether we agree with the minority, it must be clear to all of us that the operative part of both reports is the Tariff Board. From the nature of the case both the reports deal mainly with generalities, and the one main, concrete, proposal made is that a Tariff Board should be appointed. Now, if I have carried the House with me so far, I think they will agree with me that, having accepted the principle of protection, the next step must be to decide what industries need and deserve protection and what kind or measure of protection they should get. There is, of course, a third question. There is the question whether we can afford to give the measure of protection recommended. That will ultimately need the decision of the Government and the Assembly, though even in the preliminary investigation it must be borne in mind. For the investigation of these first two questions, we agree with the Commission that what it calls a Tariff Board must be appointed. We feel that in questions of this kind a more detailed investigation is necessary than a Government Department can undertake, and, moreover, an investigation of a different kind. In many cases the interests of more than one industry will be affected; in many cases again there will be what the Fiscal Commission calls a conflict of interests. Each and every industry affected must be given a hearing, and that is why we think some kind of Board is necessary. It is quite clear, I think, that the duties of this Board must be purely of an investigating and advisory nature, as indeed the Fiscal Commission recommends. So far the matter seems clear enough, but there are many difficulties. The first question is whether the Board should be a permanent Board or a temporary Board. Now, I am quite prepared to admit that, if our policy is successful, we may require, if not a permanent Board, at any rate a Board for a long period of years. For industries tend to beget industries; but there are obvious dangers in a permanent Board. It may become an incubus rather than a help. Even in the United States of America the Tariff Commission at one time tended to become merely a sort of glorified Commercial Intelligence Department, very useful no doubt, but entirely beyond the resources of India at present. We think that the wisest course is to create a Board

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for one year in the first instance on an experimental basis. At the end of that year we can take stock of the position. We can see how the Board has worked; whether it needs alteration; we can decide whether to expand it or modify it, or whether to abolish it altogether and try some other expedient. That is to say, we follow the Australian precedent rather than the American precedent. Australia began by appointing its Board for two years in the first instance. We are in favour of this course for another reason. It assists in the solution of two other difficult questions, one the constitution of the Board and the other the exact relationship of the Board *vis-à-vis* the Government of India. I take the constitution first. I am aware that the minority report recommends that of the three Members of the Board two should be elected by the Indian Legislature, but I hope the House will agree with me that it is quite impossible for the Government to accept this suggestion. If we accept responsibility for a policy of protection, and, if we appoint a Tariff Board in order to help us in working out that policy, we must also accept responsibility for the constitution of the Board. What is the main essential of the Board which shall play such an important part in the working out of our policy? It is this. We must be able to rely on the Board for a perfectly impartial investigation of all relevant facts before it makes its recommendations. That is the first essential. The Board must be entirely impartial. No extraneous considerations of any kind must enter into its composition; and that is why I hope the House will not think that I am casting any reflection upon the Indian Legislature if I say that the Government feel that they must retain in their own hands the duty, or rather the responsibility, of appointing this Board. They cannot delegate that duty to anyone. They cannot trust to election even by the Indian Legislature.

Then again we have had some difficulty as regards the exact relationship of the Board to Government. If the House agrees that we should adhere to a policy of protection, then I am sure that it will also agree that we should take steps at once to make that policy effective and make it effective as rapidly as we can. That is to say—and I have particular reasons for this—I should like to set up the Tariff Board at once, and I should like to make such arrangements as will enable us to get quick decisions upon the recommendations of the Board. That is why, again following the Australian precedent, we have proposed that one member of the Board should be an official of Government. He is not intended to represent the interests of Government as if those interests were in any way divergent from the interests of the country. I hope I have made it clear to-day, in this speech of mine, that in this matter our interests and the interests of the country are, we hope, entirely identical. (Hear, hear.) The Board will be empowered to investigate the question which industries deserve protection, and what measure and kind of protection is needed. In framing its recommendations it will of course have to bear practical considerations in mind. It will have to try to frame such recommendations as can be accepted and as are practicable. Now that is why we think it advisable to have one of the members an officer of Government. He will act as a Liaison Officer between the Board and the Government. He will assist not only in keeping in touch with the officers of Government but he will assist in formulating recommendations. If we have a Board which is entirely independent of Government, what will be the result? We shall get its recommendations. There will be three departments of the Government of India which will be concerned—the

Department of Commerce, the Department of Industries and the Department of Finance. The usual lengthy noting, which is a feature of the Government of India system, will go on. There may be disputes. The cases will then have to go to Council, and there will be inevitable delay. That is the reason for our proposal. We hope that in this way, by this device, we shall be able to get a quicker and an earlier decision upon the recommendations of the Board.

Sir, I am afraid that I have detained the House for a very long time; and even so I fear that I have been able to touch only the fringe of a very big and a very difficult subject. In our view the first essential in dealing with the recommendations of this very important Report is to get a decision on the question whether the policy of protection should be accepted, and if so, whether or not immediate steps should be taken to get that policy made effective. It is for these reasons that I have concentrated on these two main points. I quite admit that there are other important recommendations in the Fiscal Committee's Report and those recommendations will receive full consideration in due course. But it seemed to us to be useless to proceed to the consideration of those recommendations until we had got a decision on the main question of principle. Some people in this House may think that even on the main question of policy we have made only a grudging advance in the direction in which the House wants us to go. But I am sure on reflection the House will not endorse that opinion. We are dealing with a matter of vital importance. Our decision must have the most momentous consequences for the people of this country. In deference to what we know to be the strong feeling in this country, and for other reasons which I have explained, we are prepared to adopt a policy of protection. We accept the unanimous view of the Fiscal Commission that the principle must be applied with discrimination, and we are ready at once to set up the machinery which is necessary for the application of the principle. I hope the House will realise that we have done our best to identify ourselves with the aspirations which we know to be common in this country. (Hear, hear.) But I am also confident that the House will recognise that a Government, placed as we are, are entitled, in dealing with this important question, to lay it down that the only safe and prudent course is to proceed with a proper measure of caution.

Sir, I commend my amendment to the House. (Hear, hear.)

Mr. Jamnadas Dwarkadas: Sir, there is only one difficulty with regard to (c). I thought the Honourable Mr. Innes read: "with due regard to the well-being of the community and to the safeguards suggested," not "subject to the safeguards suggested" as printed on the paper.

Mr. President: Does the Honourable Member accept that?

The Honourable Mr. G. A. Innes: Yes, Sir, I am prepared to accept that in clause (c) of my amendment the words "subject" be omitted.

The proposed amendment was adopted.

Mr. J. P. Cotelingam (Nominated: Indian Christians): Sir, with your permission I would ask the Honourable Member if he would accept a slight amendment also in clause (d), namely, the omission of the word 'may'.

Mr. President: No, I cannot permit it. That is a substantial amendment which ought to be on the paper.

Sir Campbell Rhodes (Bengal: European): Sir, as representing what may be called the other wing of the Fiscal Commission, I have very much pleasure in supporting the general conclusions at which my Honourable friend and colleague, Mr. Jamnadas Dwarkadas, has arrived in his Resolution. It is quite true we arrived by different paths. He chose the pleasant field path of national idealism which lies, I am afraid, sometimes very close to the quagmires of political and racial hatred. (*Mr. Jamnadas Dwarkadas* (and other Honourable Members): "No, no.") Whilst I travelled along the hard, dusty high road of plain economic truth, and therefore, Sir, I must be forgiven if perhaps I raise a little dust. I think one thing can be said of our Report, that it was an honest report; that we started with no preconceived ideas. We did not try to make out a case. Whenever we found a difficulty, whenever we found an argument against the conclusions at which we eventually arrived, we frankly put it down and therefore in our report, I think, are contained all the pros and cons of the question. I am in a little difficulty, Sir, as to whether I should support the proposal of my Honourable friend, or the amendment which has been put forward. At their annual meeting in January, the Associated Chambers of Commerce in Calcutta, over which I had the honour to preside, passed a Resolution, which has not yet been published, by an overwhelming majority—I think one Chamber only dissenting—very much on the lines of the amendment moved by the Honourable Mr. Innes, and therefore it is best perhaps that I should incline to the amendment. Well, Sir, what are the reasons which caused this wonderful unanimity in our general conclusions? We have been criticised both here and in other countries; but one criticism has never been directed against us, that we were a happy family playing at follow-my-leader. Mr. Jamnadas has referred to the cloud of witnesses. Well, some of those witnesses, Sir, were not helpful. National aspirations for self-determination and for self-development are admirable; but many of our witnesses seemed to think that because a thing was right for England it must therefore be wrong for India, and some of them seemed to think that in order to benefit India you must injure England. I do not think those arguments impressed us. A somewhat similar class of argument exists in England also. England has always laboured honestly under the impression that if a thing was right for England it must therefore be right for India; and in that, I think, lies a great fallacy. Mr. Innes has put his finger on the spot in this matter of unanimity. We did not find a clean slate. Had we done so, those who had preconceived notions of free trade might have tried to elaborate a free trade policy for India. We have not got that at the present time. We have a haphazard protection masquerading in the form of free trade. In all the criticisms by what I may call the whole-hog free trader since that report was published, I have seen no constructive criticism as to how we should have proceeded to produce a real free trade system for India as it exists, and I think rightly exists, for England. England depends for its revenue chiefly on direct taxation. Direct taxation in India can take two forms, one from the limited number of the wealthy from which sufficient revenue could not possibly be got; and the other by an increase in some of the existing direct taxation; for, obviously you cannot collect direct taxation of four annas or eight annas per head from the masses of the people. That means land taxes, and I think the Commission were convinced, whatever the rights or wrongs of increasing land taxation might be, that it was a physical impossibility to do so. In regard to import duties England is careful to keep her import duties confined to a few commodities which not only are not produced in

England but cannot be. If we look through the import list of goods coming into India, I think we could claim that, theoretically at least, practically everything that comes in could be manufactured in this country and therefore a logical free trader would have to put excise duties not only on all local manufactures but threaten to put excise duties equivalent to our import duties on everything that came into the country so as to warn local manufacturers that they must not start industries under the protection of these revenue duties. We have thus not had the advantage of free trade to which I shall refer in one moment. We have not had the advantages of protection. As was pointed out by two very able witnesses, Mr. Shakespeare of Cawnpore and our Honourable friend, Captain Sassoon of Bombay, these high revenue duties were of no advantage as long as there was no security. They were sufficiently high to protect but there was no security and therefore the whole of the advantage that might be derived from these duties was lost. I consider these duties at present are high enough for the class of protection with which India should experiment. Mr. Jamnadas advocates a self-contained India. I know it is a popular ideal. He says it would be a great stand-by in time of famine. Has Mr. Jamnadas ever heard of that happy island in the Pacific where the people gain a precarious living by taking in each other's washing? What will happen in a famine year if we are self-contained? The food supplies will fall off; you have a big industrial population to feed; the industrial population depend for their custom on the agriculturists and so by the process of taking in each other's washing Mr. Jamnadas hopes the country will thrive. I must warn Mr. Jamnadas' colleagues from Bombay that if that is the vision before you your mills will immediately stop working, for the demand for clothing will be satisfied not by Bombay but by Bengal. The country will then need to clothe itself only in sack cloth and ashes. I am not one of those who are so very pessimistic of the progress so far made. Industrial progress hitherto, in large factories at least, has been confined mainly to the temperate zones; we call them temperate but the real fact is that the rigours of the climate drive people to choose indoor occupations. Now, India stands alone; it is not only the foremost industrial country in the tropics, but is the only industrial country in the tropics. I admit the pace has not been fast enough, but I think it is wrong to overstate our case and say that there has been no progress whatsoever. I think that would be a reflection not only on the Scotchmen in Calcutta but on my Indian friends in Bombay and elsewhere. The Honourable Mr. Innes has drawn attention to the fact that this is an inopportune time to start a protectionist policy. I agree in a certain measure, but every business man knows that it is in times of dull trade that you put your house in order so as to be ready when good trade comes; and in that sense I think this is the most opportune time to make a start. Mr. Jamnadas has mentioned the controversy between India and Lancashire or, as I would rather say, between Bombay and Lancashire, because the Punjab, Bihar and Bengal have never had any quarrel with Lancashire. (*A Voice*: "They are beginning to have.") I do hope that after this debate to-day one fact will emerge, that we agree to bury, and that our Resolution will bury, this old animosity. (*Hear, hear.*) (*A Voice*: "Let Lancashire follow suit.") I have put my signature in this Report to that Chapter which recounts that regrettable history, let us be frank, of the interference of Lancashire with India's self-determination. But we must also remember that Lancashire has always been in the forefront of all political efforts of nations all over the world, including India, to develop self-Government and it is pathetic that, owing to the fact that she supported the Reform

[Sir Campbell Rhodes.]

Scheme in India, she is the first in a measure to suffer. At the same time, I am not prepared to believe that there is any real conflict between the two. Bengal requires double the amount of cloth than she uses now. She has a limited amount of money to spend on cloth, and as has been pointed out in the Dissenting Minute, in a quotation from a speech which I made in this House, 10 yards per annum per body is not sufficient. We therefore require all that Bombay and Lancashire can give us, and we also, I think, have a right of speaking for the people of Bengal, to buy what clothes suit us best. Therefore, when we get that Tariff Board at work, we shall find the conflict is not between Bombay and Lancashire, for I would draw Honourable Member's attention to that very illuminating sentence in our Report which says that "if we get rid of this conflict between Bombay and Lancashire, the Tariff Board will then be in a position to decide the real point at issue, and it will no longer be a matter between Bombay and Lancashire but between the Indian producer and the Indian consumer". There will, therefore, be conflict. There will be if we establish protection, a desire on the part of the manufacturer to consider his interests perhaps before those of the consumer. That has been so in all countries, and it will be no greater in this country; it may even be less. My Honourable friend, Mr. Townsend, will remember when he and I some years ago went down to Bombay to arrange standard cloth for the poor of Punjab, Bihar and Bengal, that we met with a most sympathetic response from the Bombay Millowners, and I am still grateful for what happened in the budget debate last year when they supported my amendment for the reduction of the import duty. I do not know what secrets are locked up in the breast of the Honourable the Finance Member, but I can let out one secret that, if he proposes to put up the duty this year, there will be at least one vote in the lobby against him. It is this possible conflict of interest between province and province, between industry and agriculture, between industry and industry, which has caused us to recommend in the best interests of India that the adoption of a policy of protection should be applied with discrimination along the lines of our Report. We do not recommend a rash and reckless plan of protection, for we believe that that way leads to disaster. We do not recommend the present haphazard system of protection masquerading under the guise of free trade. We do not recommend that our policy should be settled for us by any one outside this country. (Hear, hear.) We recommend protection not only of the interests of our industries but of the interests of the agriculturist. We recommend protection, by the exercise of wise discrimination, of the consumer. If I may misquote in conclusion a famous democrat, I would say that we have recommended protection of the interests of the people in this land, by the people in this land, and for the people in this land.

Mr. C. A. H. Townsend (Punjab: Nominated Official): I regret, Sir, to have to turn this debate to a provincial aspect, despite what the Honourable Mr. Innes said, but I come from the Punjab and the views which I am about to put forward represent, I think, not only the views of a great number of people in that province but perhaps also those of other agriculturists in other parts of India. Now, Sir, the Punjab is and must continue for very many years, so far as I can see, even under protection, to be an agricultural and not an industrial province, and to put it briefly, many of us think that under a policy of even discriminating protection, however much you may discriminate it, we will certainly suffer, at any rate, for very many years to come. The great majority of our Punjab people are agriculturists, pure and simple. We have but few minerals,

no cheap waterways to help our transport, and practically no coal: practically all the coal we use has to be brought many hundreds of miles by rail from the Bengal coal-fields, and costs at least Rs. 5 per ton more in Lahore than in Cawnpore owing to the longer railway journey.

The Punjab generally exports raw materials and imports manufactured articles. On the average of the last five years I find that no less than 84 per cent. of Punjab exports—not all to foreign countries—consisted of raw materials, and 66 per cent. of our imports was manufactured articles. Of the balance much was food for our cattle. And, Sir, despite what the Honourable Mover said on the subject, labour in the province, both skilled and unskilled, is both scarce and dear, and costs more than in the neighbouring United Provinces, thereby placing us at an additional disadvantage compared with it from the industrial point of view. Nor will our difficulties in this matter get less, when the large tracts of the country which will be irrigated by the Sutlej Canals, now under construction, come under cultivation. Whatever degree of protection, Sir, may be introduced, I can never visualise the sandy tracts of Mianwali or Multan or the arid country lying to the south of the Sutlej as industrialised. Again, Sir, as Mr. Calvert, the Registrar of Co-operative Societies in the Punjab, points out in his book "The Wealth and Welfare of the Punjab," to which I am indebted for much of what I say this morning,—we are handicapped in this matter by our geographical position. Assume industries to become successfully established in the province, where are we to find a market for our manufactures? The Punjab is bounded on three sides by countries which offer no market for its products. Kashmir, Ladakh and Tibet lie on the north, on the west Afghanistan and Baluchistan, and the south Rajputana, sparsely populated and undeveloped. None of these regions have sufficient population to make them satisfactory markets for our manufactured goods. It is often said that an ounce of fact is worth a ton of theory. Well, here is an ounce of fact. During the war, one of the few Cotton Weaving and Spinning Mills in the Punjab came into the market. It was purchased lock, stock and barrel, by a firm in Bombay. Instead of using the factory, as it was, in the Punjab, the purchasers found it to their advantage to remove all the machinery of the mill at very considerable expense to Bombay, where it was, I understand, used in a new mill, and the shell of the building is still standing, a sad monument to Punjab industries, decaying and unused. Briefly, Sir, many people in the Punjab fear that a policy of protection for India will only impoverish the agriculturists who form the great majority of our people at the expense of those parts of India which are already manufacturing centres, as Bombay and Calcutta. During the war, Sir, the industries situated at those places had in effect, as Mr. Jamnadas Dwarkadas said, protection. I hold in my hand a well-known commercial paper and, glancing down the dividends paid by the Bombay Cotton Mills for the years 1918—1921, I see the figures of 50, 60 and even 100 per cent. Now, in the Punjab, Sir, during those years, cotton cloth and yarn, much of which came from Bombay, went up nearly 100 per cent. in price. Mr. Jamnadas Dwarkadas did not mention, I notice, this point when he discussed the effect of the war on Indian industries.

In this connection, I might criticise incidentally the personnel of the Fiscal Commission. I do not know if I am in order in doing so. It was composed of eminent men, but the eminence of, at any rate, the great majority of them was that of either successful business men or professors

[Mr. C. A. H. Townsend.]

of economics. No one of them, I think, had attained any great eminence as a "consumer," though I readily admit it is not easy to find a "consumer" such as I would like to find in this connection. Punjab agriculture, and agriculture generally in India, asks for free trade, whatever industries ask for. The great majority of our people wish to import what they require free of duty and also they ask that no restrictions should be placed on the export of their products, which are, as I have said, generally raw materials, though of course we would not object to a very small cess designed to help our agriculture as the proposed cotton cess. It is true, Sir, that the Commission decisively pronounced itself against any policy of export duties on food grains. For this relief much thanks. But experience in all protected countries of the world shows that a policy of high protection on imported goods eventually has the effect of reducing the prices that other countries are willing to pay for the exports of protected countries, and it is possible that in the long run our Punjab exports of raw materials may suffer in this way.

Before I conclude, Sir, I wish to say a few words on the question of protection for India as a whole. The example of America as a country which has successfully adopted protection is often quoted in India. Well, Sir, let us see what Professor Taussig, an American Professor of Economics, whom the Commission itself calls distinguished, has to say on the subject. After discussing in detail the pros and cons of the relative advantages and disadvantages of protection to the United States, he comes to the considered conclusion—I quote his own words—"that there probably remains a heavy debit balance against protection."

Mr. Jamnadas has quoted, approvingly, the example of Japan in this matter and has urged India to follow the example of that country. Well, Sir, let me give him an extract from Mr. Calvert's book to show how Japanese industries have been faring recently :

"The expansion of industries in Japan in recent years was abnormal and unhealthy. In 1919, for example, there were erected 2,700 factories, involving a capital of 522 million yen, but depression set in and a great slump in business followed, and many failures ensued. The unbridled speculation and wild company promotion led inevitably to severe reaction. In the single month of June 1920 no less than 134 Joint Stock Companies went into liquidation."

There is, Sir, all through India a wide belief that the mere introduction of protection in India will, *ipso facto*, cause industries to spring up on a large scale all over the country: that there is in the mere word a charm, as in Abracadabra. Believe me, Sir, never was a greater mistake made, so far at any rate as the agricultural provinces of India are concerned. Of the three tests laid down by the Tariff Commission which industries claiming protection must face, the third test is infinitely the most important. It is that the industry to be protected must be one which will eventually be able to face world competition without protection. The last few words are all important. The intention is that the protection given should in no case last for ever. Professor Taussig calls this test the decisive test. Well, Sir, experience all over the world shows how difficult it is, once protected duties are imposed, to take them off; each protected industry, when a proposal is made to remove protection from it, sets up a howl. Professor Taussig says:

"We are told in the same breath that prices have been brought down and a flourishing industry brought to maturity, but at the same time, that the duties must not be touched."

Particularly from this point of view, but indeed generally, I do not envy the proposed Tariff Board in the discharge of its duties. What is said on the subject by another distinguished American Economist is in point. He says:

"Protection involves political corruption on a gigantic scale. One has but to witness the scenes in and about the Committee room when a tariff is being framed in the United States to realise that there exists no more potent engine of political demoralisation: section is pitted against section, interest against interest, and business against business; and the final decisions arrived at are only the results of log-rolling and a series of unholy alliances."

I direct these remarks to the attention of the House. I am only too well aware, Sir, that vocal Indian public opinion and sentiment is very strongly in favour of protection, and sentiment will largely influence the decision which will be come to in this matter by the House to-day. I would ask it, however, not to let sentiment in this matter be entirely separated from economic considerations, and also to remember that the decision they will arrive at, as was well said by Mr. Jamnadas Dwarkadas, as to the future fiscal policy of India is a matter of the very greatest importance to the welfare of the people of every part of India and that that decision may have effects in future years which are not now anticipated or even considered. Still, Sir, we must realise that the Punjab cannot cut itself off from the rest of India, much though we might like to do so, not only on this matter but also perhaps on another matter that is coming under discussion in this House next week. Nor, of course, can the financial difficulties of the Government of India, which are brought out in Mr. Innes's amendment, be overlooked. So, Sir, I am unwillingly forced to support this amendment, lest a worse thing befall us.

Mr. N. M. Joshi (Nominated: Labour Interests): Sir, as I propose to maintain a critical attitude towards both the original Resolution as well as the amendment proposed by the Honourable Mr. Innes, I think it is my duty at the outset to make my position clear on one fundamental principle. Sir, I am not against the development of industry. I fully appreciate the difficulty of the country dependent for its livelihood upon mere agriculture. I am fully alive also to the dangers of famine, but, Sir, Mr. Jamnadas Dwarkadas has not proved how famine would be averted by industrial development. But, although famines cannot be averted, I admit this much, that it is necessary to give varied occupations to the people of this country in order that the pressure on the land should be relieved at least to some extent. Sir, I also want to make my position on another question clear. As long as the nations of the world have not ceased fighting with each other, I admit it is necessary that every nation should try, as far as possible, to be self-contained. There are disadvantages of this attempt, and those were pointed out by my Honourable friend, Sir Campbell Rhodes.

But, Sir, I admit that it is necessary, as long as the world has not ceased fighting with each other, that every country should make an attempt to be as self-contained as possible. Having accepted these two fundamental principles I want to discuss whether a high tariff is the only method of protecting the industries in this country. Personally I divide the methods of protecting industries into three categories. The first is a high tariff, which is a very popular method. Secondly, the method proposed by the Industries Commission, namely, assisting the industries by various means such as research, industrial training, giving concessions in the form of land, etc., or even giving bounties to the industries or guaranteeing interest as we do in the case of Railways. There is a third

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method of protecting and developing industry and that is by the State undertaking to manage the industry. (*Some Honourable Members*: "No, no.") Some people say "No, no." I am not much concerned with them. Let me first refer to the advantages and disadvantages of the first method of protecting the industry, namely, a high tariff wall. The reason why this method is preferred is, in the first place, that the burden which is thrown on the people is indirect. The poor people, especially the illiterate people, cannot see that they are contributing towards the building up of the industry. The Industrial Commission knew very well that if they had proposed that the industries in this country should be developed not by indirect taxation but by direct taxation, the Legislative Assembly would not have accepted that principle. The industrialists want that the people on whom the burden falls should not know that they are bearing the burden.

Mr. Jamnadas Dwarkadas : Has the Commission claimed that?

Mr. N. M. Joshi : Sir, I am asked whether the Commission has claimed that or not. I am explaining what people, when they advocate protection, have in their minds, and I feel that this is in their minds whenever they advocate high import duties instead of advocating direct contribution to the industry. Sir, there is a second advantage to the industrialist in having protection by means of a high tariff wall, and that is that he is free of all Government intervention. If an industry wants protection or is given protection by direct method, Government will insist upon intervening in its affairs. Take the case of Railways. Government guaranteed interest to the Railway Companies, but then when Government guaranteed interest, they kept to themselves the right of intervening in the affairs of the Companies. Therefore the industrialists do not generally like that the assistance to be given to them should be direct. They generally prefer assistance which takes an indirect form, which leaves them free to do what they like. The third argument that may be urged in favour of a tariff wall instead of direct assistance to the industry is that the collection charges of indirect taxes are not so large as the collection charges of direct taxes. Sir, this is a matter of proof. My Honourable friend, Mr. Innes, will tell the House how we stand in the matter. But even admitting that the collection charges of direct taxes are a little higher, is it right that we should throw away all the advantages of direct taxation and accept a method of assisting industries which contains several dangers which have been admitted by every speaker who has spoken up to this time? We have seen the advantages. They are not many. But there are great disadvantages in the method of protecting industries by means of a high tariff wall. Let us suppose for the sake of argument that a high tariff wall is necessary. A large amount of money will be thrown into the pockets of the industrialists by a high tariff wall. But what is the guarantee that the money thrown into the pockets of the industrialists by that means will be spent for the development of the industries? Sir, it will not be very uncharitable if I say that at least some part of that money will be spent on the luxuries of the industrialists themselves. Will they not spend part of the money for their motor cars, for hiring half a dozen palaces and for purchasing race horses? Sir, the money for all their luxuries will come out of the money which will be placed in their hands by means of protection. Therefore, let the House be sure that when you put money into the pockets of the industrialists with the intention that the industries should be developed, at least all that money will not be

spent for the development of the industries, but a great part of it will be spent for the luxuries of the industrialists. There is another disadvantage in giving protection to the industry by means of a high tariff wall, and it is this. If you give help to an industry by means of a high tariff wall, you cannot discriminate between a good industrialist and a bad industrialist. A good industrialist may spend all the money that he gets in developing the industry but a bad industrialist will not so spend that money. This is a great disadvantage. But we can discriminate between a deserving industrialist and an undeserving one by giving direct help to the industries. But, Sir, the main disadvantage of a high tariff wall, which has been mentioned both by the Honourable Mr. Innes and the Honourable Mr. Rhodes is high prices. Sir, the high prices have to be borne by the poor people in larger proportion to their income than the richer classes. Nobody will say here that if you have got a tariff wall on articles such as cloth, the poor man will not suffer more in proportion to his income than the rich man. The poor man pays on cloth more in proportion to his income than the rich man pays. This fact is absolutely clear. Therefore, a high tariff wall on necessaries of life can never be just. It falls unjustly on the poor man. I am not saying that the poor man should not pay at all. But nobody will also say that the poor man should pay more in proportion to his capacity to pay than the rich man. This is the greatest disadvantage of the method of protecting an industry by means of a high tariff wall. Sir, I know there are people—I do not know whether they are here or not, but I have met them several times—who say “where is the harm? Is it not the duty of the people of this country to support the industry? Is it not our duty to support Bombay as against Lancashire?” Sir, I can appreciate the sentiment of patriotism, and I also know that the poor people of this country have got some patriotism. But should your patriotism be only confined to the poorer class? If industry is to be developed at the cost of the poor people, can it not be developed at the cost of the wealthy? Sir, I have read through the report (of the Fiscal Commission). I have read through the majority's recommendations as well as every line of the recommendations of the minority—the patriotic minority. But I have not found one sentence there appealing to the wealthier class to spend their wealth not in luxury but in developing industries. Sir, I have not seen one appeal to the richer class there asking them to develop the industries, even if it were necessary for them to suffer loss for the developing of industries. On the contrary, it has been said that our capital is shy, capital requires encouragement. It is, therefore, clear that the Indian capitalist is not sufficiently patriotic. If the Indian capitalist is patriotic he will not be shy to invest his capital in a national industry, the capital will come forth even if there are losses. Therefore, when people talk of patriotism, what they mean is that that patriotism should be shown by the poorer classes and not by the richer classes. The richer classes require temptation, encouragement in order that they should put their money into industries. But, Sir, some people say “Do you not want industries?” Suppose we cannot develop industries without putting even an unjustifiable burden upon the poorer people. Sir, I do not wish to answer that question. I only say that these are not the only two alternatives. If these are the only two alternatives, namely, either not to develop industries at all, or to develop industries by putting a burden, an unjustifiable burden upon the poorer classes, then I do not know what would be my answer. I shall think then. But I believe there is a third alternative. You can protect your industries without putting an unjustifiable burden, at least without putting a disproportionately

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high burden upon the poorer classes, and that method is to assist the industries by means of direct assistance. Give any kind of direct assistance, I shall not object. If there is direct assistance, naturally in the first place, that assistance could be given only to those industries that are deserving. It will be given only to those industrialists who deserve, who do not spend their money in luxuries and whose industries do not suffer losses on account of mismanagement. Sir, it may be said, "If you give direct assistance to the industries, how are the taxes to be collected, how is the money to come? That money will be collected by indirect taxation." Sir, it is true that the amount of direct contribution may have been obtained by indirect taxation. I do not approve of indirect taxation, but even if the taxation is indirect if you give direct help there is the pressure of public opinion. The public will know what person is being helped with the public money, and the public will exact that that industrialist is careful in managing the industry. That is the great advantage. The whole industry will be under the criticism of the public of this country who pay towards that industry.

Then, Sir, as regards the State management of industry, this is one of the methods which has been recommended not by me alone but by the Industrial Commission itself. The Industrial Commission has said that under certain circumstances it is necessary for Government to pioneer a new industry.

Mr. President: Order, order. That is not strictly in order under this Resolution.

Mr. N. M. Joshi: I do not wish to speak on this subject alone. As a matter of fact, it is not necessary for me to dilate on the advantages of State management.

Mr. President: Not necessary! It is not possible.

Mr. N. M. Joshi: I only content myself by saying that a high tariff wall is not the only method of protecting an industry. An industry can be protected by the State managing the industry. This has been done not only in this country but outside, and as a matter of fact the advantages of that method will be explained to this House not by a theoretical man like myself, but by experienced industrialists like my Honourable friends Mr. Jamnadas Dwarkadas, and Mr. Kamaṭ, when the question of the management of State railways comes before this House. Therefore, I do not propose to speak about the advantages of that method.

But, Sir, there is one more point on which I should like to speak and it is this. My Honourable friend, Mr. Jamnadas Dwarkadas, said that there are dangers in protection. He admitted that. Unfortunately he did not mention them, but I propose to mention them only in a few words. Those people who want to know the dangers of industrialism should visit the slums of Bombay. That beautiful island given by Nature to this country has been turned into a hell by the industrialists. (*A Voice:* "Are you against industrialism?") Is it not necessary if we want to develop our industries to take precautions that more such hells are not created in this country? Then again take the question of people who leave their villages and go into cities. People in villages have got the joint family

system. If any one of them is ill, he is looked after by his relatives, by his neighbours. If he is old, his son, his grandson

Mr. President: That does not arise on this Resolution.

Mr. N. M. Joshi: I am only pointing out the dangers of protection.

Mr. President: That danger may happen even where there is no protection. It is not relevant to the subject under consideration.

Mr. N. M. Joshi: It is true that these dangers may take place where there is no protection, but here we are advocating protection in order that industries should develop very fast, and there is the greater danger of these evils arising when you are developing industries very fast. As a matter of fact, all the slums in Bombay are due to the fact that the industries developed very fast without giving sufficient time for people to build houses.

Mr. President: The Honourable Member must address his remarks to the policy of protection. I may point out to him that the clock tells me that he has already spoken for more than fifteen minutes.

Mr. N. M. Joshi: I do not wish to take up the time of the House, but I wish to refer to only one other evil of protection, and it is a direct evil of protection. When a country undertakes a policy of protection, it means high prices. High prices mean discontent and when poor working classes become discontented the only method possible for them of getting redress is to organise themselves and getting their grievances redressed by means of strikes. But at this stage what happens? The industrialist who wants to develop his industries very quickly by means of protection wants to restrain those organisations as much as possible. That has been the experience of the world.

Mr. President: I cannot allow the Honourable Member to discuss trade union legislation on a motion asking for the establishment of protection.

Mr. N. M. Joshi: I have felt that if a policy of protection is followed there will necessarily be discontent among the working classes, and if there will be discontent among the working classes they will have to organise themselves, and in order that the organisation should grow strong it is necessary that freedom of organisation and freedom of strike should be allowed

Mr. President: If I had not been in the Chair I would have been very glad to discuss this matter with the Honourable Member. But I have to tell him that his argument is entirely out of order.

Mr. N. M. Joshi: I shall content myself now by making an appeal to the Honourable Members of the Assembly. My Honourable friend, Mr. Innes, has already referred to the fact that the masses on whom the burden of protection will fall are not represented here. After all, whom does this Legislative Assembly represent? It represents the electors whose number is a very small fraction of the population. It may be one per cent. I assure the House that it is after all a very small percentage of the population. I do not mention this point to belittle the importance and dignity of this House. As a matter of fact, I admit that for practical purposes we could not have got a more representative Legislative Assembly than this. But, Sir, that should not blind us to the fact that the masses

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of the people are not represented here and when we are considering the question of putting a burden on the masses more in proportion to their income than the burden falling upon the richer classes, it is our duty to put greater restraint upon ourselves, to be more cautious in pressing burdens upon the poor people than it was necessary for us if the burden had to fall more upon us and more upon our electors. With these words I move the amendment which stands in my name to the amendment moved by the Honourable Mr. Innes.

Mr. President: The Honourable Member will realise that during the conversation which I had with him I informed him that the last half of his amendment is out of order, seeing that it attempts to bring in the question of trade union legislation before adopting a policy of protection. That is not within the scope of the Resolution.

Mr. N. M. Joshi: If the second part is out of order, I propose the first part:

“ Provided that measures adopted with that end in view be so framed that the financial burden resulting therefrom will fall upon the people in proportion to their capacity to bear it.”

I hope the House will accept my amendment.

Mr. President: If I had known that the Honourable Member was moving his amendment, I should probably have called somebody else, because I think it is desirable to have the proposition put by the Government debated against the proposition put forward by Mr. Jamnadas Dwarkadas. At the same time, the first part of the Honourable Member's amendment is in order.

Mr. N. M. Joshi: I shall move my amendment later on.

Dr. H. S. Gour (Nagpur Division: Non-Muhammadan): Does the Honourable Member move his amendment as an additional amendment to the original Resolution or as an amendment to Mr. Innes' amendment.

Mr. N. M. Joshi: As a matter of fact it can be made an amendment to anyone of the two.

Mr. President: I must inform the Honourable Member that his amendment was originally put down as an amendment to Mr. Jamnadas Dwarkadas' Resolution. He did not know then that Mr. Innes' Resolution is going to contain the words “ with due regard to the well being of the community.” I should imagine that these words would have satisfied the point raised by the Honourable Member, though, as I have told him, he is perfectly in order in moving it.

Mr. N. M. Joshi: I do not know what will suit the House. If it suits the House that my amendment should be an amendment to the original Resolution, I do not object. If it suits the House, I have no objection to its being treated as an amendment to the Honourable Mr. Innes' amendment.

Dr. H. S. Gour: On a point of order. It is for the Honourable Mover of the amendment to say as to whether it is an amendment to the original motion or any particular amendment. It is not left to the decision of the House to accept that amendment as either an amendment to the motion or an amendment to an amendment.

Mr. President: I think it will simplify the position if I treat this as an amendment to Mr. Innes' amendment.

The question is:

"That at the end of the amendment as proposed by Mr. Innes, add the following: 'Provided that measures adopted with that end in view be so framed that the financial burden resulting therefrom will fall upon the people in proportion to their capacity to bear it.'"

The motion was negatived.

Mr. B. S. Kamat (Bombay Central Division: Non-Muhammadan Rural): I believe what is germane and also important to the discussion of this morning is a criticism of the amendment standing in the name of my friend, the Honourable Mr. Innes, and not a general discussion ranging over a wide field over the advantages and disadvantages of free trade or protection, a discussion like the one indulged in by my friend, Mr. Joshi, or even by Mr. Townsend, from the Punjab; because it is only half an hour ago that the Government announced and committed themselves to the principle that they are prepared to accept protection. All that concerns us therefore this morning is to discuss whether the amendment standing in the name of Mr. Innes requires any criticism at all. I shall direct my remarks only to this aspect of the question. In the first place let me congratulate the Government on coming to a satisfactory decision on such a momentous issue. The question was hanging fire for decades, for almost half a century and I believe the Government have done well in coming to a favourable decision, however tardily it might be, on so important a point; further, it is indeed a matter of gratification, Sir, for the country that Government are prepared to accept protection with discrimination as unanimously recommended by the Fiscal Commission. Having said that and offered my congratulations to Government on this decision, it remains for me to meet certain criticisms and remarks made by Mr. Innes in his opening speech. Mr. Innes pointed out that although Government are accepting this policy of protection they are accepting it with a great deal of anxiety and a great deal of caution. I realise the anxiety of the Government at the present moment. I also realise that a certain amount of caution in the application of this policy is necessary but I venture to think, Sir, that Government are in one or two respects at any rate labouring under an excess of caution as I shall presently show. I agree that there is a certain amount of anxiety involved in undertaking this policy at the present moment when we are passing through financial depression and deficits in the Budget. On the other hand, Sir, it is precisely at this particular period of transition in India when existing industries are threatened that this question has to be boldly tackled by Government, especially owing to the world facts to which Mr. Innes has referred; it is precisely at this moment that protection is necessary, either to keep alive certain industries which are struggling in the country or to withstand the low prices which foreign manufacturers are announcing in order to keep their own industries alive. Therefore if there was any time which was urgent for protection, it was, I believe, this time. Government, I say, need not, therefore, be very much uneasy that the time is inauspicious. Now with reference to certain observations of Mr. Innes regarding factors within India relating to the internal situation which compelled caution, he mentioned two or three things. He referred to the effect of this policy on the agricultural classes. He referred also to what the effect

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of this policy would be on the middle classes. He also referred to the effect of this policy on the finances of the Government, that is to say, the sources of revenue. With reference to the effect of this policy on the agricultural conditions in India, those who have studied economics, those also who have read the Report of the Fiscal Commission will be able to see that after all it is a question of balance of advantages. It is perfectly true that the rise of prices has a certain adverse effect on the agricultural community but, on the other hand, take a long view of the whole thing and just see the effect of this policy of protection, say at the end of 15 or 30 years. Take the example of other countries like Germany and America which were at one time agricultural countries. The policy of protection has made those countries now more or less manufacturing countries with the result that the wealth of those countries is immensely better than what it would have been if they had remained agricultural countries. The question is, do you want wealth for agriculturists or not? Now we know there are 72 per cent. of agriculturists in the country out of the total population, but out of those 72 the real workers in the field are, let me point out, 46 per cent. only. The rest are workers of a casual character either in industries or even in agricultural labour. The point therefore is, if owing to a system of industrialism the wages go up, will it not profit those workers who come to factories or those workers who are also in agricultural industries. There, therefore, remains only a residue of 46 per cent. of the population who are directly concerned with the sowing and ploughing of their own fields who will be no doubt for some time adversely hit. The other agricultural workers who are more or less labourers will profit to some degree by the automatic rise in the prices and also in wages. Then again, even if there is a little bit of temporary evil in this policy of protection for the agriculturist, I think Government has provided safeguards to minimise the burden. We know that the Tariff Board will see that the burden will not be too heavy for the agriculturist. The machinery provided to fix the rate of protection is a very sound safeguard; I therefore think judging by the analogy of the other countries and considering the proportion of burden that will fall upon the agriculturist population and also the safeguards, namely, the creation of an impartial and thoroughly investigating body, namely, the Tariff Board, we can, in spite of some disadvantages which I have dilated upon, go ahead and accept protection. I need not refer to what fell from Mr. Joshi about the capitalist and his luxuries. I believe that luxuries do give a benefit to the capitalist no doubt, but the benefit is not confined to the capitalist. If a capitalist buys a motor car, he has to employ a chauffeur and a portion of the money of the capitalist goes into the pocket of the chauffeur, also into the pocket of the man who sells petrol and also into the pocket of the cleaner. And, perhaps, if there is a manufacturing industry of motor cars in India some day or other in accordance with this policy of protection, possibly that factory will be able to employ hundreds of labourers into whose pockets also the money of the capitalist will go. We need not therefore fear that a manufacturing country will benefit only the capitalist. England was at one time an agriculturist country. At the present moment 56 per cent. of the population of England is a manufacturing population and every man who goes into some factory draws more wages and leads a better life, has a higher standard of living, has far better clothes to wear and far better houses to live in than perhaps the agriculturist in India who,

merely because he remains an agriculturist, lives in a wretched hut and draws only the bare means of subsistence. I know that the agriculturist could be a richer man and live a better life if he goes into a manufacturing factory. That is, so far as the aspect of the agriculturists' disadvantages is concerned. Now about the amendment, there is one aspect of what fell from the Honourable Mr. Innes to-day to which I wish to address my remarks, that is, with reference to this Tariff Board. If you read clauses (a), (b), (c) and (d) of the Honourable Mr. Innes' amendment, in clauses (a) and (b) probably we shall find nothing very seriously objectionable. He has admitted the word "protection" in clause (b). He has put in a safeguard that regard must be had to the financial needs of the country. We admit that that must be our policy as well and a Tariff Board which will fix the rate of protection will see to it that the financial needs and the financial exigencies of Government are not sacrificed to the hobby of protection. But, Sir, let us discuss the safeguards introduced in paragraph 97 of the Fiscal Commission's Report on which the whole of the amendment of the Honourable Mr. Innes is based. I had hoped that Mr. Jamnadas Dwarkadas, while making his speech, would refer to the points of difference between the majority and minority on this specific question. The position is this, Government accept protection; Government accept discrimination, but Government say they are willing to accept discrimination as laid down and subject to the three conditions in paragraph 97. The only question which is very important is, do we, on the non-official side, subscribe to these three conditions which Government are prepared to accept? That is the question at issue. Now, the first condition is that the industry to be protected must have certain natural advantages. I admit this is a condition which is not very seriously objectionable. The second condition is that the industry must be one which without the help of some protection is not likely to develop or will develop only at a very slow speed. That, again, probably may be a condition which is unobjectionable from a certain point of view. But, Sir, look at the third condition to which Mr. Townsend referred, namely, that the industry must be able eventually to face world competition. If that is the condition to which Mr. Innes refers in accepting the policy of protection with discrimination I have my own misgivings. In a country, situated as India is at the present moment, with immense handicaps owing to poverty, untrained men and inexperienced capital, with world competition from all the different countries to face with I am afraid, if you rigidly follow this condition and this safeguard, as the majority of the Fiscal Commission recommend, it will be difficult for any Tariff Board to give protection, subject to this condition, if rigidly followed. My criticisms, therefore, against Mr. Innes' amendment is that, even supposing they accept discrimination and refer the question to the Tariff Board, the instructions to the Tariff Board should not be to stand upon each and every letter of the third test laid down in paragraph 97. I contend that if, really speaking, the Tariff Board is to do good to India, and at an early date, a certain amount of latitude must be given to that Tariff Board. That is so far as clause (c) of Mr. Innes' amendment is concerned.

Now, I come, Sir, to clause (d), *viz.*, the constitution and the period of time allotted to this Board. Mr. Innes wants that the life of this Tariff Board, which Government are prepared to accept, should be only one year, and he bases that on the analogy of Australia, where even it was two years, in the first instance, I think, Sir, that a period of one year only

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for any corporate body is too small a period for a trial. It is an experiment, as I have said, made with an excess of caution and is not likely to benefit India. If you accept protection, if there is no escape from protection, there is no escape from a permanent Tariff Board. I do not like that Government should show this suspicion and a certain amount of hesitation in stating to this House that we should subscribe to the view that the Tariff Board should be appointed only for twelve months. I submit that it will take twelve months for the Tariff Board simply to think out its ideas to fix their preliminaries and to know where they are before they investigate a single industry. I therefore think that this should be a permanent Tariff Board, or at least one constituted for a longer period, say five years.

And now I come to the composition of this Tariff Board. Government want that the Chairman of this Tariff Board should be a Government official on the analogy of Australia where the Controller of Customs is the Chairman of the Tariff Board. I do not object to that, namely, that one member out of the three should be a Government official. The other two are to be members not necessarily chosen by the Legislature according to the amendment of Mr. Innes. The minority report of the Fiscal Commission suggested that the two members, if there are to be three in all, should be elected by the Legislature. Now, between these two methods of appointment we have to compare where the greater advantage lies. After giving my close consideration to this matter, I am inclined to think that the amendment of Mr. Innes is reasonable and right. It would be difficult I believe at the present time for the two Houses of the Indian Legislature to elect persons of the right type we want to serve on the Tariff Board. In the first place, the conflict of interests either between capitalist and agriculturist, or between industry and industry, or between Bengal and Bombay, would be so great, that it would be far better that the Tariff Board should be above any sort of suspicion by the public at large. Even, speaking from the point of view of the Members of this House, I think it would be far better for the Members of this House to be away from the Tariff Board and, therefore, to be away from the criticisms and the suspicion that they have succumbed to any kind of political corruption, as my friend, Mr. Townsend, put it. Sir, at the present stage of India, we want to be above any reproach that what we do in that Tariff Board is one way or other against the agriculturist or in the interests of the capitalist. From this point of view, I certainly think that it would be far better that the two other members of the Tariff Board should be outsiders chosen by Government but confirmed on the Tariff Board with the approval and with the consent of this House, that is to say, that the two other members of the Board selected or suggested by Government should have their names placed for approval or consent before this House, so that we should also have a means of knowing that the selection of Government was right and proper. Our approval also should be given to the appointment either of the co-opted members, or the two permanent members forming the Tariff Board. This would be in the spirit of the recommendations of the minority who have cited the example of the Senate of the American Tariff Board. These are the few criticisms which I had to make. I do not think I shall enter into the merits of the long speech of my friend, Mr. Joshi, although he went for capitalists and made certain remarks which were not quite relevant to the question at issue. We can discuss those questions on some other occasion. What is now necessary is to

discuss, as I said, the Honourable Mr. Innes' amendment and I have ventured to offer these suggestions and these criticisms in the hope that when the Tariff Board comes to be appointed Government will see that the Board will enjoy the confidence of this Legislature and of the country at large and will be a properly constituted body.

Sardar Bahadur Gajjan Singh (Punjab: Nominated Non-Official): Sir, I rise to address this Honourable House in the interests of agriculture. There is not a single Member of this House who, I venture to think, is not anxious to see the development of the industries of the soil, but at the same time it should be borne in mind that in making provision for the development of our future industries we are not damaging our existing industries. As is well known, agriculture is the industry of the largest number of people in India. As has been pointed out by the Honourable Mr. Innes, more than 66 per cent. live upon it; they make their living out of it. Now it is admitted on behalf of Government as well as on behalf of my friend on the right that the imposition of protection is likely—in fact, not only likely but certain—to be more harmful in so far as agriculturists, or those who are busy in agriculture, will have to pay high prices for the things which they require for their industry. Now, Sir, as we all know, agriculturists are very very poor. My province is mainly a province of small holdings. This, I think, is also true to some extent or perhaps to a greater extent of the United Provinces, Bihar and Orissa, and in fact all other Provinces with the exception perhaps of Bengal, and the United Provinces in so far as they have very big taluqdars. At present their position is very deplorable. They cannot make both ends meet and their produce as we all know is from time to time subjected to various unnatural restrictions in the way of restrictions on the export of wheat and so on. So if that will be the result on agriculture of protection, then I am afraid I must warn the Government against the introduction of this policy. At any rate, they have to be more cautious. There should be more discrimination—of course, we are assured there will be,—so that the interests of agriculturists and of the middle-classes may not suffer. As has been pointed out by my Honourable friend, Mr. Joshi, some other means may be adopted for the development of industries in India other than protection, and if that cannot be done I am afraid we must go without it, because it is not advisable—it will, in fact, be unwise for us to injure the present agricultural industry which, of course, is the life and soul of India. Other industries will manufacture things which perhaps may be necessary or may not be necessary and in certain cases probably will be luxuries, but agriculture gives us our food; the agriculturists are the food givers of India. If by protection, which, of course, obviously means that the local markets of India are meant for local manufacturers, we are at the mercy of these industrialists and we have to pay high prices, then agriculture in this country is sure to suffer. On account of high prices cultivation might go low; perhaps it may not be worth while to cultivate land and produce the necessary food for the consumption of the consumer. I am afraid therefore I cannot give my support to the Resolution of my Honourable friend, Mr. Jamnadas Dwarkadas. I think those who have studied the question may perhaps be able to throw more light on it, but my apprehension is that if there is a protective tariff against the import of articles from other countries, as for instance, piece-goods and cloth, the agriculturist will get a very low price for his produce. Take cotton for instance. It is no doubt a raw material and every one should wish that it should be manufactured and then sent abroad; but as long as those conditions do

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not exist in India the producer will surely look forward to getting a higher price for his cotton. If the men in Bombay, Calcutta or Madras will pay say Rs. 10 a maund only, we shall indeed be very sorry and we shall be very glad if Japan or Lancashire comes into the field and gives Rs. 25 or Rs. 35 per maund. I mean to say that as long as the industries of India are not in a position to offer the same prices as the foreign consumer, agriculture will be hit very hard. The same can be said about other forms of produce. Possibly it will have a very prejudicial and injurious effect upon the export from India of other agricultural produce. To start with, it will only benefit a very few capitalists situated in suitable localities such as Bombay, Calcutta and Madras. Therefore I submit, Sir, that it will be unwise to make a move which will benefit only a very very small number of people and will be harmful to a very large majority of the people. My friend, Mr. Kamat, has pointed out, I think quite inadvertently—that 56 per cent. of the people of India live upon industry

Mr. B. S. Kamat: I never said 56 per cent. in India; I said in England.

Sardar Bahadur Gajjan Singh: Here as far as is known from the Fiscal Commission's Report 1 per cent. live by industries; the rest of the labour lives by agriculture. So judging from that point of view I think Government will not be well advised in launching this policy of protection. It is admitted on behalf of the Government that the people, especially the middle class people, will have to pay high prices and that the cost of living will be high. India is a poor country, and for that reason I am afraid she will not be able to pay high prices. There is no evidence to show that industries in India have suffered to any very great extent as a result of foreign competition. Indian industries are doing very well indeed, and especially during the war, as was pointed out by the Honourable Mover himself, they have a natural protection, and the profit derived by the industrialists was cent per cent. or perhaps even more. Therefore, I think, Sir, that in the interests of Indian industries, which are doing very well indeed, it is not desirable that another industry, which is already poor and which I am afraid, Government have chosen to neglect, I mean agriculture, another blow should be given to it by the introduction of this policy. Therefore, Sir, I associate with all the remarks that fell from my Honourable friend, Mr. Townsend. I also submit a note of warning to all my Honourable colleagues in this House, that by voting in their zeal in favour of this Resolution, they will be doing incalculable harm to the only industry which is the mainstay of our population, I mean the agricultural industry. Sir, while maintaining on the one hand that industries should be developed, I am not at all in favour of agriculture being in any way prejudicially affected by the introduction of this policy. One thing I should like to make clear before I resume my seat. I should submit a suggestion for the consideration of my friends who live in towns. They must remember that all their trade, all their welfare and all their wealth depends upon agriculture. If they do anything which will go against the interests of agriculture, they will be doing considerable harm to themselves and to the country as a whole. This is a point to which, I am afraid, men of the towns are very seldom alive. (*A Voice:* "With so much agriculture, the country is still poor.") You cannot help it. You make the country poor by your own action, for instance, in September last, by refusing to remove the embargo on wheat. Of course, there was

the stringency of the money market, but that scarcity was simply due to the fact that we could not get that money from foreign pockets. Punjab alone got 9 crores of rupees, and so you neglected all these things. As my friend, Mr. Jamnadas, said, the wealth of the country will increase as a whole. Possibly the wealth of Bombay will increase, no doubt, perhaps a hundred times or a thousand times by the introduction of this policy, but the Punjab will starve. In the United Provinces also probably agriculturists will starve, and poor people will die. Therefore, on these grounds, Sir, I think the Government of India will be well advised in not adopting the policy of protection, ~~at least~~ for a great number of years to come. It is unfortunate, but I must bring it to the notice of the Government of India, that they care more for the Press, they care more for those who speak loudly, and they neglect the interests of those whose interests are really at stake, those who cannot speak loudly and who have not such able representatives as other interests have. I therefore strongly oppose the Resolution of my Honourable friend, Mr. Jamnadas, and I have great hesitation in supporting the amendment.

STATEMENT OF BUSINESS.

The Honourable Mr. C. A. Innes: Sir, I just want to make a statement about the business of the House. We propose to have a rather large order paper for Monday. We propose to keep on the order paper on Monday the Racial Distinctions Bill and we propose to take that up, if the Honourable the Home Member is able to attend to his duties in the House that day. If he is not able to attend to his duties in the House that day, we propose to take up the following business:

- (1) To introduce a small Bill to amend the Post Office Savings Banks Act, 1873, and any other small Bill which may be ready.
- (2) To dispose of a Message from the Council of State regarding the Cantonments House-Accommodation (Amendment) Bill.
- (3) To consider and, if the Assembly agrees, to pass the Repealing and Amending Bill and the Currency Consolidation Bill.
- (4) To complete the consideration of the Official Secrets Bill, and, if possible, pass it.
- (5) To take into consideration and pass, if the Assembly agrees, the Bill to amend the Indian Penal Code, commonly known as the White Slave Traffic Bill, the Report of the Select Committee on which was presented to the Assembly on the 8th.
- (6) To take into consideration the Report of the Joint Committee on the Cotton Cess Bill which was presented to the Assembly the other day and to pass the Bill, if the Assembly agrees.

If the Honourable the Home Member is able to attend on Monday, we shall proceed, as I have said, with the Racial Distinctions Bill. We shall again take it up on Wednesday and also on Saturday next week. On Saturday also next week we shall take up the Official Secrets Bill and we hope to be able to finish it, and in that event the other business which I

[Mr. C. A. Innes.]
have read out as coming on on Monday will be taken up probably on the following Monday—Monday the 26th.

The Assembly then adjourned for Lunch till Five Minutes to Three of the Clock.

The Assembly re-assembled after Lunch at Five Minutes to Three of the Clock. Mr. President was in the Chair.

RESOLUTION RE ADOPTION OF A POLICY OF PROTECTION.

Mr. T. V. Seshagiri Ayyar (Madras: Nominated Non-Official): Sir, before I speak on the Resolution and the amendment, I should like to say how cordially we worked with the European Members of the Fiscal Commission, and how willingly they sacrificed some of their scruples in order that there might be unanimity on the major points on which we were asked to give our decision; and I want to tender to them my cordial acknowledgments for the way in which they treated us during the discussions in the Fiscal Commission. I wish also to express our satisfaction in that the Government on this occasion have shown their appreciation of the desire of the people that there should be a change in the fiscal policy; Sir, the speech which was delivered by the Honourable Mr. Innes shows that,—his Resolution is not half as good as his speech,—his heart is with the people on this question. Sir, on behalf of the Assembly I think I may congratulate the Honourable Mr. Innes on the exceedingly able speech which he has delivered and on the very conciliatory language he has used in his Resolution, although I am of opinion it leaves a great many things unsaid which I should like it to have said. I may point out that the manner in which this Resolution has been brought forward is not very satisfactory. A costly Commission was appointed, it toured round the country and examined a large number of witnesses. A number of issues were submitted for its consideration and it gave its decision on them. The country expects that the Government should make a pronouncement upon all those issues. Instead of that, although my Honourable friend, Mr. Jamnadas Dwarkadas, gave notice of a number of Resolutions dealing with every one of the subjects which were submitted for our consideration, the Government has chosen to take up only one of these Resolutions. The result is that we are not in a position to discuss the other problems, problems intimately connected with, problems absolutely necessary for carrying out, the policy which has been recommended by the majority and the minority members of the Fiscal Commission. Sir, I must express my regret that the Government has not seen its way to bring forward a Resolution which would have covered all the issues submitted to us.

Sir, before dealing with the amendment of the Honourable Mr. Innes
3 P.M. I should like to say a word about one of the bogeys which has been raised in this House, namely, that relating to agriculture. I do not know whether my Honourable friend, Mr. Joshi or Sardar Gajjan Singh, know, that I was appointed to represent agriculture. I am not an agricultural labourer. (*A Voice*: "That makes all the difference.") My friend behind me says that it makes all the difference. But I should like to know whether any agricultural labourer would have been able to follow the

evidence—I am speaking of a labourer—whether any agricultural labourer would have been able to follow the discussions and give an impartial decision upon the evidence placed before the Commission.

I tried my best as representing agriculture,—although as I said I am only an employer of labour and not a labourer myself,—to take up the cause of the agriculturist; and I do say that the decision come to by the Fiscal Commission is in no way injurious to the interests of agriculture. I think there is a great deal of misapprehension as regards the position of agriculture. If my Honourable friends had studied the Fiscal Commission's Report they would have found that about 96 millions are actual workers in the field, whereas in industry the number of labourers employed is 13,67,000. Even if there is very extensive industrialisation, ten times as much as we have to-day, the number of people who would be absorbed in industrial pursuits would be about a million or so. Still there will be for agricultural pursuits about 95 millions of people. Do my friends seriously believe that 95 millions of people in this country are not enough for working in the fields? The Honourable Mr. Innes remarked that if the agricultural labourer had been fully represented in this House, it is doubtful whether he would have accepted even the very modest and watered down Resolution which he has put before the House. I demur to what he says on this point. I do not think that the agriculturists, if they have a voice, would in the least object to the report of either the majority or the minority of the Fiscal Commission, and they would certainly not object to the Honourable Mr. Innes' Resolution. On the other hand they would be delighted to find that he has shown such great sympathy and great concern for the welfare of the agriculturists. As I pointed out, there are enough people in this country who can be taken away from agricultural pursuits to be employed in industries; and agricultural pursuits would in no way suffer by these people leaving that class of work. There is another consideration which people do not take note of; and that is this. There have been frequent famines in this country. When the rain fails and the crops fail, the agriculturists find themselves out of employment. If there are a large number of industries, what would be the result? Some member of a working family would find employment in these industrial pursuits and his earnings would be able to supply the other members with their daily livelihood, whereas if all of them entirely depended upon agriculture and there is a famine, they will find that they will have to look to famine camps for their livelihood. And therefore if there are a number of industries and some members of the family find employment in industries and some members in agricultural pursuits, when there is a failure of crops, the person who is employed in the industries will be able to supply the means of livelihood for the persons who have been thrown out of employment; therefore starting industries would be a help to agriculturists and would not be a hindrance. I said before there are enough people, some of them can well be spared for industrial pursuits. On these grounds I consider people are unnecessarily worrying themselves about agriculture being jeopardised. Upon that point I wish my Honourable friends had the whole of the evidence before them and they would then have seen that even agriculturists gave evidence to the effect that by persons being employed in industries agriculture would not suffer in the least.

I turn to the amendment of which the Honourable Mr. Innes has given notice. I must at the outset say that I am very much dissatisfied with the propositions which he, on behalf of the Government, has put

[Mr. T. V. Seshagiri Ayyar.]

forward. Take for example the first of these. He says that he accepts in principle the proposition that the fiscal policy of the Government of India may legitimately be directed towards fostering the development of industries in India, when he, in the next clause says that in the application of the above principle, of protection, regard must be had, etc., the Honourable the Commerce Member apparently believes that the first clause enunciates the principle of protection. I say with respect that there is a mistake in this. Because according to certain economists, industries can be fostered and developed even under free trade, industries can be fostered by State aid, and industries can be developed by Government pioneering; therefore clause (a) does not necessarily imply that the Government has given its adhesion to the policy of protection. It would have been better and more graceful on the part of Government if they had stated in the forefront of their Resolution that they are whole-heartedly in favour of protection, instead of in a left-handed manner and in a grudging spirit bringing in the word "protection" in the second clause.

Sir, if I am in order I should like to move in the first clause the deletion of certain words and the insertion of certain other words. I would suggest that the words "may legitimately" coming after the words "Government of India" be deleted, and after the words "Government of India" these words be inserted: "should be based on protection." The whole clause would then read thus:

"(a) That he accepts in principle the proposition that the fiscal policy of the Government of India should be based on protection and should be directed towards fostering and developing of industries in India."

I have no doubt after listening to the speech of the Honourable Mr. Innes that that is really his idea, and I do not see why clear expression should not be given to that idea, why this idea should not be placed in the forefront of the Resolution. If he accepts my amendment there will be no difficulty in carrying out this proposition, and I think the whole House will be with him so far as the first clause is concerned.

Sir, as regards the second clause; here again I find there is some defect. (Clause (b) reads:

"That in the application of the above principle, regard must be had to the financial needs of the country"

and then it goes on to say:

"and to the present dependence of the Government of India on import, export and excise duties for a large part of its revenue."

Sir, both Sir Campbell Rhodes and the Honourable Mr. Innes have very rightly drawn attention to the need that the past should be buried in oblivion, and that we should not rake it up for the purpose of showing up the differences between Lancashire and India. At the same time, if we allow this clause about excise to remain, what will be the inference? The inference will be that the Government of India's revenue is dependent upon excise, that they can never think of a time when the excise duties can be abolished. If that is the idea, and I think the idea is likely to be generated by the Resolution standing in the terms in which it has been worded, it would lead to considerable heart-burning. I take it, Sir, that everybody is agreed that this chapter in the financial history of this country should be closed; that the excise duty which has been forced on

us at the dictate of Lancashire should go. It may be, Sir, that under the present circumstances, having regard to the financial condition of the Government, it is not possible to abolish it. Nonetheless if you allow this clause to remain, it would indicate that the Government for all time to come is dependent upon excise duties and that they do not contemplate that the day will come when the excise duty can be removed.

The Honourable Mr. C. A. Innes: What about the word "present"—"to the present dependence of the Government of India on import, etc."

Mr. T. V. Seshagiri Ayyar: But you do not say that there will ever be a time when the excise duty can go. I think therefore, Sir, that the introduction of the word "excise" in this clause is likely to lead the people of this country into the belief that the Government do not contemplate its removal. At any rate, I did not in listening to the speech of the Honourable Mr. Innes, find any passage in which he foreshadowed a time when the excise duty can be removed.

Then, Sir, I come to the third clause:

"that the principle should be applied with discrimination, with due regard to the well-being of the community and to the safeguards suggested in paragraph 97 of the Report of the Fiscal Commission."

Sir, my point is that this clause which relates to paragraph 97 should not be allowed to remain in this Resolution. Those of my Honourable friends who have read paragraph 97 will remember that certain conditions are mentioned there. Then in paragraph 101, in elaborating the reasons which have led to the mentioning of the various conditions, the majority point out that in the case of new industries there should be no protection. Therefore, Sir, if you leave paragraph 97 in the third clause it would lead to the inference that the Government accept the further elaboration by the majority of that paragraph, namely, in paragraph 101 where they hint at the impossibility at any time of protection being given to new industries. If they omit this clause it would still carry out the intention which the Honourable Mr. Innes has in view. It would read that the principle should be applied with discrimination, with due regard to the well-being of the community. Why spoil this Resolution by a reference to paragraph 97, which when read with paragraph 101 suggests that there should be no protection for new industries. Therefore, Sir, I object to those words:

"and to the safeguards suggested in paragraph 97 of the Report of the Fiscal Commission;"

and I hope that the Honourable Mr. Innes will agree to their deletion. Sir, although I think that the words I have objected to are likely to be misunderstood and will be regarded as showing a very grudging spirit on the part of the Government towards the legitimate aspirations of the people of this country who want that their industries should be developed, I must say that a great advance has been made by the Government in assuring us, through their spokesman in this Assembly, that they are prepared to accept a policy of protection for this country. That is a great advance. But I say, Sir, that in order that that pronouncement may be regarded as fully satisfactory and as meeting the wishes of the people, it is desirable that the objections that I have taken to the Resolution should be considered by the Honourable Mr. Innes, and that he should give his consent:

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to the deletion of the words which I have suggested should be deleted. If he agrees to that, he will carry the whole House with him, and that would be a great advantage. Instead of having half-hearted support for his Resolution he will find that the entire House is with him. (*An Honourable Member*: "It is not enough.") My friend says it is not enough; but from my point of view I would advise my friend to accept the Resolution of the Honourable Mr. Innes, if he would be good enough to accept the various suggestions I have made with regard to this matter. If he does not, he is likely to find the House divided. But having regard to the fact that we are getting from the Government as much as the Government think they can give us,—I would suggest to all my Honourable friends on this side of the House that they should, even though it is found that the Honourable Mr. Innes is not willing to go as far as I want him to go, give their support to his Resolution.

Mr. President: Further amendment moved:

"In the Honourable Mr. Innes' amendment, in clause (a), omit the words 'may legitimately' in order to insert the words 'should be based on protection and should'."

The Honourable Sir Basil Blckett (Finance Member): Sir, I should like to ask whether in dealing with this amendment one must confine oneself strictly to the matter of this particular amendment or whether one could traverse rather wider ground.

Mr. President: The Honourable Member has actually moved three separate amendments, but, for the convenience of the House I will put all three together.

Further amendment moved:

"In sub-section (b) of the amendment to omit the words 'and to the present dependence of the Government of India on import, export and excise duties for a large part of its revenue.'"

Further amendment moved:

"In sub-section (c) to omit the words 'and subject to the safeguards suggested in paragraph 97 of the Report of the Fiscal Commission.'"

The Honourable Sir Basil Blckett: Sir, I very much hope that the Honourable Member will not find it necessary to press these particular amendments. The Government has, in the words of the last speaker, made a very considerable advance, and it will be a pity to cloud the issue by getting into a discussion of the details of the particular phraseology in which that advance is made. I would draw the attention of Honourable Members in the first instance to the word 'present' which already finds a place in clause (b)—"that in the application of the above principle regard must be had to the financial needs of the country and to the *present* dependence of the Government of India on import, export and excise duties for a large part of its revenue." The fact that the Government at present depends on import, export and excise duties does not in the least mean that the Government will necessarily depend so, shall we say, three years hence. Do it now, an Honourable Member says; but if that is impossible, there is nothing whatever in the phraseology of that clause which implies that any of those particular duties are perpetuated. Now, with regard to

the next clause, clause (c), Government has already agreed to eliminate the words 'subject to' and that really makes a very considerable difference. The words 'subject to' made it an instruction to the Tariff Board that it was to introduce a new policy of protection with discrimination *subject to* those safeguards. Now, it is required to have due regard to those safeguards and I ask any reasonable person who reads clause 97 to say whether any Tariff Board would be so foolish as to start introducing a policy of protection without due regard to those safeguards. I really feel that in the position which we have reached there is nothing in these small amendments which have been suggested.

I would like now with the permission of the House to turn to more general points and continue the debate as a whole. It has been an unexpected debate to one coming from England where the subject of protection and free trade has for some time raised an almost mystical enthusiasm in the adherents of one side or another, an enthusiasm only comparable to the zeal with which people in the Greco-Roman world used to quarrel about the exact nature of the persons of the Trinity. To-day we have had no such discussion. It has been simply a question of the extent and methods of a policy of protection, on which, subject to due regard being had to the interests of agriculture, we all seem to be agreed.

I may perhaps be allowed to make a personal observation at this point. A Member of the Government of India when he speaks on behalf of the Government of India has only a very limited power of expressing personal views. He is an eighth part, or rather less than an eighth part, of a unity known as the Governor General in Council, and he is expressing the views of the Government of India subject to the general instructions of the Secretary of State. There is not much room for very personal views. Some of us, as Mr. Innes has said, have felt considerable doubt as to whether or not the present is a wise moment to introduce protection. I am not one of those who believe that one must be either a protectionist or a free trader; I can never understand why one should be either an Arian or an Athanasian on the question. It has always seemed to me to be a question of time, place and opportunity. I have been able to agree with the free trader that if there were no differences of race, religion, language, nationality, climate or geography between the peoples of the world free trade would be undoubtedly the right policy. But I have never been able quite to subscribe to the doctrine as I saw it stated only yesterday that free trade is the only policy which is consistent with true international morality. At the same time I have never been able to agree with the protectionist when he tells me that it is necessary that everything that comes into the country should be taxed highly, or that it is very bad for a country that it should take payment for its exports by taking imports in return. There is a famous picture in Addison's Spectator of a Tory squire who waxes violently indignant over the new fangled importations that are coming in from every part of the world, and drinks death and damnation to them in a glass of cognac from France!! The question is really one of time, place and opportunity, and I think the House must have been much struck with some observations that fell from the Honourable Mr. Innes about the difficulties of introducing protection into India in the present state of world commerce and industry. I do not want to be ruled out of order by you, Mr. President, by getting lost in questions of exchange and currency, but they really have a considerable connection with this question. It has happened more

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than once in the history of the world that a nation has gone in for protective duties and has found in quite a short time that somehow or other in some curious way the exchanges have nullified the effects of protection. At a time when all the exchanges of the world are in a state of chaos, at any rate some consideration ought, I think, to be paid to that matter. There is a paragraph, I think it is paragraph 92, in the Commission's Report which makes a passing reference to that, but if I may be permitted to say so, not a very satisfactory reference. However, as I said, a Member of the Government of India has only a limited right to speak his personal views and my object in expressing a doubt as to whether the present is altogether an opportune moment for introducing protection into India was merely to draw attention to the need for caution. I accept whole-heartedly the doctrine that it is India's right to decide what fiscal policy she shall have, and so long as I remain a Member of the Government of India I shall whole-heartedly attempt to assist in the introduction of the policy which India has chosen. That being the position, the House has, I think, the duty to remember that the Government of India must have the responsibility of doing the administrative work of introduction and must be content to go perhaps a little slower than the fastest sailing vessels of the fleet might wish. After all, we are embarking upon a sea, which is known to be subject to cyclones and which has many sunken reefs. May it not be wise to steer slowly at first and set a course among the islands near the coast? Of these we have already some knowledge in our existing revenue tariff which it will be foolish to pretend was not already a protective tariff without being either consistently or discriminately protective. I suggest, therefore, that it is clearly right that the House and the Government working together should proceed cautiously in this matter.

Now, Sir, some criticism has been made as to the constitution of the Tariff Board. I think it was Mr. Kamat who suggested that he would prefer to see on the Tariff Board two Members elected by this Assembly, but he was willing . . . (A Voice: "No, it was the other way.") If everybody is agreed on that matter, I need not further defend the view that Government has taken about the nature of the Tariff Board. It is, of course, quite natural, it is a natural function of every Parliament to be critical of its executive. It is quite right that it should be so. An executive that is not really responsible and responsive to the will of the people constitutionally expressed is a bad executive. It is even more natural that the Assembly should be jealous in the present state of affairs of this executive, which is only in part responsible to the present Assembly. I do not wish to enter into its constitution at this stage, but it is at any rate responsive to the views expressed in this Assembly. I would suggest that the House, in considering this question of a Tariff Board, should throw its mind forward to the day when the executive will not only be responsive but will be responsible to this House. Let us keep faith with the future. It will be a great mistake if at the present moment, during the present transition period we should allow accidents belonging entirely to the transition period to lead us astray. My strong personal belief is that the two main desiderata in a constitution with an executive responsible to a Parliament are that the executive should be thoroughly responsible to Parliament, and that Parliament should not usurp any of the functions of the executive. I would suggest, therefore, that in dealing with this question of a Tariff Board, we should throw our minds forward

and consider whether, supposing we had an executive which was entirely responsible to this Parliament, we should not be making a mistake by trying to usurp their function of appointing a Tariff Board which would take from them the responsibility, which after all they cannot shift from themselves, of bringing this policy into execution.

Mr. S. C. Shahani (Sind Jagirdars and Zemindars: Landholders): Sir, I rise to point out that it will be a very great mistake on the part of the House to accept the amendment of the Honourable Mr. Innes in the form in which it stands at present. It has been pointed out by my Honourable friend Mr. Seshagiri Ayyar that the first clause of this amendment is not properly worded, and he has accordingly suggested some amendment to it. I would read the clause and consider the amendment that has been suggested. Mr. Seshagiri accepts the principle that the fiscal policy of the Government shall legitimately be directed towards fostering the development of industries in India. But his suggestion is that it should be based on protection and directed towards fostering the development of industries in India. I thought the industries of a country were fostered either directly or indirectly. They were fostered indirectly by tariffs, and directly by bounties, cash credits, railway rates and in the great variety of other ways indicated in the Report of the Industrial Commission. I therefore suggest that the first clause should be worded thus: "That the fiscal policy of the Government of India shall legitimately be directed towards fostering the development of industries in India by protection and by direct aids". That would be more exact, and that would convey the idea which is intended to be embodied in the first clause.

In the second clause as my Honourable friend, Mr. Seshagiri Ayyar, has rightly pointed out, the existence of the word 'excise' will no doubt lead to considerable misunderstanding in the country. Misunderstandings on vital questions should be avoided with special care. So far as I see, if the intention of the Government is to give up excise duty at any future time, it is best not to indicate in this clause that regard must be had to the finances of India depending largely on the collections from imports, exports and excise. Cotton excise duty ought to be done away with at once. It has been said by some that it exists in other countries. I have to point out that such a tax exists in very few countries, and that wherever it exists it exists only for revenue purposes. Japan has been often instanced, but we have to remember that Japan not only refunds the excise duty but also pays freight to destination on her manufactured goods which are sent abroad.

Then, Sir, I come to the third part of the amendment, which is really the most important part. With all deference to the Honourable Mr. Seshagiri Ayyar and to my Honourable friend, Mr. Jamnadas Dwarkadas, I must point out that, while they have felt that there is something wrong about the recommendations of the Fiscal Commission, they have never been able to localise it. The chief defect in the Report of the Fiscal Commission consists in this, that while they recommend a policy of protection, they try to render that policy as ineffectual as possible by loading it with unworkable conditions. They do come forward rightly to answer all the objections that have been raised to the policy of protection being adopted in India—and on this point I feel greatly disposed to congratulate the members of the Commission, particularly the European members, on their having risen above petty considerations—and to give

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it as their deliberate opinion that the policy best suited to the interests of India is a policy of protection. But while they have done that, we have got to remember that they have sought to neutralise the effect of this policy which they have recommended for adoption to the Government of India. Now how have they neutralised it? I would refer Honourable Members to paragraph 97 on page 54 of the Fiscal Commission's Report that has been read out but by no means duly pondered. Now what is the main recommendation of the Fiscal Commission's Report? Their main recommendation is this. Adopt the policy of protection because it is best suited to the interests of India. But since this will involve sacrifice on the part of the consumer and the interests of the consumer should be protected you must be discriminating, and in order that you should exercise discrimination with regard to industries that may apply for protection, what should you do? You should appoint a Tariff Board which is undoubtedly a very good step suggested by the Fiscal Commission. Probably this recommendation of the Fiscal Commission's Report may be usefully followed elsewhere too, say, in settling the question of State *versus* Company management. State management finds favour with the people, and I have no doubt that for that the appointment of Boards should be insisted on in order that the State management may be efficiently conducted. A Tariff Board is undoubtedly necessary, but what further do the Fiscal Commissioners do? They lay down that the Tariff Board in fixing the rate of protection must necessarily respect three conditions. And what are these three conditions? I shall read the three conditions. The first is "That the industry must be one possessing natural advantages such as an abundant supply of raw material, cheap power, a sufficient supply of labour or a large home market." That is a valuable condition, though here too I feel disposed to omit the consideration of "labour" and "market" as well. It is a mistaken idea that India suffers from insufficiency of labour. We have plenty of labour, but it is unorganised. And it is for that reason that the foreign capitalist is able to exploit Indian labour. I entered into conversation in regard to this new fiscal policy with the Honourable Member from Champaran only last night, and he told me that the foreigners who have established their plantations there allowed sometimes no more than two pies a day to the labourers that they employed. The question of labour may not therefore be worried about. I would also omit the word "market" because India is a continent and it has, I think, wrongly depended upon a vagarious foreign market disturbed by fluctuating exchanges. It can be self-contained and it is no exaggeration to say that India can find a secure home market quite sufficient for the purposes of all its important industries. I would retain the words "raw material" and "power" only. But yet comparatively that is a small thing and, if my other friends in the House do not go with me, I would be prepared to drop it. Then, I come to the second condition which says: "That the Tariff Board shall afford aid only when an industry claiming protection is able to show that it is not likely to develop at all or not likely to develop so rapidly as is desirable." Now this is a hard condition. I at once state that what is given with one hand is sought to be taken away with the other. Alien interests could easily put up experts to swear that an industry cannot develop at all or so rapidly as is desirable. According to me all that an industry should be required to show is that, although it has possessed natural advantages, it cannot carry on without protection. And this should be quite enough for the Tariff Board. No

other consideration should intervene. The third condition is absurd. And that is that an industry should be able to show that eventually it will be able to face world competition without protection. I have known magical results produced in these days. Some time ago it was deemed impossible for a man to fly—he can fly now. But, if we have scientifically developed so far, if to-day our Chemistry can become alchemy in certain respects, I am very doubtful if in the domain of free will we should be able to secure the same results, if we should be able to say beforehand as to what the conditions of world competition will be after thirty or forty years. But even if we are able to divine, do the Fiscal Commission propose that an astrologer or a theosophical clairvoyant should be put on their Tariff Board? It is no use providing these stringent and unworkable conditions, and I draw the attention of my friends here in the House to these three conditions and ask them to carefully consider them. They are represented by Mr. Jamnadas Dwarkadas as being a detail but with all respect I beg to point out that the dissenting Commissioners have not taken into consideration the import of these three conditions and have missed the meaning that underlies them, and I therefore beg to propose that here we should adopt the amendment that I have suggested, namely :

1. (a) That for the purpose of rapid intensive industrialization of the country the Government of India adopt a policy of protection to be applied with discrimination along the following general lines :

- (i) Every industry to which protection is given must possess natural advantages in abundant supply of raw material and adequate sources of power.
- (ii) The fact that, although there exist natural advantages for an industry, it has not been started or has not made rapid progress under the existing regime, should be considered sufficient proof that protection is needed in its case to inspire capital with confidence and to make the progress of the industry rapid."

It is said that my amendment is a long one, furnishes the basis for a Bill, is a speech or an essay. My reply is that those who raise that objection have not studied the subject. (Laughter.) I would not mind stimulating laughter by being so positive here. It is true that very probably the force of the amendment that I have proposed will not be realised by my friends and the amendment that has been proposed by the Honourable Mr. Innes will be carried, but let it be remembered that there is at any rate one man to point out that this amendment in its unmodified form is dangerous and that the House would be committing a serious mistake in adopting it. I am not concerned with the issue at all. It is not given to man to command success; he can do more, he can deserve it. I must point the great flaw which I notice in the amendment that has been put forward by the Honourable Mr. Innes. The whole forenoon I have been getting up and I thank my stars that I have at last had an opportunity of saying my say now. I want also to point out that there is a very great omission in the proposed amendment in that no reference has been made to the employment of foreign capital. Now, kindly consider the context. To restrict the consumer's sacrifice to the necessary minimum a policy of protection should be applied with discrimination; and foreign capital is to be freely employed, say the Fiscal Commission. Discriminating protection on the one hand and what is more free employment of foreign capital: what will these two things do? They will minimise the burden that is to fall on the consumer. And therefore you should be very particular about the employment of foreign capital. I wish to point out that the employment of foreign capital is altogether undesirable, that that has caused the economic

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enslavement of the country, that places like Champaran and Assam have become plantations in consequence of the free employment of foreign capital.

Mr. President: I would point out to the Honourable Member that the discussion of foreign capital is not in order.

Mr. S. C. Shahani: Sir, if it is not in order, I desist, and hope there will be some other opportunity of discussing it. I would also give up on this occasion the consideration of one other question, namely, the question of Imperial preferences. It has been probably deferred for consideration to some other time, and I willingly abide by the arrangement that seems to have been made. I therefore consider one other point, namely, the point of the Tariff Board. If any part of the dissenting Minute is most satisfactory it is that which is devoted to the appointment of a Tariff Board. The dissenting Commissioners have in general rightly pointed out that the Tariff Board should consist of three members of general attainments and two assessors representing the different interests of trade, commerce, and industry. (*An Honourable Member:* "Not agriculture.") Yes, agriculture too. I say that the minority Commissioners have rightly suggested that the Tariff Board should consist of three members—one Chairman and two ordinary members, and that, whenever further investigation becomes necessary, the Board should call in the aid of two assessors elected by the different Chambers and mercantile associations in the country and that their help should be requisitioned for the purpose of investigating the claims that are advanced by different industries to protection. I say this is an improvement upon the position that has been assumed by the Fiscal Commission and by the Honourable Mr. Innes in this House. I am suggesting a further improvement. The Chairman as suggested by the minority Commissioners should be a lawyer of the status of a High Court Judge for impartial judicial decisions amongst conflicting interests. It is also right that two members of broad views should be elected by the non-official Members of the Assembly who should have a voice in the constitution of the Board. But the representatives of the different mercantile associations should be regular members and not mere assessors. Those who are specialists, businessmen conversant with special industries, will not on that account be necessarily disposed to protect the interests of the industries which are very near to their heart. I would suggest that all the four members should be appointed by the non-official Members of the Indian Legislature. I therefore slightly modify the useful suggestion made by the dissenting Fiscal Commissioners and propose that the amendment which has been proposed in clause (d) by the Honourable Mr. Innes be superseded by the amendment which I have proposed. The amendment which I have proposed is:

"That a permanent Tariff Board, consisting of a trained Indian lawyer of the status of a High Court Judge for its Chairman, two members elected by the Non-Official members of the Central Legislature and two members representing trade, commerce and industry elected by recognised chambers and mercantile associations in India, be created whose duties will be, *inter alia*, to recommend the rate of protective duty or any alternative measures of assistance, to watch the operation of the Tariff, and generally to advise Government and the Legislature in carrying out the policy indicated above."

I have only one other remark to make, and it is this. The Honourable Sir Campbell Rhodes has emphasised the conflict that would arise between the interests of the consumer and the producer, if the policy recommended

by the Fiscal Commission be adopted. He went the length of saying that there was really no conflict of interest between Lancashire and India, but that in India there will be a conflict between the consumer and the producer. I have heard this point made by some others also. I take this opportunity of stating what has been conceived by my own mind as being an answer to such an objection. The consumer must naturally make some sort of sacrifice in order to gain culture, skill and powers of united production. My Honourable friend Mr. Gajjan Singh came forward to say that agriculture would suffer from protective policy. My Honourable friend Mr. Seshagiri Ayyar has given a reply to that. If time were allowed me, I would read a paragraph from the Fiscal Commission's report; but as it may not be allowed me, I merely refer to what has been said by the Fiscal Commission's report on this point. Agriculture, say they, will not suffer. Agriculture will gain, and distinctly too, by the adoption of the policy of protection. I am an agriculturist, and do agricultural labour. You may look at my dress and imagine that I cannot handle a plough, but that is not so. Few cultivators can distinguish between one kind of soil and another better than I do, or select seasons for different cultivations or settle different rotations or

Mr. President: I must ask the Honourable Member to bring his remarks to a close. He is getting irrelevant.

Mr. C. S. Shahani: Sir, if that is not allowable, I make no further reference to it. I only say that I feel convinced that agriculture will gain by the adoption of the policy of protection. Most of the agriculturists are mere middlemen and it is only few that participate in agricultural labour. Agricultural labourers are not employed throughout the year on agriculture. It is only in very few places that you have perennial canals and it is therefore most common in India that for nearly six months the cultivator has got to do nothing. If industries are created, the agriculturists would benefit, and very largely too. The cultivator is starving. It is a fact that he does not get even the two meals a day to which he is entitled. And if that is so, the sooner India came to be industrialised, the better would it be for the country. It has been said—I do not recollect by whom, I think it was by my Honourable friend, Mr. Joshi, I am not sure, it may have been by Sir Campbell Rhodes; so I won't say by whom—that India suffers from famines. Famines never affect all parts of India at once.

Mr. President: I must ask the Honourable Member to resume his seat. I gave him a warning three minutes ago and he did not bring his remarks to a close.

Mr. S. C. Shahani: I would only take a minute or two more, Sir.

Mr. President: The Honourable Member is perhaps not aware that I have already given him 9 minutes over his time.

Mr. S. C. Shahani: There are others who were given more time.

Mr. President: What did the Honourable Member say?

Mr. S. C. Shahani: Sir,

Mr. President: I ask the Honourable Member to repeat his remarks.

Mr. S. C. Shahani: I thought that others had got more than 20 minutes.

Mr. President: May I ask the Honourable Member what he implies by that?

Mr. S. C. Shahani: I imply nothing. I only refer to the fact.

Mr. President: May I ask the Honourable Member why he refers to that fact?

Mr. S. C. Shahani: In order that my request for further time may be considered.

Mr. President: I pointed out to the Honourable Member that I had already given him 9 minutes over his time, and I warn him now that I shall not again pass over in silence remarks which imply any reflection on the conduct of the Chair.

Mr. S. C. Shahani: I will be as brief as I can, Sir. I will take only a minute or two more.

Mr. President: I ask the Honourable Member to resume his seat. I understand the Honourable Member desired to move his amendment as an amendment of the Honourable Mr. Innes' amendment. If he will show where the amendment should come in the Honourable Mr. Innes' amendment I should be prepared to accept it.

Mr. S. C. Shahani: Sir, I am omitting that part of my amendment which relates to Imperial Preference, that is to say, part (3). I am also omitting that which relates to the Sea Customs Act, that is, part (5).

Mr. President: I am not asking what the Honourable Member is omitting. I am asking where the amendment comes in the amendment of the Honourable Mr. Innes.

Mr. S. C. Shahani: I seek then to suggest that clauses (a) and (c) of the amendments of the Honourable Mr. Innes be replaced by my clause (a). Then

Mr. President: I will allow the discussion to proceed on the amendment moved by Mr. Seshagiri Ayyar in that case.

Sir Deva Prasad Sarvadhikary (Calcutta: Non-Muhammadan Urban): Sir, in the first instance, I think the House would like to express its appreciation of the handsome manner in which the Honourable the Finance Member has recognized—as a matter of agreeable surprise—that in this House at all events we are not all irresponsible fire-eaters but are occasionally prepared to take a reasonable view of things. I hope others outside this House whether in the press or elsewhere will share those opinions. Government is prepared to go as far as it may in the present circumstances and we in both the parts of the House, I believe, are agreed that no obstructive tactics should be adopted by which what the Government is prepared to concede may be nullified. At the same time one does feel and one is bound to press that the amendments, more than verbal, that have been moved by Mr. Seshagiri Ayyar are necessary in the interests of the situation. Recognizing that Government cannot afford to be more than general in its acceptance of the principle of protection and following up that desire, I think these amendments are more than necessary. Reading the Honourable Mr. Innes' amendment, one thought that Mr. Seshagiri

Ayyar and his friends in the minority of the Fiscal Commission had scored a point, because when Government accepted the principle of "protection with discrimination" and omitted the words "along the lines of the Report" about which there was a great deal of understandable dispute between the majority and the minority—I say, one thought that Mr. Seshagiri Ayyar and his friends had scored so far. The moment, however, any details are gone into, even in the way that Mr. Innes' amendment attempts the Government's object is, to some extent, nullified. As Mr. Shahani has pointed out, by accepting the principles laid down (they are more than principles, for they are details) in paragraph 97 of the Report, you will be really handicapping the Tariff Board that is to come and not giving them the free hand which they should have if they are to direct our deliberations in the way that they ought to. For these reasons, and without going further into details and confusing issues that have been gratuitously imported into the consideration of this circumscribed Resolution and the amendment of the Honourable Mr. Innes, I should press the Government to reconsider the position and agree to the suggestions of Mr. Seshagiri Ayyar.

Sir, the issues have been confused. One of them is the so-called agricultural issue which is looming somewhat large in our deliberations. I come from an essentially agricultural province, more agricultural I believe than any other in India. Bengal has its own problems. Bengal is however fairly "protected" in economic and industrial matters or shall I say a great deal of "free trade" is there. Its interests on the Fiscal Commission were entrusted to the care of an European merchant, no doubt a prince among them, a Marwari merchant, a very successful merchant, and also a Parsi Professor of Economics. Whoever was responsible for the framing of the personnel of the Fiscal Commission never thought that Bengal might have its own point of view to be put forward by its own representatives. Be that as it may, Bengal has its point of view essentially agricultural as it is. The lower middle classes of Bengal have been and are largely agricultural in the villages. I am one of them, sometimes a labourer of the stamp of my friend, Mr. Shahani. But agriculture has not solved her problems and Bengal wants to be and must be increasingly industrial. It has no other salvation in the near future. Whatever the reasons may be, the lower middle class in Bengal will not take with that zeal to agriculture that will ensure anything like success in life. Unlike in the past it is taking gradually more, however, to industrial and mechanical life. We have more than a promise of that in my Province in the same way as I think they have in the Punjab in spite of what Sardar Sahib Gajjan Singh and Mr. Townshend have told us. I had been recently to the Punjab and I found quite appreciable industrial awakening there along with commendable educational progress all round. Industrial consciousness is coming over the whole of that province which will soon enable its inhabitants to take their place in the industrial life. With its Hydro-electric and other schemes and promising water power the Punjab will take care of itself. I believe that there can be no gainsaying the fact that even in the Punjab the agricultural interests will not be inconsistent with industrial interests. Certainly, in Bengal that is not going to be the case, and that is not the case. Even with regard to agriculture itself, if what is called scientific agriculture is to come, is not that another form of industry. How can agriculture and industry be dissociated like that? We want cheap clothes no doubt—to talk of one only of the many narrow issues raised. We want here protection not only against Lancashire and

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Bombay and Nagpur, but I am afraid sometimes against Clive Street also. We have a representative of it in the House—he is not here, but he is listening to me quietly from a distance in the corridor. We want protection against some of our own so-called swadeshi workers who are piling up the prices of cloth above their intrinsic value. We want protection against all these, and who knows that the Tariff Board is going to give the cloth industry any protection of the kind that cloth dealers are hoping to have? It may give protection to yarn, or to some other branch of the cloth industry, but the finished cloth industry is not likely to have much consideration. Therefore, by raising these false issues let us not get away from the real point. An important advance has been made. We have to be thankful for the smallest of small mercies, and if a man from Mars came to-day and found that we were congratulating ourselves and the Government upon the fact that after near upon two centuries of British rule here we are in a very patronising way told that the fiscal policy of Government “ may legitimately be directed towards the fostering and the development of industries in India ”, he would be more than astonished. Why, that is a common-places, that is, obvious in any country. But we have to accept that small mercy and be thankful. I am not therefore prepared to risk that mercy by moving amendments that may not be acceptable to the Government. For fifty years, certainly for 37 years since the Indian National Congress came into existence, the better mind of India has been asking for protection in some shape or other. Are we now going back upon that? Government is prepared to concede it in some shape, and to concede, in Sir Basil Blackett’s language, that we are now to be masters in our own house so far as fiscal policy is concerned. This is another reason for thankfulness. And there is a third. The Honourable Mr. Innes made a statement which must not be lost sight of, namely, that we are perilously near to taxation limits, we have been urging this long and anything that will get rid of further direct taxation is welcome. The way in which Mr. Innes’ amendment has been framed, even when amended by Mr. Seshagiri Ayyar, will not bar those other aids to industrial development that many of my friends have referred to. But protection should be placed in the forefront of our programme, and that is why I believe Mr. Seshagiri Ayyar is wanting to move the amendment in a pointed manner and that is why I believe the Government ought to accept it. I do not want to labour points that have already been dilated upon, but I want to make it quite clear that whatever class *versus* class differences may be, whatever province *versus* province differences may be, whatever other differences may be, the country is fairly united that some protection of the kind that has been indicated is necessary, not alone in the interests of industry but also in the interests of agriculture which must go hand in hand together. If protection is really bad for agriculture I should not have it at any price. These considerations commend the amendment of the Honourable Mr. Innes, subject to the further amendment of Mr. Seshagiri Ayyar, to most of us. If Government saw its way to accept Mr. Jamnadas’s original motion and added clause (d) of the Honourable Mr. Innes’s amendment to it, the object of the Government and ourselves would have been better attained. Mr. Jamnadas’s Resolution is fairly general. It covers nearly all the ground covered by clauses (a), (b) and (c) of the Honourable Mr. Innes’s amendment. If it is permissible to do so, I should recommend that Mr. Jamnadas’s Resolution shall stand and be amended by addition of the Honourable Mr. Innes’s amendment, clause (d).

so that the whole object aimed at by Mr. Jamnadas and the Honourable Mr. Innes which is also our object, so far, may be achieved.

The Honourable Mr. C. A. Innes: It will be convenient if at this stage I explain the view of the Government in regard to Mr. Seshagiri Ayyar's amendment. I do not propose to refer to Mr. Shahani's speech except to say that that speech illustrated a danger which I think is a real one. If every one here to-night worded the Resolution so as to embody his own particular brand of protection, every one of us in this Assembly would have his own Resolution, and we should never come to a finish at all. In this very difficult matter I say that there must be a reasonable spirit of give and take and that being so I hope Mr. Seshagiri Ayyar will withdraw his amendments. I must confess that I listened to Mr. Seshagiri Ayyar's speech with a certain amount of disappointment. He said that the Government had made only a grudging advance. He said that we had so worded our Resolution that it was open to misconstruction and misunderstanding. Sir, on my part, I may say that I do not think that any reasonable man reading my Resolution can misunderstand it at all and I say that if there is any misunderstanding it must be a wilful misunderstanding. The first clause of my Resolution has been attacked on the ground that it does not bring in the word protection. It has been suggested by Mr. Seshagiri Ayyar that under cover of this clause I am probably referring only to other methods of giving assistance. Sir, Mr. Seshagiri Ayyar, when he made those remarks, entirely overlooked the word 'fiscal.' I say that the fiscal policy of the Government of India may legitimately be directed towards the development of industries in India. Sir Deva Prasad Sarvadhikary accuses that as being a patronising reference to India. It is nothing of the sort. What is the point of that clause. Surely this House will give us credit for the fact that every line of this Resolution has been most carefully thought out and the reason why clause (a) of the Resolution has been worded like that is to mark the transition, the profound transition from a purely revenue tariff to a tariff which is directed to other objects and that is why the Resolution has been worded in that way. I come to clause (b). Here again Mr. Seshagiri Ayyar says that clause (b) has been so worded so as to give people the idea that we propose for ever to keep on the cotton excise duty. Nothing of the sort. I explained at the very greatest length in my last speech why we had put in this reference to the financial position. I explained that it would not be honest for us to pretend that in the present state of our finances we could pledge ourselves to take off the duties referred to by the Fiscal Commission and that is why I put in particularly the words 'the present dependence.' We are not discussing the question of cotton excise duties at all in this Resolution. It has nothing to do with this Resolution. All we are discussing is whether or not this House is to admit the principle of protection. That is the whole point. Again we come to clause (d). Mr. Shahani has found all sorts of dangers, all sorts of dishonesties on the part of the Government of India in this reference to the safeguards in paragraph 97 of the Indian Fiscal Commission's Report. Mr. Seshagiri Ayyar suggested that because I made a reference to paragraph 97 I must have had in my mind a reference to paragraph 101. I had no idea of the sort. Any one will see, as Sir Basil Blackett has pointed out, that this suggestion that the Tariff Board must have regard to these safeguards is a perfectly reasonable suggestion. No Tariff Board considering questions of this kind could avoid paying regard to the considerations mentioned in paragraph 97 of the Fiscal Commission's Report. As I pointed out in

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my last speech, all that paragraph refers to is the doctrine of comparative advantage. Can Mr. Shahani or any one in this House suggest any better criterion than that? I do not think I need say more. We have on this side made a fair and even generous advance in order to meet the wishes of this House and the wishes of the people of India. I do not think that it is generous on the part of the House that it should make small and niggling amendments in the wording of my Resolution. As I have said, every line of this Resolution has been most carefully thought out and I must ask the House to accept that Resolution as it stands. I am afraid that if Mr. Seshagiri Ayyar presses his amendments then I must oppose them and the responsibility will not be mine. Sir, I oppose the amendments.

Dr. H. S. Gour: I move that the question be now put.

Mr. President: The question is that the question be now put.

The motion was adopted.

Mr. President: Amendment moved:

"That in the amendment moved by Mr. Innes in clause (a) the words 'may legitimately' be omitted and that the words 'should be based on protection and should' be inserted in their place."

The motion was negatived.

Mr. President: Further amendment moved:

"That the words in clause (b):

'and to the present dependence of the Government of India on import, export and excise duties for a large part of its revenue' be omitted."

The motion was negatived.

Mr. T. V. Seshagiri Ayyar: Having regard to the fate of these amendments I do not press the other amendment.

Mr. President: Further amendment moved:

"That in clause (c) the words 'and to the safeguards suggested in paragraph 97 of the Report of the Fiscal Commission' be omitted."

The motion was negatived.

Mr. P. P. Ginwala (Burma: Non-European): Sir, somehow to-day I do not feel the least enthusiasm over the subject which is being debated, for by what I can see there is very little ground on which there is really much controversy. The points that are under debate are really two as the Honourable Mr. Innes has more than once pointed out. Is India committing itself to the principle of protection? That is one point; and the second point is—if it is going to commit itself to the principle of protection—does she wish that part of the machinery to give effect to that principle shall be the constitution of a Tariff Board?

Now it was said this morning,—and I think it is believed by most Honourable Members,—that to-day we are burying the policy of free trade and that we are giving it a decent burial with the Honourable Mr. Innes as one of the principal pall bearers. But the question that I should like answered is this. If free trade is dead to-day, and it is going to be buried in a few minutes, has protection really come to stay? Now I am not very sure that the way we are proceeding about it to-day leads me to think that protection, even if a Resolution approving of it is passed by this

August Assembly, is going to stay for ever. I see no indication of any element of permanence in the proposition that has been made either by my friend, Mr. Jamnadas Dwarkadas, or the amendment moved by the Honourable the Member for Commerce and Industries. For what does it amount to? We pass a Resolution that the future fiscal policy of India shall be on the lines of protection. We then say that we should constitute a Tariff Board to give effect to it. But what is there which gives any sanction either to the first Resolution or to the second Resolution? What is there to prevent this policy being set aside by a subsequent Resolution of this House, and what is there to prevent this Board being also wiped out by a subsequent Resolution of this House? Now, Sir, the point that concerns me most is this,—if we are going to embark upon a policy which is going to break with the past wholly and which is going to inaugurate a new era, the House must safeguard itself against fluctuations of political views in this Assembly and outside. I am not in a position to suggest how this House is going to accomplish that; but I venture to think that the mere passing of these two Resolutions will not ensure that permanence which is essential to the growth of this fiscal policy on which this House is about to embark. It is also necessary that some legislative provision be made by this House by which this House pledges itself, so far as itself is concerned, to adhere to this policy. Unless this is done I do not consider that we should be wise in venturing upon this policy, for there are no precautions taken against its reversal at any time. I put the question in this way. Take the Tariff Board. The Honourable Mr. Innes says, the Board shall come into existence and shall remain in existence for a year.

The Honourable Mr. C. A. Innes: In the first instance.

Mr. P. P. Ginwala: Of course in the first instance for a year. But we do not know what is going to happen to that Board at the end of the year. Many of us may not be here at all to hear the fate of that Tariff Board. It is not merely a bogey I am raising; it is a real fact that you have got to reckon with. If our friends outside the Council who have kept out of it change their minds, as they are about to change, we hope, you may be certain that this would be one of the election cries—and it must be an election cry—as to whether the Honourable Mr. Innes with his Tariff Board and we with our support should be allowed to come back to this House or not. I venture to submit, Sir, that before any violent changes are made in the policy of the country, sufficient provision must be made to ensure its permanence, and I submit, that this is not the way to do it. I have said before in this House, and I have not changed my opinion since, that I am a protectionist to the core; but I do not wish to be a protectionist to-day and be changed into a free-trader by the sheer brutal force of votes next year. That is the thing we have got to guard against. (*An Honourable Member:* “There is no danger of that.”) There are gentlemen here who are so sanguine as to suppose that there is no danger of that. Well, I foresee the danger myself, though it is not that I wish that the House should not embark upon this policy of protection. That is not my wish. My wish is that something more tangible than a mere Resolution should come from the Government, so that at least for a reasonable period we are committed to this policy of protection.

Then, Sir, with regard to the constitution of the Board. Now I am not a great believer in any bureaucratic form of Government.

The Honourable Mr. A. C. Chatterjee (Education Member): Nor do you believe in a democratic form of Government.

Mr. P. P. Ginwala: My Honourable friend says, that I am not sufficiently a democrat. But there is this to distinguish real bureaucracy from real democracy, that the bureaucracy will not improve nor is willing to improve upon somebody else's ideas. Democracy has this affliction about it, that it wants to improve everybody and it wants to improve upon everybody else's ideas. This being so, let us consider whom we should prefer. What would happen if democracy prevails and this principle of election is adopted in the constitution of the Board? Those Members who are elected by the House will be subject to the influence of the House. We cannot get away from that fact; we need not disguise it. They must come under the influence of the House. Again the House itself, in its turn is bound to come under the influence of the outside world. This will not be so in the case of the bureaucracy and I submit, that in the conflict between these two principles and under the peculiar circumstances of this case, I would prefer the bureaucracy and confer on it the power of determining the constitution of the Board. But, Sir, I would go further. I am not impressed by the fact that the mere passing of a Resolution constituting this Tariff Board is sufficient. If this Board is to be constituted it should be a statutory body, constituted by an Act of this Legislature, and that its duties as far as possible should be defined. I object to treating the Board merely as an advisory body. For in the end it may come to this, that it may advise as much as it likes the protection or otherwise of a particular industry, but if its advice is to be submitted to the opinion of the whole House, I venture to submit, without meaning any offence to this House, that that advice will not more often than not be examined on its own merits. There are always political forces at play, under whose influence the advice is bound to come. If their advice is to be subjected to the scrutiny of the House on each occasion, it would be better that the advice had better not be tendered. We have seen, and it is a legitimate exercise of our powers—we have seen on many occasions how much we have got a tendency to doubt to scrutinize and amend the reports of all Select Committees. That I say is legitimate in legislation, but when one comes to the examination of an important department of business, the examination should be from a business, and not from a political point of view as would be the case, if it was undertaken by this Assembly. I maintain that is a thing to be avoided, and if the Honourable Member for Commerce is desirous that this Tariff Board should be a really live Board with possibilities in itself of doing good, it should be a statutory Board exercising statutory authority, by which this House and the outside world may be bound for a reasonable period of time. There is another point. In the elements of permanence to which I referred there is the attitude of one gentleman, the gentleman who sits in Whitehall with a big stick in his hand over the heads of my Honourable friends on the Treasury Benches; we have heard nothing at all as to what his ideas and intentions are and what he means to do. (*Mr. Jamnadas Dwarkadas:* "He has no voice.") We think he has got no voice, but I should like to have an official statement made that he is going to give up this big stick in his hand so far as this aspect of administration is concerned. I have heard nothing about it. I should like to hear from the Honourable the Commerce Member what is the position of this gentleman going to be with regard to any Resolution that this Assembly may pass to-day. We have been just told by the Honourable the Finance Member, that Members

of the Government have got very little scope for the expression of personal opinion; we know it and we feel it pretty often; but we want really to know what is the official information on this question. Is this gentleman going to take his legitimate position in the machinery of the Government of the country, or is he going still to persist in interfering with our affairs when his interference is not required? I put a plain question to the Honourable Member for Commerce and I shall expect a plain answer.

Sir, these are some of the few matters which have rather made me feel some anxiety about the future fate of the policy we are adopting by the Resolution which is before the House. It may be that I do not understand economics in the way in which my Honourable friend to my right (Mr. S. C. Shahani) claims to do, but I think I am entitled as much as anyone else to know from the commonsense point of view what our position is going to be hereafter; whether if free trade is dead protection has come to stay?

Mr. Jannadas Dwarkadas: Sir, we have now before the House my own Resolution and as against that the amendment of my Honourable friend, Mr. Innes. We have heard speeches from many Honourable Members, some supporting the Resolution, others supporting the amendment, and others criticising both; and I am called upon now to exercise my right of replying to the debate that has followed my moving this Resolution. I shall try and take my Honourable friends one by one. I shall deal with Government last. I shall first take my Honourable friend, Sir Campbell Rhodes, one of my esteemed colleagues on the Fiscal Commission. I must at once say that with the exception of one point that it seemed to me he made, my Honourable friend, in spite of differences of opinion—and I still maintain that they are small differences—has treated me more or less fairly; but I must insist on telling him something about one point that it seemed to me he made, and that was to the effect that considerations of racial hatred had shown themselves in the conclusions at which we arrived. Now I at once deny the charge. I deny it

Sir Campbell Rhodes: On a point of explanation, Sir, may I assure the Honourable Member that those were not my remarks? I referred to evidence given before us, but to any action in the Commission itself.

Mr. Jannadas Dwarkadas: I am glad, Sir, that my Honourable friend has explained his position. But even on behalf of the witnesses themselves I am not prepared to admit the fact that they were moved by racial considerations in dealing with this question on which the voice of India had spoken long, long before this House ever ventured to take the matter into consideration. It is a question that has been discussed on its own merits by every one who has discussed it, and I refuse to believe that any one of all the witnesses that came to give evidence before the Commission introduced the element of race in putting forward his views before the Commission. Then my Honourable friend made another point and said that I maintained the position that when India became self-contained famines would disappear. I was surprised to hear that from my Honourable friend. I never for a moment maintained that. In a limited sense, so far as the necessities of life are concerned, I do believe that India can reach a position of being self-contained, and it will reach that stage if proper encouragement is given to industrial development in this country. So far as famines are concerned, I maintain that if pressure on land is diminished by a portion of the people who now belong to the agricultural class diverting their energies to industrial labour, then it is likely that the

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resisting power of the people will increase and they will be able to bear famines more than they have hitherto done. With regard to the other points referred to by my Honourable friend, I have nothing to say. He has presented his own point of view, but fundamentally I find that there is an agreement between us so far as the general conclusion with regard to protection is concerned. Now, I must come to my Honourable friend, Mr. Joshi. Believe me, Sir, I never expected that my friend, Mr. Joshi, who is supposed here to represent the interests of labour of the poorer classes of the community, not by election but by nomination of the Government, would ever put forward views that would be most detrimental to the interests of the poor classes. I was wondering what it was that had influenced Mr. Joshi's views so as to enable him to present a case, pretending of course that it was a case for the poorer classes, but which was most detrimental to the interests of the poorer classes. I was wondering what it was that had influenced him. (Mr. N. M. Joshi: "Have you found out?") And it then dawned on me that perhaps his going to Washington and Geneva nominated as he was by the Government of India to represent the cause of labour had perhaps removed him to a large extent from touch with the poorer population here and had brought him in the midst of the surroundings of those pleasant labour gentlemen of other foreign countries whose views on the question as to whether India should have a policy of protection or free trade would not be acceptable to any portion, to any class of people belonging to this country. We know that the people who would most resent the adoption of a policy of protection would be perhaps the class which seems to have influenced my Honourable friend, Mr. Joshi's views. I want to assure Mr. Joshi this, that if I had not known him I would have for a moment thought that he was here representing the views either of Lancashire labour or of Lancashire merchants and that he was not in any way advocating the cause of our country. (A Voice: "No, no.") I am entitled to my view. I find fault with his judgment, not with his motives; but believe me, Sir, that it has really pained me to feel that Mr. Joshi's prejudice against capitalists goes so far as to make him use this momentous occasion for emptying himself of the hatred that, it seems to me, he has generated in his breast against these "wretched classes". I hope Mr. Joshi will realise that the country is much greater than any of the classes that constitute this country. I hope Mr. Joshi will take a leaf from the book of his own late leader Mr. Gokhale, and make up his mind to study the speeches and writings of that great respected leader and try to give something of his views both to the people and to the Government which of course will be to the advantage of this country.

Then, Sir, I come to my Honourable friends from the Punjab. Both my friends from the Punjab, Messrs. Townsend and Sardar Bahadur Gajjan Singh seem to imagine that an adoption of the policy of protection will hurt the interests of the agriculturists. Now I do not want to go into the details of their arguments, but it seemed to me when my Honourable friend, Sardar Bahadur Gajjan Singh was arguing, that he was arguing against himself. He maintained that if industries were set up in this country and if a demand for raw materials increased in this country, then the agricultural interests would suffer. I could understand my Honourable friend bringing that argument forward if the Fiscal Commission had recommended that an embargo should be placed on exports or even that an export duty should be resorted to, but the Fiscal Commission, as I pointed out in my opening remarks, has deliberately excluded

export duties from their recommendations. Now what will be the result of the establishment of industries here? The demand for raw materials would increase in this country. Not only that, but a competition would be set up for securing those raw materials between this country and the foreign countries. I ask my Honourable friend whether the agriculturists are going to gain or lose by the existence of that competition? When the demand is greater and the supply remains the same, do the prices go up or do they go down? Will it stimulate the agriculturists to pay greater attention to their crops and increase their production or will it dishearten them and compel them to give up growing their crops? I personally believe that the policy of protection, if adopted will not compel the agriculturists to suffer in any way, but it will bring greater prosperity to them. But apart from that, even to-day we realise that the pressure on land is so great and so many more men than necessary are engaged in agriculture that there is an insistent demand to provide for them in their spare moments facilities for resorting to cottage industries like handloom, and so on. If we draw a certain number of people, a very small fraction of the population for industrial labour, even then, I submit, there will be a large number of people left who will be required to pay attention to the carrying on of cottage industries in the villages.

Then lastly, I come to my Honourable friend, Mr. Shahani. Mr. Shahani, I think, has attempted to give views which he thinks are beneficial to the interests of this country. He referred to the question of the constitution of a Tariff Board and said that the constitution of a Tariff Board, as suggested by my Honourable friend, Mr. Innes, would not be desirable and is opposed to the recommendation made by the Minority Report. I admit that that is so, but I will, when dealing with the speeches of my Honourable friend, Mr. Innes and my Honourable friend, Sir Basil Blackett, deal with this aspect of the question of the constitution of a Tariff Board. Let me now come to the amendment of my Honourable friend, Mr. Innes. I agree with my Honourable friend, Mr. Seshagiri Ayyar, that the Government have shown a great deal of wisdom in approaching this question in the spirit in which they have done. I agree with my Honourable friend, Mr. Ginwala, that in addition to the remarks made in his personal capacity by the Honourable the Finance Member, a more definite statement ought to have been made by the Government to the effect that hereafter the Secretary of State will never interfere in the fiscal policy of the country when the Government of India and the Indian Legislature are in agreement. I hope my Honourable friend will take the opportunity of making that statement before this debate is closed to-day. Then, I said that my Honourable friend had approached the subject in a good spirit. I maintain that, because I believe, and I think Honourable Members will do well to keep this in mind, that the present transitional constitution of the Government of India provides that in all matters in which there is an agreement between the Government of India and the Indian Legislature, in those matters alone, so far as the fiscal policy is concerned, the Secretary of State will not interfere. An obstructive attitude on the part of my Honourable friend, the Commerce Member would have perhaps made it difficult for us to get the policy of protection in some form or another adopted in this House. He has made our course easier, and I have reason to believe that the Government have been able to do so, perhaps because the present Secretary of State has respected the convention established by the late Secretary of State and not interfered with the decision of the Government of India. Now, I wish my Honourable friend on behalf of

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Government had gone far enough as suggested by my Honourable friend, Mr. Seshagiri Ayyar. I believe, for instance, he should not have shirked to introduce a more definite language in his Resolution boldly proclaiming the adoption of a policy of protection for this country. I know that he has done so in spirit. I know that in his Resolution,—whoever reads it—he cannot conceal that,—he accepts the policy of protection as recommended by the Fiscal Commission. I know also that in the speech that he has made he has given expression fully to the view that Government to all intents and purposes have accepted the policy of protection. But I wish that nothing should have persuaded him to keep back that boldness which ought to be the characteristic of every Resolution, either when it is framed by Government or by any Member of this House. However, as I look more to the substance than to the shadow, I have no hesitation, as a practical man, in accepting the wording as suggested by him, especially because he has accepted certain changes which were suggested to him. Now, coming to clause (b), I labour under the same difficulty under which my Honourable friend, Mr. Seshagiri Ayyar, laboured. His amendment is lost and I have no right to refer to it. But I want to make it clear that by accepting the clause—“the present dependence of the Government of India on import, export and excise duty for a large part of its revenue,” we should not be taken to mean that we have for all time to come blessed the present method of taxation which is resorted to by Government. With that reservation, I have no hesitation in accepting that clause. With regard to the third clause, the omission of the words “subject to” alters the character of that clause and I feel that the Tariff Board will be called upon only to pay due regard to those conditions and it will not be insisted that they should rigidly apply those conditions for all time and in all cases. If this is the meaning, I have no hesitation in accepting that. And now, lastly, I come to the question of the constitution of the Board. I must explain the reasons which led the minority to make the recommendation which we made. We again were faced with the difficulty of making some arrangement for the transitional period. Until we reached self-Government, so long as we have an Executive which is not responsible to the people, it is very difficult for us to accept a Board which is nominated by a Government not responsible to the Legislature. We were faced with that difficulty. We know that there is no constitutional precedent for such a Board being elected by Members of Parliament or the Members of a popular House. But no other country is faced with the difficulty of going through a transitional period, as we are faced. We have here an irresponsible Executive controlled, as it were, obnoxiously very often, by the Secretary of State and we have an elected majority in the House. How are we going to compel the hands of Government to make an appointment which is acceptable to us? Well, it is that which led us to make a recommendation that the Board should be elected. However, I think we should not insist on that being carried out, especially after the remarks that have been made by my Honourable friend, Sir Basil Blackett. For I am free to admit that, in cases where that gentleman from Whitehall; of whom my Honourable friend, Mr. Ginwala, has so eloquently spoken, in cases where he has not continuously interfered with Honourable Members of the Government, may have behaved much better with us. And, as I believe in the dictum that “trust begets trust,” I feel that we shall be acting wisely in showing our trust and confidence in the Members of the Government and hope that they will use this trust well and see to it that the appointment that they make

on this Tariff Board would be such as would be acceptable to the Members of this House. And in doing so, I beg of them not to allow "foreign" influence to bear upon them. (*An Honourable Member*: "Outside influence.") By "foreign" I mean the influence of the gentleman from Whitehall who does not know much about India and who continuously thrusts his finger in everything that is being done by the Government of India. We had a very sad experience in the appointment of the Royal Commission. I wish I were free to admit, like my Honourable friend, Sir Basil Blackett, that Government has always been responsive, if not responsible, to the wishes of the Legislature. Our experience in the

5 P.M. case of the Royal Commission has been too recent and too sad to cheer us up with that kind of statement. But we hope, at any rate, so far as fiscal matters are concerned, we shall have no interference from that gentleman from Whitehall and that we shall be masters in our own house and that we shall be left to decide matters as we like ourselves. But I may also warn the Government that, if they do not use the trust well in this matter, they will find it difficult to deal with this House in other matters, because they have got to deal with this House on every question and, once it is shown that the trust is misplaced, which I hope it will never be, then this House knows how to deal with the Government in questions that will come up to us for discussion in future. So, to all intents and purposes, I am prepared to accept the amendment of my Honourable friend, Mr. Innes.

And, last but not the least, I want to touch one of the arguments that has been advanced.

Mr. President: I cannot let the Honourable Member advance a new proposition.

Mr. Jamnadas Dwarkadas: This is not a new proposition. I will bring my remarks to a close, Sir. Mr. Ginwala complained that, while we were busy burying free trade, he did not know whether the new House would not bury protection. I do not think that the new House will do that. I do not think that any new House is going to bury protection for a long time to come. But, if it does so, none of us is bureaucratic enough to question the power of the Legislature in this country to bury any policy that this House is launching upon.

Sir, before I sit down, I want again to express my gratitude to the Government that, although not quite fully, at least in spirit they have largely met in this instance the desire of the Legislature. I feel as if I could say to my Honourable friend, Mr. Innes, that the long-lost brother has after all come back to the fold, that the policy which India has insisted on for a long number of years in the interests of this country, to which Government at the dictation of Whitehall turned a deaf ear, is accepted by Government, and I agree with Mr. Innes that it is an epoch-making proposition and that we are starting a new era in this country. I repeat that it seems to me that, if this Resolution is accepted, it will be a red letter day in the history of this country and I may take, if I may be permitted to do so, legitimate pride in the fact that I had the honour to initiate this discussion.

The Honourable Mr. C. A. Innes: Sir, I think that Mr. Jamnadas has exhausted my time as well as his own and therefore I will not detain the House for more than a moment. Mr. Ginwala appeared before the House in his usual impersonation of a doubting Thomas. He wanted to know what is the good of our passing a Resolution of this kind? He pointed

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out that that policy, even though we approved it to-day, might be upset by the Assembly of this time next year. Well, Sir, I can give him one answer to his question. The use of passing this Resolution which I have put to the House is this, that it pins down at any rate the Government of India to that policy. Mr. Ginwala also stated that he was a democrat. I must confess that, when I heard his views about the Tariff Board I felt very much inclined to doubt that statement. He apparently contemplates a Tariff Board with Statutory powers over and above the Indian Legislature, a Tariff Board which is empowered to fix rates, a Tariff Board which is beyond criticism by this Assembly. Well, Sir, that may be a very efficient Board but it is not democracy, nor, Sir, is it the sort of Board that I should agree to appoint. One more point and I have done with the Honourable Member from Burma. He challenged me to say what action His Majesty's Secretary of State for India would take in regard to my Resolution, if it is passed by the House to-day. Sir, the only answer that I can give to that question is this, to refer the Honourable Member from Burma and other Members of this House to paragraph 33 of the Joint Select Committee's Report, and to the Despatch of the 30th June 1921, in which Mr. Montagu, on behalf of His Majesty's Government at Home, accepted the principle recommended by the Joint Committee. Sir, Mr. Jamnadas's speech ended in a note of harmony. Mr. Jamnadas ended up his speech by saying that he was prepared to accept my amendment. I hope, Sir, that the whole House will adopt the same attitude in regard to this amendment. Only time can show, Sir, whether we are wise or not in the decision we are taking to-day, but I have one thing to say. We have adopted this policy and, as far as the Government of India are concerned, we are determined to carry it out in earnest.

Mr. President: The original question was that :

" This Assembly recommends to the Governor General in Council that a policy of Protection be adopted as the one best suited to the interests of India, its application being regulated from time to time by such discrimination as may be considered necessary by the Government of India with the consent and approval of the Indian Legislature."

Since which an amendment has been moved to substitute the following after the words " Governor General in Council " :

(a) that he accepts in principle the proposition that the fiscal policy of the Government of India may legitimately be directed towards fostering the development of industries in India ;

(b) that in the application of the above principle of protection regard must be had to the financial needs of the country and to the present dependence of the Government of India on import, export and excise duties for a large part of its revenue ;

(c) that the principle should be applied with discrimination, with due regard to the well-being of the community and to the safeguards suggested in paragraph 97 of the Report of the Fiscal Commission ;

(d) that in order that effect may be given to these recommendations, a Tariff Board should be constituted for a period not exceeding one year in the first instance, that such Tariff Board should be purely an investigating and advisory body and should consist of not more than three members, one of whom should be a Government official, but with power, subject to the approval of the Government of India, to co-opt other members for particular inquiries."

The question is that that amendment be made.

The motion was adopted.

Mr. President: The question is that the Resolution, as amended, be adopted.

Sir Montagu Webb: May I, at this stage, make a slight verbal amplification, namely, the addition of the word "Indian" before the words "Fiscal Commission?" The Report of the Fiscal Commission, I have been told, is going to mark an epoch in the great Free Trade controversy, and I should like the name of India to be associated with it.

The Honourable Mr. C. A. Innes: I have no objection, Sir.

Mr. President: Further amendment moved:

"That before the words 'Fiscal Commission' in sub-section (c), the word 'Indian' be inserted."

The motion was adopted.

Mr. President: The question is that the Resolution, as amended, be adopted.

The motion was adopted.

The Assembly then adjourned till Eleven of the Clock on Saturday, the 17th February, 1923.