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CONTENTS.

	Page
WEDNESDAY, 24TH JANUARY, 1923—	
Members Sworn	523
Death of the Honourable Maung Po. Bye	523—24
Grant of Honours to Members	524
Questions and Answers	525—14
Arrangement of Questions	545
Questions and Answers	545—48
Reports laid on the Table of Joint Committee on Bills	548
Governor General's Assent to Bills	548
Statement of Exchange Gains and Losses	548—60
Communications in Frontier Province	561
Muslims, Hindus, etc., in Government of India Secretariat	561—66
Policy of His Majesty's Government with reference to the Government of India Act	567—68
Emigration to the Straits Settlements and Malay States	568—69
Emigration to Ceylon	569—70
Business of the House	570
THURSDAY, 25TH JANUARY, 1923—	
Report of Joint Committee on the Workmen's Compensation Bill	571
The Hindu Ceremonial Emoluments Bill—Request for postponement	571—72
Resolution <i>re</i> Purchase of Stores in England	572—77
Appointment of Public Services Commission	577—78
Resolution regarding the Indian Civil and other Imperial Services	578—86
Resolution <i>re</i> Conditions of Service of future entrants to I. C. S.	586—87
MONDAY, 29TH JANUARY, 1923—	
Member Sworn	589
Questions and Answers	589—92
The Criminal Tribes (Amendment) Bill	592—612
Message from the Legislative Assembly	612
TUESDAY, 30TH JANUARY, 1923—	
Questions and Answers	613—18
The Indian Boilers Bill	618
Message from the Governor General	618—19
The Registration of Chelas Bill	619—28
Resolution <i>re</i> Promotion of Irrigation Projects	629—50
WEDNESDAY, 31ST JANUARY, 1923—	
Bills passed by the Legislative Assembly	651
Gift of Books by Sir William Geary	651
The Indian Cotton Cess Bill—Reference to Joint Committee	651—71
The Indian Cotton Cess Bill—Nomination to Joint Committee	671
Course of Business	671—72

WEDNESDAY, 31ST JANUARY, 1923—contd.

Resolution <i>re</i> Workmen's Compensation and Social Insurance in Agriculture	672—84
Resolution <i>re</i> Protection of Women and Children in Agriculture—Recommendations of International Labour Conference	684—89
Statement of Business	688

MONDAY, 12TH FEBRUARY, 1923—

Questions and Answers	689—99
Dates for Discussion of Budget	699—700
Governor General's Assent to Bills	700
Bills passed by the Legislative Assembly	700
Alteration of Date of <i>Shivraatri</i> and Course of Business	700
Resolutions of which notice is given but not moved in Council	701
Resolution <i>re</i> Repeal of Army Amalgamation Scheme of 1869	701—17
The Malabar (Completion of Trials) Supplementing Bill laid on the Table	717—18

WEDNESDAY, 14TH FEBRUARY, 1923—

Questions and Answers	719—32
The Cotton Transport Bill	733—39
The Cantonments (House-Accommodation) Bill	739—49
Statement of Business	749

THURSDAY, 15TH FEBRUARY, 1923—

Statement <i>re</i> Government of India Presses laid on the table	751—53
The Malabar (Completion of Trials) Supplementing Bill	754—55
The Indian Mines Bill	755—59
The Indian Boilers Bill	759—65
Resolution <i>re</i> Emigration of Unskilled Labourers to Ceylon	765—70
Resolution <i>re</i> Emigration of Unskilled Labourers to Straits Settlements and Malay States	770—72

FRIDAY, 16TH FEBRUARY, 1923—

Resolution <i>re</i> Inquiry into Industrial Finance and Industrial Banks	773—87
Resolution <i>re</i> the Adoption of a System of Compulsory National Military Training and Service	787—98
The Married Women's Property (Amendment) Bill laid on the Table	798
Resolution <i>re</i> the Adoption of a System of Compulsory National Military Training and Service	798—818
Resolution <i>re</i> Necessity of Census of Products of British India	818—19

MONDAY, 19TH FEBRUARY, 1923—

Questions and Answers	821—23
Resolution <i>re</i> Necessity of Census of Products of British India	828—26
Resolution <i>re</i> Opportunities to Indians for qualifying for Secretaryships, etc.	825—27
Resolution <i>re</i> Radio Communications	828
Resolution <i>re</i> Imposition of an Export Duty on Benzine and Petrol	828—34

TUESDAY, 20TH FEBRUARY, 1923—

Bills laid on the Table	885
The Prisoners (Amendment) Bill	885
The Indian Naval Armament Bill	886
The Workmen's Compensation Bill	887-78

WEDNESDAY, 21ST FEBRUARY, 1923—

Resolution <i>re</i> Administration of Ajmer-Merwara	879-88
Resolution <i>re</i> Cognizance by Legislature of Matters on which Government of India has undertaken legislation [Modification of Rule 23 (1) of the Rules of Business]	888-906
Resolution <i>re</i> Recommendations of the Committee on Indian Arms Rules	907

THURSDAY, 22ND FEBRUARY, 1923—

The Criminal Law Amendment Bill laid on the Table	909
Message from the Legislative Assembly	909
The Workmen's Compensation Bill	909-17
The Indian Factories (Amendment) Bill	917-20
The Hindu Ceremonial Emoluments Bill	929-31
Statement of Business	931

MONDAY, 26TH FEBRUARY, 1923—

Questions and Answers	933-33
Bills laid on the Table	938
Resolution <i>re</i> Recommendations of Committee on Indian Arms Rules	939-62
Resolution <i>re</i> Amendment of Standing Orders	962-64
Discussion on the Criminal Law Amendment Bill	964

TUESDAY, 27TH FEBRUARY, 1923—

Message from the Legislative Assembly	967
Bills laid on the Table	967
The Indian Paper Currency Bill	967-68
The Prisoners (Amendment) Bill	968
The Repealing and Amending Bill	969
The Hindu Ceremonial Emoluments Bill	969-95
Message from the Legislative Assembly	995

WEDNESDAY, 28TH FEBRUARY, 1923—

Bill laid on the Table	997
Conference <i>re</i> Regulations under the Electoral Rules	997
Resolution <i>re</i> Appointment of Indians to the Traffic Inspector Cadre	997-1020
Resolution <i>re</i> Appointment of Indians as Departmental Secretaries, Joint Secretaries, etc.	1020-50
Statement of Business	1050

THURSDAY, 1ST MARCH, 1923—

Member Sworn	1051
The Budget	1051-59
The Criminal Law Amendment Bill	1060-83

MONDAY, 5TH MARCH, 1923—

Questions and Answers	1085
Statement laid on the Table	1085
Resolution <i>re</i> Imposition of an Export Duty on Benzine and Petroli	1085—1101
Resolution <i>re</i> Rights and Status of Indians in Kenya	1102—21
The Married Women's Property (Amendment) Bill	1122—23

TUESDAY, 6TH MARCH, 1923—

Member Sworn	1127
Questions and Answers	1127—29
The Code of Criminal Procedure (Amendment) Bill	1129—31
Bills assented to by the Governor General	1131—32

WEDNESDAY, 7TH MARCH, 1923—

The Budget	1133—81
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THURSDAY, 8TH MARCH, 1923—

Absence from House at question time of Members who have given notice of Questions	1183
Questions and Answers	1183—90
Draft Notification <i>re</i> Emigration of Unskilled Labour to Mauritius	1190—91
The Indian Cotton Cess Bill	1191—1203
The Indian Income-tax (Amendment) Bill	1203—04
The Government Savings Banks (Amendment) Bill	1204—05
The Official Secrets Bill	1205—15
Message from the Legislative Assembly	1216
Statement of Business	1216

MONDAY, 12TH MARCH, 1923—

Questions and Answers	1217—18
Message from the Legislative Assembly	1218
Bill laid on the Table	1218
Resolution <i>re</i> Amendment of Electoral Rules	1219—29
The Malkharoda and Gaontia Villages Laws Bill	1229—30

TUESDAY, 13TH MARCH, 1923—

Announcement of Summer Session in July, 1923	1231
The Code of Criminal Procedure (Amendment) Bill	1231—70

WEDNESDAY, 14TH MARCH, 1923—

Questions and Answers	1271
Resolution <i>re</i> Indian Stores Department	1271—85
Resolution <i>re</i> Eligibility of Political Prisoners for Election to Legislature	1285—1302

THURSDAY, 15TH MARCH, 1923—

The Malkharoda and Gaontia Villages Laws Bill	1303—04
The Indian Penal Code (Amendment) Bill	1304—24
Statement of Business	1324—25

	Pages.
WEDNESDAY, 21ST MARCH, 1923—	
Member Sworn	1327
Questions and Answers	1327—34
Bill laid on the Table	1334
The Indian Finance Bill	1335—36
The Mahendra Partab Singh Estates Bill	1336—38
Report of Select Committee on Amendments to Standing Orders	1338
Bills assented to by His Excellency the Governor General	1339
Resolution <i>re</i> Emigration of Unskilled Labour to Mauritius	1338—45
FRIDAY, 23RD MARCH, 1923—	
Messages from the Legislative Assembly	1347
Bills laid on the Table	1347—48
The Indian Finance Bill	1348—97
MONDAY, 26TH MARCH, 1923—	
Questions and Answers	1399—1401
The Mahendra Partab Singh Estates Bill	1401—07
The Legal Practitioners (Women) Bill	1407—08
The Indian Merchant Shipping Bill	1408—10
Statement of Business	1410
TUESDAY, 27TH MARCH, 1923—	
Message from the Legislative Assembly	1411
The Indian Finance Bill	1411—18
Adjournment of Council of State and attendance at meetings	1413

COUNCIL OF STATE.

Friday, the 23rd March, 1923.

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

MESSAGES FROM THE LEGISLATIVE ASSEMBLY.

The SECRETARY OF THE COUNCIL: There are Messages, Sir.

The HONOURABLE THE PRESIDENT: Let them be read.

The SECRETARY OF THE COUNCIL: "*Sir, I am directed to inform you that the Legislative Assembly have, at their meeting of the 21st March 1923, agreed without any amendments to the Malkharoda and Gaontia Villages Laws Bill which was passed by the Council of State on the 15th March, 1923.*"

"*Sir, in accordance with Rule 36 (1) of the Indian Legislative Rules, I am directed to inform you that the amendments made by the Council of State in the following Bills were taken into consideration by the Legislative Assembly at their meeting on the 21st March, 1923, and that the Assembly have agreed to the amendments:—*

- (1) *A Bill to consolidate and amend the law in British India relating to Official Secrets.*
- (2) *A Bill to give effect to certain Articles of the International Convention for the Suppression of the Traffic in Women and Children."*

"*Sir, I am directed to inform you that the further amendments which were made by the Council of State in the Bill further to amend the Code of Criminal Procedure, 1898, and the Court-fees Act, 1870, were taken into consideration by the Legislative Assembly at their meeting of the 21st March, 1923, and that the Legislative Assembly have agreed to the amendments."*

"*Sir, I am directed to inform you that the Bill to consolidate certain enactments relating to Merchant Shipping, which was passed by the Council of State at their meeting on the 16th March, 1922, was passed by the Legislative Assembly at their meeting on the 21st March, 1923, with the amendments indicated in the attached statement. The Legislative Assembly request the concurrence of the Council of State in the amendments."*

BILLS LAID ON THE TABLE.

The SECRETARY OF THE COUNCIL: Sir, in accordance with Rule 25 of the Indian Legislative Rules I lay on the table copies of the following Bills which were passed by the Legislative Assembly at its meetings held on the 21st and 22nd March, 1923:—

- (1) *A Bill for the removal of doubts regarding the right of women to be enrolled and practise as legal practitioners;*

[Secretary of the Council.]

(2) A Bill to make provision for the better management of waqf property and for ensuring the keeping and publication of proper accounts in respect of such properties;

(3) A Bill further to amend the Special Marriage Act, 1872;

and in accordance with Rule 33 of the Indian Legislative Rules, I lay on the table a copy of the Bill to consolidate certain enactments relating to Merchant Shipping, which was passed by the Legislative Assembly at its meeting held on the 21st March, 1923.

THE INDIAN FINANCE BILL.

The HONOURABLE MR. E. M. COOK (Finance Secretary): Sir, I beg to move:

"That the Bill to fix the duty on salt manufactured in, or imported by land into, certain parts of British India, to vary the duty leviable on certain articles under the Indian Tariff Act, 1894, to fix maximum rates of postage under the Indian Post Office Act, 1898, to amend the Indian Paper Currency Act, 1923, and to fix rates of income-tax, as passed by the Legislative Assembly, be taken into consideration."

The Council will remember, from what I said here on March the 1st, that the deficit in our revenues for the coming year, as then estimated, amounted to some Rs. 426 lakhs and that the central problem of the Budget was to find means, not only for covering that deficit, but also to give some assurance that the Central Government would, at a reasonably early date, be able to discharge certain other liabilities which I mentioned. Now, Sir, as the result of the voting on the Demands for Grants in the Assembly, that deficit has been reduced to approximately Rs. 369 lakhs. But the main problem has not thereby been materially affected, and in the Bill which we have before us this morning as passed by the Legislative Assembly, that problem still remains unsolved. It is to provide a solution that I have tabled a certain amendment which will come up for discussion later this morning. I do not propose, Sir, on this motion to enter into the merits or demerits of that particular solution, namely, the enhancement of the salt duty. I think it will be more convenient and at the same time probably more in order if on this motion I confine myself to a few general observations on the nature of that problem as it presents itself to Government. I submit, Sir, that it is vitally necessary to have a clear idea as to what that problem really is. During the last few weeks there have been floating about certain ideas born, I think, of a very natural desire to avoid taxation which falls, however, lightly on the whole of the population, on the rich and the poor alike, but, nevertheless, ideas with which this Council would do well to get to closer grips. First of all, we have had the idea put forward that the Government have exaggerated the gravity of the financial situation. We have been invited to have a better sense of proportion and to think of the enormous deficits of the past few years—deficits of 20 to 30 crores—we have been reminded that those deficits, though no doubt serious and a cause for anxiety, have nevertheless somehow been met without, so far as can be seen, any great catastrophe befalling. Why, then, we are asked, all this pother, why make all this heavy weather, about a comparatively small deficit of under 4 crores? Let us rather congratulate ourselves that our revenue and expenditure, after the efforts of the past three years, have come so close together. Surely, after the enormous gaps of the past five years, another comparatively small deficit cannot do the country very much harm. And above all, some of our friends ask us, why in the name of political wisdom

use extraordinary means to impose on the country taxation in a form to which, rightly or wrongly, popular sentiment is, it is said, so much opposed.

Then, again, concurrently with that idea, and sometimes combined with it, there is another which challenges the very existence of this deficit or contends that at the worst it is only temporary. What about the *deus ex machina* that recently emerged, offering you 19½ crores of rare and refreshing retrenchment, of which you have so far only taken advantage in your budget of between 9 and 10 crores? What are you going to do with the remaining 9 crores? And then we are reminded sometimes what about our revenues. Are our railways never going to give a reasonable return on the capital invested in them? Are our Post and Telegraphs never going to show a profit? Is the trade of the country always going to be so stagnant as in the last year or two? Why make such a fetish of balancing your budget within this arbitrarily chosen period of 12 months ending on the 31st March 1924? Why not take your courage in both hands and let your budget balance itself, which probably it will do, if not this year, then perhaps next year, or the year after, without causing all the strain and stress of risking a deadlock with the Legislature?

Finally, we sometimes hear the idea, rather more intangible, but perhaps on the surface all the more plausible, that, assuming that the deficit must at all costs be covered, then surely it is not beyond the ingenuity of Government's financial advisers to devise some means, some adjustments, or even supposing that taxation is inevitable, some alternative measures, which are likely to meet with less opposition in the Legislature. Conservative finance, those friends of ours tell us, is all very well, but it is carrying financial purism too far to stir up opposition to the extent to which you will by the measures you propose.

Sir, if there are any Honourable Members here who are affected or disturbed by reflections such as these, I would ask them to remember that the Government of this country, if I may say so without impertinence, is not run by financial pedants and that a Government which, as its record for the past three years shows, has strained itself so much to make the reforms a success, ought at least to get the credit for having explored and re-explored every possible alternative and that such a Government is not likely, without grave and sufficient cause, to persevere with measures, which can possibly be avoided, to which at least one branch of the Legislature is opposed.

And can any dispassionate observer contend that the financial position of this country and of its various Governments is such as to justify those comfortable and reassuring views? I would ask the Council just to consider one or two aspects of our present financial position.

First of all, there is the growth of our national indebtedness. I have heard it hinted that we have been overstressing this question of credit and that we should remember that in a country like India there is always the danger of trying to aim too high. It is very difficult to aim too high when a country's credit is concerned. We must always remember that any deterioration, any marked deterioration, in a country's credit must inevitably work its way down, and affects the actual springs of the country's life. What are the facts? The Council, I think, knows that since 1914, leaving aside productive debt incurred on railways, irrigation and so forth, our unproductive debt has grown by no less than 226 crores. (*The Honourable Mr. Lalubhai Samaldas*: "Grown by or to?") Grown by. At the beginning of the War it was nil. (*The Honourable Mr. Lalubhai Samaldas*:

[Mr. E. M. Cook.]

“Then grown to. It comes to that.”) We know perfectly well that our creditors, especially abroad, have been watching with some anxiety this growth of our unproductive debt and more particularly, that portion of it which represents the over-spending of the last five years. Here in India too we know that the business community has similarly taken alarm. It will be recollected that last summer a deputation of business men, both European and Indian, waited upon His Excellency the Viceroy in order to impress upon Government the absolute necessity of bringing these continued deficits to an end. Now, Sir, the really important thing about this growth of our indebtedness is that we have next to no sinking fund for it. We have not been able to provide for its amortisation. It is often said that posterity has done nothing for us, therefore, why should we do anything for posterity? I ask the Council what injury has posterity done to us that we should saddle it with this heavy load of interest charges and this very great responsibility for repaying that debt when it matures. It must be remembered that a hundred crores of that unproductive debt represent the deficits of the past 5 years and that thereby we have added a burden of between 6 and 7 crores, in interest charges alone, to posterity. I ask the Council, is it mere financial pedantry if we say that this must come to an end, and that common prudence demands that we must use all means in our power to see that the gap which now exists is covered properly, not by mere shifts and expedients, but properly covered, in order that the country may have confidence that its solvency is reasonably assured?

It is not as if there is anything in the future outlook which would justify us in assuming that our budget will balance itself without the provision of extra resources. Can any businessman say that there is anything in the outlook of trade which justifies in the near future any substantial increase in our ordinary Customs and income-tax revenue? On the contrary, Sir, as an eminent businessman said elsewhere the other day, we must now face the fact that we have reached for the time being something like normality. It may be a generation or more before our European customers can buy from us on the scale they used to; and, as for our internal trade, can it be said that our present revenue, after the two bumper harvests we have had, is going to expand sufficiently in the near future to obtain equilibrium in our finances.

Then, Sir, it has been said, what about our expenditure and the possibilities of further retrenchment? What are the facts about that? Out of the 19½ crores of total retrenchment recommended by Lord Inchcape's Committee as being the amount, if their reductions were accepted, by which we might ultimately reduce our expenditure, the budget for next year, as now revised, takes credit for over 13 crores. But about 2½ crores represents reductions in stocks, that is to say, a non-recurring saving. What does that give us? That gives us a margin of only 3 crores. If every single recommendation of the Inchcape Committee is carried into the fullest possible effect, and if all their estimates of savings prove accurate, that is the only margin for any further saving which possibly in the ultimate future we might hope to achieve. I shall suggest to the Council that that narrow margin is already fully hypothecated. I am not even sure that the full 3 crores exists, for there are some retrenchments proposed, more particularly in railways and the programme of railway expenditure, which I do not think were intended by the Committee to be absolutely permanent.

Finally I come to what I suggest is perhaps the most important fact with which we have to deal to-day. I have so far looked at this matter mainly from the point of view of balancing the budget of the Central Government for next year. I would invite Honourable Members to turn for a moment to the position in the country as a whole. Among the items of the Central Government's revenues there is a figure of 9½ crores which represents the contributions payable to us by the provinces, contributions which not only the Government of India are pledged to remit at as early a date as possible but the remission of which has been pressed upon Government time after time by both Chambers of the Legislature. Now what is the condition of the provinces? The provincial budgets for 1922-23 showed in the aggregate deficits amounting to 4½ crores. Their budgets next year, even after considerable retrenchment and a substantial amount of provincial taxation, show, on the latest information available to us, deficits aggregating over 4 crores. What is the position in almost every province? All those political leaders who took office as Ministers in the Provincial Governments, pledged to work the reforms, have, I think it is no exaggeration to say, found their position one of extreme difficulty. They took office in high hopes and with a determination to prove to their supporters that in the departments entrusted to their administration, departments which so closely touch the nation's progress, representatives of the people would prove their fitness for actual Government. They took office, I say, with high hopes, but nevertheless in many provinces in the face of much obloquy from their opponents and from the enemies of the reforms. What is the position now? There must be many Honourable Members here who have heard it themselves. Government have had first-hand information from three different provinces, from which the Ministers have come to the headquarters of the Central Government with the tale of their difficulties. And there is scarcely one Provincial Government which has not again and again written to us emphasising the hampering effect upon the development and success of the reforms of the financial stringency in the provinces. They are in most provinces feeling severely the reaction of this stringency upon the political situation. Mr. President, this is not a mere debating point, still less is it a bait to induce the Indian Legislature to accept Government's proposals. Those Honourable Members who are in touch with the political life of their provinces will not fail to support me when I say that this state of affairs is, day by day, handicapping the progress of the reforms in the provinces and producing an atmosphere of friction and irritation.

It is clear then what the choice is before us. On the one hand, we can leave this deficit alone; we can say that we do not like the taste of the medicine, "Take it away." We can say, "Let things rip, let us see what happens." Well, Sir, we may be fairly sure what will happen. We shall get the same sort of thing year after year: deficits, deficits, deficits, no certainty and no real assurance that this is coming to an end. We shall I think see our credit abroad steadily deteriorating; and I venture to think we shall see that the opponents of the reforms, both here and at Home, though at opposite poles of thought will hasten to say that their prognostications have proved true. On the other hand, Sir, I submit that if we take our courage in our hands, we have a reasonable assurance that our financial barque is nearly, or will be soon, in harbour. We will have a reasonable assurance that this pall which has hitherto been hanging over India's young Parliaments will at last be dissipated. Many Honourable

[Mr. E. M. Cook.]

Members may have doubts about this question; doubts which perhaps carry them back to the old days of the Congress, when it was really a National Congress, and when this particular question was one of the minor battle-cries. Sir, I suggest that the battle-cry of one generation is not necessarily the battle-cry of the next. If any Honourable Members have doubts, I would ask them seriously to consider whether this is not one of those cases in which

“ Our doubts are traitors

And make us lose the good we oft might win,

By fearing to attempt.”

The HONOURABLE MR. LALUBHAI -SAMALDAS (Bombay: Non-Muhammadian): Sir, the Bill comes to us with a recommendation by His Excellency the Viceroy, and therefore will have to be considered very carefully and respectfully. And yet we would not be true to ourselves nor true to our country if we did not give full expression to what we feel on this subject. My Honourable friend, Mr. Cook, has laid very great stress on the necessity of balancing the Budget. He told us that it might be said that we should not make a fetish of the necessity of balancing the Budget. Well, I am one of those who had agreed in the beginning that it is necessary as far as possible to have the Budget balanced; but a time comes in the life and history of a nation or the history of Legislatures when a fetish like that has to be brushed aside. Here I want to draw the attention of the Council to one matter. My Honourable friend Mr. Cook said that if you do not balance the Budget, your credit in the country as well as in the world will suffer. May I ask him to look to the results of the past two years' borrowings. In 1921, when our credit was not quite good, we could not raise a loan in England, the sterling loan, at less than 7 per cent. Last year, with a far larger uncovered deficit, we were able to raise our sterling loan at six per cent. This shows credit of the country had not suffered in spite of the larger uncovered deficit. It is not merely on account of the deficit that the credit of a country goes down. There are other factors, Sir, and if those factors are good, merely an uncovered deficit of 4 crores will not materially injure the credit of this country. I hope the Honourable Members here, and the Honourable Finance Member and the Honourable Finance Secretary especially, are keeping their eyes on the rise in the Government paper almost every day. Is that a sign, Sir, that the credit of the country is suffering? The Honourable the Finance Secretary referred pointedly to the accumulated deficit of 100 crores in the five years. I want to make it quite clear, Sir, that for that deficit of 100 crores, the Legislature were not responsible. It was the Government of India that was mainly responsible. If the Legislature for the last two years were responsible, in any sense they were responsible merely because, in order to help the Government to carry on, they were prepared to allow them to keep the expenditure at the high figure at which the Finance Department put it before us, and it is not fair to us for the Finance Secretary now to turn round and hold us responsible for the deficit of 100 crores during the past five years. If any body is responsible, it is the Finance Department of the Government of India that is responsible, and it is not up to them to charge us with having allowed a deficit of 100 crores to grow.

The HONOURABLE MR. E. M. COOK: I made no such charge.

The HONOURABLE MR. LALUBHAI SAMALDAS: I am very glad, Sir, that the Honourable Finance Secretary says that he did not make a charge. I am sorry if I understood him to do so, but the feeling in the minds of myself and of my brethren on this side was that as the 100 crores deficit was thrown at our face, the implication was that we were held responsible for that deficit. If I satisfy the House that the deficits of the past five years have not affected our credit—if the facts are as I have put them and I daresay neither the Honourable Finance Member nor the Honourable Finance Secretary can challenge those facts—then it shows that the credit of a country does not automatically go down because the Budget is a deficit Budget and the deficit is not covered. Theoretically, it is all right to say so, but there are other practical factors which I am quite sure the Honourable the Finance Member and the Honourable the Finance Secretary will take into consideration; and if they are satisfied that the credit of the country is not likely to suffer by the uncovered deficit of 369 lakhs, I hope they will not press this measure before this House. The Finance Secretary said that the Government have taken all possible steps for, and explored all possible methods of retrenchment. It may be so, Sir, and we must accept that statement, and yet, when the Assembly in their wisdom cut off more than one crore and 14 lakhs of rupees, it was presumably the Finance Department that recommended to His Excellency the Governor General to restore it. The retrenchment of 1 crore and 14 lakhs was suggested, but that amount has now been restored by His Excellency the Governor General.

The HONOURABLE SIR MALCOLM HAILEY (Home Member): It was not retrenchment; it was transferred to capital.

The HONOURABLE MR. LALUBHAI SAMALDAS: The Honourable the Home Member says that it was transferred to capital. This raises a very large question, Sir. I hope I will not be out of order if I refer to that question again. Years back when the Government of India purchased railways, what did they do? They paid part of the purchase price in cash and they agreed to pay the remaining amount by way of annuities. At that time in the beginning as annuities were small amounts, the Government of India possibly then thought that they could easily pay them out of the revenues. Through some misunderstanding, I believe, of the correct accounting, it was put down that the annuities were to be paid out of revenues and that system holds good now. I ask any Member who knows about accounting, auditing and finance to tell me if this is the correct method. But it is not only that, Sir. A difficulty may arise when we pay off all our annuities. How will the railways then stand in our books? They will stand at the cash price that we paid for them. It may be that a new Finance Member years hence not knowing all the facts may be cajoled by a new company-promoter to give the railways to him at a profit of a hundred per cent. The Finance Member may think that he will be making a very good bargain, and yet the company-promoter will get that railway at less than half its intrinsic price. I make a present of that to the Finance Member. I do not want to say that merely because this is a year of deficit that we should transfer 1,14 lakhs to Capital. It ought to have been done long ago and it ought to be done as soon as the mistake is found out. Even if it is not done now, I hope that before next year, somebody will move a Resolution on the subject in the Council. If nobody is going to do it, I will move a Resolution to have the whole of our system of accounting altered and annuities charged to Capital as it ought to be done. Leaving aside that one item, there is another item to

[Mr. Lalubhai Samaldas.]

which I want to refer, because the Honourable the Finance Secretary has been good enough to furnish me with figures, namely, the service charges. Sir, last year the Government of India raised a rupee loan of 47½ crores, and for that they had to pay 58 lakhs, 52½ lakhs as interest for the broken period and 5½ lakhs as brokerage charges. That means—I have worked it out—it comes to 1¼ per cent. This year the Finance Minister has come to us for a loan of 25 crores. Now, on 25 crores service charges at 1¼ per cent. will come to 31½ lakhs. The Finance Department have made provision for 80 lakhs of rupees under service charges. Here is a net real saving of about 50 lakhs. I could only refer to it last time in my budget speech very casually, as I had no time then. But fortunately we can, I believe, go on to any extent.

THE HONOURABLE THE PRESIDENT: The Honourable Member complained of lack of time. He spoke for 38 minutes on the budget.

THE HONOURABLE MR. LALUBHAI SAMALDAS: Here is a saving which the Finance Department can easily make. Leaving the rupee loan, we now come to the sterling loan. Last year sterling loan of 27½ million pounds was raised. I have not been supplied with figures of the service charges on the sterling loan. But the provision made in the budget was for 58 lakhs. I do not know whether it included exchange or not. This year provision is made for £475,000, and as the loan is only for 15 millions, it ought not, even if the brokerage is a little higher, say ¼ per cent., even if the whole expenditure is 1¼ per cent., the service charges will not be more than £225,000. That means, Sir, a clear saving of £250,000. Have Government carefully considered this proposal and if so, why have they not reduced these two items by 50 lakhs and £250,000, which should give them at once 87½ lakhs. I have given only two instances to show that the Government of India either have not accepted the recommendation of the Assembly or have not explored all the avenues of reduction as they ought to have done.

Then, Sir, we have been told that Government have very carefully considered all the other alternatives of raising revenue. I daresay they have. We are not in possession of the facts which led them to give up various other alternatives that were suggested. I do believe, Sir, that some alternatives that were suggested were at least much better than the salt tax and would have fallen not on the poorest of the poor as the salt tax would fall, but it would have been equally divided between the rich and the poor in proportion to their expenditure. That factor does not seem to have entered into the minds of those who carefully considered the various other alternatives. The idea of going to salt for raising this revenue can easily be explained, Sir. I will follow the example set by the Honourable Mr. Cook and will not refer to the salt tax in particular just now, because I propose doing so when he moves his amendment. I am now referring to the general principles. Once the salt tax is levied it has a knack of sticking. I have merely to refer to what happened in 1888 when the salt duty was raised to Rs. 2-8. Since 1888 there were various speeches made by the Secretaries of State, by Viceroys and the Finance Members promising to remove it, as early as possible; and yet for 15 years nobody had the courage, nobody had the statesmanship, to remove that tax. It was in 1903 after a strong fight by my late Honourable friend Mr. Gopal Krishna Gokhale that the Government of India thought it advisable to reduce it by 8 annas. That is the worst of the salt tax.

Any other surcharge, any other duty, can be removed and will be removed. The salt tax sticks on. That is a reason why we do not want, leaving aside the other reasons which I will explain later on, the salt tax to be touched now. My Honourable friend Mr. Cook said that the Government of India had carefully considered the whole situation and would not have raised this—what might have looked like a constitutional crisis—if they had not been convinced that this is the best way of meeting the deficit. It presupposes that the deficit had to be covered at any cost, which I challenge. He then says that this is the only way in which the deficit could be covered. I will say, Sir, with all due respect, that the Government of India have not realised the danger that they are running. It is not a constitutional crisis only. That is not the chief thing. It is true that under the constitution, the Governor General has the certificate power and he can do so when he thinks it necessary to do so; but Government do not realise the ill-feeling that they are creating in the minds of all those who for the last two years have done their level best to help Government to carry on the administration of the country. Members in the other House and of this House have stood all sorts of slanders, have always tried their best to help Government to raise revenue by fresh taxation, have allowed them some times even to carry on a repressive policy with the only hope of working the reforms in such a way that it might be a step further for Swaraj; and now Government do not realise what they are doing; they do not realise that they are disappointing their own supporters. After all, Sir, is this such an important question that Government should turn their old friends—I will not say, into enemies—is this such an important question that Government should turn their friends away? People will say if this is the only attitude which we can expect from Government, it is much better for us to stay out of their Houses, the Legislature, and do our private work in our own humble way instead of being a handle in their hands to tax our poor brethren. I want Government carefully to realise what the political situation is like. I am quite sure they are as much in touch with public feeling as I am; yet as a representative of my Presidency and my countrymen, I would not be true if I did not clearly express what I and my countrymen feel on the subject. My Honourable friend Mr. Cook has tried to bring in the Provincial contributions and said that the three crores or so of margin of the Retrenchment Committee has been hypothecated. He did not say it was hypothecated against the 9 crores contribution, but I believe that was at the back of his mind. It is so easy to bring in the Ministers in such a debate and refer to their difficulties to wring the sympathy of the Central Legislature. Sir, if the Ministers have not been the success they have, it is not merely because of the financial difficulty, and if there is a financial difficulty, it is because the reserved subjects get the lion's share, and the transferred subjects do not get it. Wherever the Governor is sympathetic and treats both branches equally, I think Ministers have been able to show good results, and it is only from Ministers of those provinces where the Governor has not been equally sympathetic to the two branches, that the grumbings must have come. I will reserve my remarks about the salt tax and now resume my seat hoping that the Government will see the advisability of dropping their proposal to raise the salt tax.

The HONOURABLE SIR MANECKJI DADABHOY (Central Provinces: General): Sir, I assure the Government that, in rising to speak on this Finance Bill, I speak with the fullest appreciation of the difficulty of Government and of the sincerity of purpose and the motives of Government

[Sir Maneckji Dadabhoy.]

in placing this Bill before the Council. Sir, the Finance Bill has come up before this Council under unfortunate and adverse circumstances. I say unfortunate because it has come up with the recommendation of the Governor General. I say adverse because it has come to us with the seal of disapprobation of the Legislative Assembly in no unmeasured and in very emphatic terms. Sir, when a Bill comes up before this House with the recommendation of the Governor General, it is entitled to our dutiful and respectful consideration. I shall therefore approach my task with that reverence which is due to the head of the Administration; but at the same time I feel it my duty to point out that the form in which this Bill has come before the Council is one which will be neither acceptable to this Council nor to the country at large. Sir, the very fact of sending up this Bill with the recommendation under section 67B has virtually led this Council to understand that the Governor General has prepared the way for the exercise of that special prerogative with which the Crown has vested him, the prerogative which he can only exercise if he thinks the passage of the Bill is essential for safety, tranquillity or interests of British India. Sir, if I had felt and if I could honestly feel that this Bill is essential for the safety, the tranquillity and the interests of British India, I would give to it my unqualified support

THE HONOURABLE THE PRESIDENT: The Honourable Member appears to be arguing as to what are the powers of the Governor General to certify. This House is considering whether we should pass the Bill, not, if we pass the Bill, whether the Governor General will be justified in certifying. That is a matter for the Governor General himself.

THE HONOURABLE SIR MANECKJI DADABHOY: I quite appreciate that, Sir. The point is this, the Bill has come with a recommendation, and I think it is open to Honourable Members of this Council to say or at least to argue that the Bill is not of a nature and character as to fall within the class which is essential

THE HONOURABLE THE PRESIDENT: That point does not arise at all. Any Bill can be recommended. Whether a Bill can be certified is not a point which has to be decided by this House.

THE HONOURABLE SIR MANECKJI DADABHOY: I must bow to your decision, Sir. I shall then content myself with stating at this stage that this deficit of 368 lakhs did not justify, or is not of such an enormous and of such a crushing nature as to have necessitated this Bill being sent up with the recommendation of the Governor General. But there are much more serious and weightier reasons for opposing the Finance Bill in the form in which it has been sent up. Sir, the matter of additional taxation was fully discussed by the Legislative Assembly. This is the first constitutional conflict which this Council of State has been called upon to decide with the Assembly in a matter in which the Assembly, in the exercise of its privilege, has withheld assent to certain taxation, and my submission is that, unless there are very serious, very grave, very cogent reasons to differ from the popular Assembly in a matter of taxation which has been rejected by them, this Council could not possibly support it. Sir, this is no doubt a revisional Chamber. We have got the power to sit in judgment upon the decision of the Assembly, even in matters fiscal; but I submit that power is to be exercised with great circumspection and caution, and if we have to supersede the recommendation of the Assembly which primarily deals with the question of finance, there must be some

very powerful and very cogent reason to justify our action. Sir, viewing it from that standpoint, it is difficult for me to concede my support to this measure. There is another aspect of the thing which we should not overlook. I say, it would be unfair to the Inchcape Committee; it would be unfair to their great work and to their great report that just when they have put forward such well-considered recommendations involving retrenchment of expenditure, to an enormous extent, this Council should support and be a party to a measure involving additional taxation. Sir,

12 Noon. when this Council asked for the appointment of a Retrenchment Committee, when it asked Government to inquire into the whole question of the expenditure of the administration, it was done avowedly with the object of curtailing the expenditure and making both ends meet, and certainly not with the object of giving Government further facilities for increased taxation. I say, Sir, and I say it with great respect, that the adoption at this juncture of any Bill involving additional taxation will be destructive of all incentive to retrenchment. We expect the Government to carry out in full the retrenchments that have been recommended, we expect the Government to give due consideration and weight to the recommendations of the Inchcape Committee and to put into operation bodily, if it is possible, the recommendations made. May I ask, Sir, is it consistent, is it compatible with that idea, that, on the one hand we ask for retrenchment in the administration and, on the other hand, put it in the power of Government to impose large additional taxation? Sir, it is not any feeling on the part of the Council to evade its duty in the matter of taxation that leads me to give expression to these sentiments. If our *boni fides* is to be judged, it should be judged by our past action. During the last two years, when Government was in difficulty and came before us and asked us for a large measure of increased taxation, we cheerfully and readily supported Government. If the Government only realises that within two years we have sanctioned taxation covering 28 crores of rupees they should realise that, when we are opposing a Bill involving taxation to the extent of Rs. 3.68 crores, we are not doing this from any spirit of hostility, any spirit of opposition, but from a conviction that there is still further room for retrenchment and that the accounts of the Government of India could be adjusted without the necessity of further taxation.

Sir, in this connection my Honourable friend Mr. Cook has said to-day that the growth of national indebtedness and the country's credit are at stake. The Honourable the Finance Minister likewise in his speech on the Budget stated that the country's credit was in jeopardy. With great respect to him, Sir, I decline to subscribe to this doctrine. The foundation for this argument is based on the fact that during the last five years we have financed this deficit of 100 crores out of Capital. My Honourable friend Sir Basil Blackett is a new-comer and he is entitled to all the courtesy that we can extend to him; but the Honourable Mr. Cook has been closely associated with the Finance Department for a number of years and I may remind him that, if this deficit of 100 crores has been financed out of capital, will he enlighten the Council as to what the Government of India did in the years of surpluses? When we had surpluses, the greater portion of our surpluses were appropriated and allocated to Capital. If, therefore, in years of deficit we draw on that capital, it is not that we are ruining or undermining the foundations of sound finance or doing a thing which is not strictly proper. We are just doing the right and proper thing an adjustment of accounts, which any commercial

[Sir Maneckji Dadabhoy.]

house would adopt. In the past we had a succession of years of surpluses, and these surpluses, apart from borrowings, have contributed in the past towards our railway programme, our irrigation works, our other productive enterprises.

Then, Sir, as regards our national indebtedness, I shall just only refer to a few figures to show our position, and I do not claim any originality for discovery of these figures; I claim to take them from the very Budget which the Honourable the Finance Minister has presented to us with such lucidity and precision. On the 31st March 1914 our total debt was 411 crores; on the 31st of March of this year our total debt is 781 crores, and out of this 781 crores 557 crores is all productive debt; this represents our national investment of 557 crores. Our unproductive or ordinary debt, as it is always called, is only 224 crores. It must not also be forgotten that that figure includes £100 millions which were given to His Majesty's Government as a gift during the war. If you therefore examine and scrutinise these figures carefully, I say, Sir, and I say it with emphasis, that our national position is much stronger than any other country in the world. We are in a much better position financially even than England. England with its £7,500 million of national debt, with very little productive assets to show, cannot be compared with this country. Sir, on the other hand, if you look to our Government Paper, our securities, we find that our financial position in the matter of Government securities is certainly one which excites the envy of other nations. Our securities, as the Honourable Mr. Lalubhai Samaldas has pointed out, have appreciated. And what is the reason for that appreciation? They have appreciated merely because the Honourable Sir Basil Blackett has been fortunate enough to present a Budget which in all other respects is one which appeals to the sentiment of the country except in the matter of the salt tax. It is the confidence that he has shown in the position of the country that accounts for it. The rapid rise in the premiums on Government securities during the last few days fully testifies to that position and not to the position which the Honourable Mr. Cook has made out in this Council, that our credit is at stake and our financial position is not in a sound condition. Sir, I have therefore no misgivings on this point. I think that the Finance Bill at this stage is inopportune, is unhappily brought at a period when the best policy on the part of Government would have been to carry out retrenchment and then next year the Government could have come to the country and said "We have endeavoured our best to give the fullest scope to all the recommendations made by the Incheape Committee; we now find ourselves in difficulty; we are unable to make both ends meet and we now want your assistance in raising taxation." That would have been the proper procedure to have adopted; that, Sir, would have been a circumstance in which the Government would have found many supporters in the Council and in the Assembly and in the country. I therefore deprecate the introduction of the Finance Bill at this stage and at this time. I think Government will act in the wider interests of the country and in its own larger interests if it reconsiders the matter and sees the advisability of withdrawing this Bill. I assure the Government with great respect that the country is neither in a mood nor a temper to agree to additional taxation. The highest limit of taxation has been reached. There is no scope for further taxation in this country. At the same time I feel, Sir, that I am not so pessimistic regarding the growth of our revenues as the

Government seem to be. I think the country is now gradually emerging from the after effects of the war and before long there is sure to be a revival in trade and in the general prosperity of the people; with a bountiful harvest next year and timely rains, I have not the slightest doubt that the position of Government will be stronger and that this deficit is bound to disappear. I say also with great deference to the Finance Department that their estimates of revenue in the matter of railways, in the matter of postal charges, and in other departments are extra careful. I do think and I firmly believe that there will be an excess of revenue this year. The railway revenue did fall last year, but it is perfectly clear that the excess fares were not brought into effect till about the middle of July; the strike on the East Indian Railway also in a great measure intercepted the flow of revenue and I have not the slightest doubt that the result next year in the matter of railways will be infinitely better than what the estimates have put down.

Sir, I do not wish to detain the Council any further at this stage. I do not propose to speak on the economic and political aspects of the Bill at this particular juncture. I think that the Government have not made out a case, a strong enough case, an unanswerable case, for this Council to go and override the expressed and deliberate conclusion arrived at by the Assembly, namely, their refusal to go in for additional taxation at this stage. I hope the Government will reconsider the position in the light of what has been said here and elsewhere and I feel after all that there will not be such a serious catastrophe in the matter of our financial position as is contemplated by Government.

The HONOURABLE SIR ALEXANDER MURRAY (Bengal Chamber of Commerce): Sir, although only two speakers have so far spoken from this side of the House, it appears to me that objection has been taken to this Bill on three grounds: (1) from the constitutional point of view, (2) on the merits of the Bill, and (3) from a sentimental point of view. I do not propose to speak to any extent on the constitutional point of view, except to remark that my Honourable friend Sir Maneckji Dadabhoj appeared to me to quote the wrong section of the Government of India Act when he referred to section 67A. I understood the Honourable Member, Sir, to be quoting from sub-section (8) of that section:

"Notwithstanding anything in this section the Governor General shall have power in cases of emergency to authorise such expenditure as may in his opinion be necessary for the safety or tranquillity of British India or any part thereof."

Now, that particular section which the Honourable Member said His Excellency the Governor General was not entitled to make use of on this occasion refers, if I may say so, to grants, not to a Finance Bill such as this is. I personally in this House recognise that so far as Demands for Grants are concerned we here have no say; that is a matter entirely for the other House. But I do not say that where it is a question of increased taxation, we are at least entitled to have a say, and that is provided for in the Government of India Act and also in the rules. Sir Maneckji objects to the Governor General making recommendations in connection with this Bill. If the Governor General had not made recommendations and if the Honourable Member opposite does not propose to move amendments increasing the salt tax from Rs. 1-4 to Rs. 2-8, I feel, Sir, that we would be at a disadvantage as against the Legislative Assembly. The Legislative Assembly were given an opportunity of discussing a Bill which contained a proposal that the salt tax should be Rs. 2-8 per maund. Had

[Sir Alexander Murray.]

the Governor General in exercise of his prerogative not recommended that an amendment be moved in connection with the Bill, we here would have been given no such opportunity.

The HONOURABLE THE PRESIDENT: An amendment can be moved without a recommendation.

The HONOURABLE SIR ALEXANDER MURRAY: I stand corrected, Sir; I was under the impression that it was not a privilege of any unofficial Member of this House to move amendments that would result in increased taxation.

The HONOURABLE THE PRESIDENT: Not a non-official Member; it could be moved by Government without a recommendation under section 47B.

The HONOURABLE SIR ALEXANDER MURRAY: Quite true; I accept that, Sir. But my point is that no non-official Member in this House would have been given an opportunity of discussing the salt tax on the basis of Rs. 2-8, had it not been for the fact that the Governor General in Council has recommended an amendment that the tax be Rs. 2-8 instead of Rs. 1-4. Therefore, I say that instead of finding fault with His Excellency the Governor General in Council for making this recommendation . . .

The HONOURABLE SIR MANECKJI DADABHOY: I beg Sir Alexander Murray's pardon. I did not find fault with His Excellency the Governor General in Council. I said that this was not the occasion when the Bill ought to have come up with a recommendation of the Governor General in Council.

The HONOURABLE SIR ALEXANDER MURRAY: I still think, Sir, that we are indebted to His Excellency the Governor General in Council and to the Honourable Member opposite for giving us an opportunity of discussing the question whether, in our opinion, the money necessary for balancing the budget ought to be found from salt tax on the basis of Rs. 2-8-0 instead of Rs. 1-4-0 per maund. Sir Maneckji Dadabhoj also found fault with the Government of India for having used Revenue in the past to pay capital charges. The Honourable Member behind me, Mr. Lalubhai, likewise finds fault with Government for debiting money to revenue which ought not to be debited to revenue . . .

The HONOURABLE MR. LALUBHAI SAMALDAS: Only for productive capital works.

The HONOURABLE SIR ALEXANDER MURRAY: It seems to me that if Government were to listen to the advice given by the various Members in connection with capital and revenue adjustments, they will get deeper and deeper into the mire.

I personally, Sir, would like to take this opportunity of going into the merits of the case apart from the constitutional aspect. As the Honourable the Finance Member when introducing the Budget stated, India for five years in succession had had a deficit. This is a statement of fact, which, as the Honourable Mr. Lalubhai Samaldas indicated, reflects credit on nobody, certainly not on the Government of India, nor on the Legislature nor on the tax-payer. Those responsible for framing the budget figures of these years cannot of course be blamed for the various unforeseen events, the Afghan War, frontier operations, and the abnormal military

expenditure that have contributed so largely to the deficits of the last five years. But with the best intentions in the world towards them, I cannot but express a feeling that during that period the facts were not at all times fairly faced on the floor of the Council Chamber. The last year in which the country's accounts showed a surplus was 1917-18. During the four following years, the Government continued to frame budgets showing estimated surplus of anything between 1 and 3 crores per annum, although the actual deficit in these years worked out to 6 crores, 24 crores, 26 crores and 29 crores respectively. This time last year an attempt was made to put a real face on the budget, and as we all remember a deficit of 9 crores was shown which ultimately however worked up to 17 crores. Taking the last five years together, we find that the budgets as they left the Legislature showed a net deficit for the 5 years of only 1½ crores, whereas the revised figures made the deficits of these 5 years total up to over 100 crores. The financing of these deficits has added to our annual interest charges making a difference in this year's deficit, according to the Honourable the Finance Member's statement, of at least 5½ crores. The Honourable Mr. Cook makes the figure from 6 to 7 crores, which is more than the amount now required to balance the Budget. It cannot be said that no real attempt was made to raise by increased taxation the amounts required to balance the budgets. In this month's Budget Statement, the Honourable the Finance Member has said, as pointed out by the Honourable Sir Maneckji Dadabhoj, that in the past two budgets additional taxation was imposed which was estimated to bring in about 28 crores during the year now ending. If the increased railway rates are taken into account, I make the amount even more. Going back further to 1917-18, which is the year when the salt tax was raised from Re. 1 to Rs. 1-4-0 per maund, I think it will be found that additional taxation to the extent of about 60 crores has been imposed. If we leave out the excess profits duty which was estimated to amount to 9 or 10 crores and which was in force for a year only, we get about 50 crores of additional taxation imposed since the great war broke out. Of that large addition to our revenue, the increase of 4 annas in the salt tax was estimated to yield less than a crore. On the face of it, therefore, it does not look as if salt has contributed its fair share to the increased cost of India's administration. Before going into that, I would like personally to take this opportunity of congratulating the Honourable the Finance Member on the clear statement of the financial position put into our hands along with the Budget. He has laid all his cards on the table, and so far as I can gather, has not swerved from his original standpoint that the era of deficits is past, that the time has arrived for balancing India's budget, and to that end new taxation must be imposed. Now, Sir, I have heard it suggested more than once that another little deficit won't do India any harm, but the more I think over this insidious suggestion, the less I like it. I cannot accept with equanimity the idea of a deficit for the sixth year running . . .

The HONOURABLE SIR MANECKJI DADABHOY: Why not recommend a jute tax.

The HONOURABLE SIR ALEXANDER MURRAY: I will come to that. Last year there may have been some justification for leaving the deficit uncovered. Retrenchment was in the air, and the Legislature was determined to ascertain the extent to which expenditure could be cut down before sanctioning additional taxation. But this year we have no such excuse for shrinking from an unpalatable task. I for one am satisfied

[Sir Alexander Murray.]

that Government are boldly tackling the expenditure side of the budget, and that the cuts now offered are all that can be reasonably expected to become effective during the coming year. That being so, is it not up to the tax-payer to do his part, so far as the revenue side of the budget is concerned? Of two things, therefore, I am satisfied, first, that the budget ought to be balanced—and here I am glad to say that the Honourable Mr. Lalubhai Samaldas agrees with me. He incidentally when speaking referred to the rise in the price of Government paper as proof that we need not be afraid of another deficit because the country's credit was quite good. As a matter of fact, I put this rise in Government paper and in other Government securities down to the fact that Government had clearly indicated that they no longer intended to continue deficits but they proposed to balance the budget. As I said, Sir, of two things am I satisfied, that the budget ought to be balanced, and that so far as this year is concerned, this cannot be done by further cuts in expenditure. I therefore turn to the revenue side of the Budget to see where the money can be found with least disturbance to the tax-payer. In this year's budget we find the bulk of the receipts classified under five principal heads, namely, Customs, Taxes on income, Salt, Opium and other heads. Taking the revised estimates for the current year, I find these principal heads total up to 74½ crores. In order to see where the additional taxation has been raised since the war broke out, I have gone back to the year 1913-14, and find that these same revenue heads then yielded 23½ crores only—an increase of 51 crores. Now the Honourable Member for Commerce will probably remind me that 1913-14 was a year of good trade. Of course it was: we all know that. But the fact does not necessarily vitiate comparisons between the figures of that year and this. In any event, I find the increase in taxation was due to an increase in Customs of 31 crores, in Taxes on Income of 16 crores, in Salt of only 2 crores, in Opium of one and a half crores, and other heads half a crore, bringing the total up to 51 crores. Reduced to percentages, taking the two figures in front of me here, the Salt tax has increased 39 per cent. while the taxes on Income for instance have increased 545 per cent. Let us deal first with "Other heads", which, you will see, from Statement A on page 6 of the Budget, consists chiefly of Land Revenue, Excise, Tributes, etc., amounting altogether to 2½ crores only. Honourable Members will agree that there is not much scope for increases here. The same with Opium, where our hands are tied. Take, then, Taxes on Income. The increase here is from less than 3 crores in 1913-14 to 18½ crores in 1922-23, an increase of, as I have said, 545 per cent. I know there are many people who think that Income-tax and Super-tax can be depended on for Revenue purposes. Quite true, if turned to at the proper time,—and that time is when trade is good, prices rising and profits coming in. But there is no use counting on the Income-tax payer in a period of dull trade with falling prices and disappearing profits. As we all know, the bulk of the Income-tax and Super-tax comes from Bengal and Bombay. For two years running now, the jute mills in Bengal have been working 4 days per week only. (*The Honourable Mr. Lalubhai Samaldas*: "Bengal didn't pay anything last year.") My Honourable friends from Bombay can tell you more about their cotton mills than I can,—but I hazard the opinion that these mills also should be working short time. At any rate, the fact is last year's expected increase in Income-tax and Super-tax have not materialised. On the basis of the increases, estimated to yield 2½ crores, Government

budgeted for over 22 crores, and are likely to get nearly 8½ crores less. In my opinion, the most that can be done here is to mark time and wait for the turn of the tide in trade.

Let us take Customs next. The increase here is from 11 crores to 42 crores, an increase of 279 per cent.—substantial enough in all conscience but only half the percentage increase in Income-tax and Super-tax. Here again, I suggest the time to rely on Customs duties is when trade is good. Export duties I abhor at all times; they ought to be prohibited under the constitution as I believe is the case in the United States of America. Not even in the case of jute or tea or rice can I ever be a willing party to export duties. (*The Honourable Mr. Lalubhai Samaldas*: “Not even for monopolies?”) How can I, seeing I come from Bengal which province alone contributes about 80 per cent. of India's total export duties? Bombay and Nagpur never cease crying about the Excise duty on cotton manufacturers (*The Honourable Mr. Lalubhai Samaldas*: “Justify them.”) The jute trade in Bengal contributes half as much again in the way of export duties and never says anything about it, although the duties on jute were put on solely as a war measure. Export duties in my opinion should be abolished at the first opportunity. They certainly should not be increased now, nor should the Import duties, pending further inquiries as to the actual effect of the existing duties on the various commodities.

Of the principal heads of Revenue, I am now left with only salt to refer to. And here I could say a good deal. At the moment, what I wish to point out is that the revenue from salt has risen during the past ten years from 5 to 7 crores or only 39 per cent. That is after including the increase of 4 annas per maund in 1917. Or to put it another way—whereas in 1913-14 salt contributed 22 per cent. of the principal heads of revenue referred to, it this year contributes only 9 per cent.

Now, I have already expressed the view that the time to catch the Income-tax payer and the Customs Tax-payer is on a firm market when prices are strong and profits good. But with salt the case is different so far at least as the wage-earner, the salaried man and the comparatively poor man is concerned. We all know that in the rising market prices of commodities rise faster than wages or salaries. Hence the strikes of recent years in India as elsewhere. For that reason alone, therefore, I think Government were justified in hastening slowly so far as increasing the salt tax was concerned. But the case is different now. For the very reason that it is economically unsound at the present time to increase Income-tax or Customs duties, Government, in my opinion, are perfectly justified in suggesting that the Salt tax may now be increased so far at least as the wage-earner and the salaried man are concerned. For, as Honourable Members are aware, prices of commodities are falling faster than wages or salaries and the comparatively poor man of two or three years ago is better off now than he was then or than he was even a year ago. Has the cost of rice not fallen, has the price of wheat not tumbled down? I need not take up the time of the House labouring this point. The Honourable Member in charge of Posts and Telegraphs can ask the Postal and Telegraph operators all over India. The Honourable Member for Commerce can ask the Government printers and the Railway employees all over the country. As I can vouch for Bengal, so also, I have no doubt, can the Honourable Mr. Samaldas for Bombay and Bihar, and the Honourable Mr. Ram Saran Das for the Punjab. And so on all round the House. Does one ever hear of strikes now-a-days or rumours of strikes?

[Sir Alexander Murray.]

It may be said there are many in India who will be affected by a change in the Salt tax who are neither wage-earners nor salary earners. True, but surely these also are better off to-day than they were three years, two years, or even one year ago. For have we not had three good seasons running with correspondingly good crops?

It has been argued that the poor man also contributes a share of the taxation falling under the head of Customs. Quite true, but I would ask any Honourable Member who wishes to use that argument here to go through the list of dutiable articles and the amounts of additional taxation collected therefrom in recent years and he will be surprised at the relatively large amounts collected in respect of articles for which the poor never has had, and, for years to come, is not likely to have, any use.

I take it, most Honourable Members are agreed that no unexplored sources of income are waiting to be tapped this year under other heads of Revenue, such as Railways, Posts and Telegraphs, etc. I further take it none of us wish to press the Honourable the Finance Member to make any more journal entries in connection with the income according on investments in the Paper Currency Reserve or in the Gold Standard Reserve.

That being so, I feel that, if the Budget is to be balanced, the least objectionable method is by means of an increase in the salt tax. Frankly, at first I did not like the idea and I thought—and did not hesitate to say so—that it was too bad of the Honourable the Finance Member expecting our friends in the other House to go electioneering on the strength of doubling the Salt tax. I felt that too little regard was being paid to the feelings of Honourable Members no matter how much these were based only on sentiment. On the other hand, I might have known that newly cut from Home as he is, the Honourable the Finance Member must be well aware of the extent to which political expediency and party tactics influence Budgets in other countries and the effect that sometimes sentiment alone has on the course even of these Budgets. He cannot but remember how Lowe's proposed tax on matches was ruled out, not on the merits of the case but purely on sentimental grounds, and later still, how Goschen's proposed "wheel and van" tax caused members to tremble in their seats and had to be withdrawn.

I have no doubt the Honourable Member now realises that it is not only in the West that sentimental feelings get the better of Members, and I am certain he would be only too pleased to make it as easy as possible for Members of the Indian Legislature to meet their constituents with easy consciences and glad hearts. The fact that he hardens his heart and refuses to see anything but a balanced Budget makes it clear to me that the Honourable the Finance Member puts the cause of India, as he sees it, above all other considerations. I say quite frankly I have been converted to the Honourable Member's point of view. I admire the strength of will and the singleness of purpose which place the good of India as he sees it,—and if I may say so as I now see it,—above all other considerations. Therefore, though I sympathise with the very natural feelings of some Members of this House and of Members of the other House amongst whom are many personal friends for whose opinions I have the greatest respect, I intend to support the Finance Bill and the amendments recommended by the Governor General, and I appeal to my fellow-non-official Members of this House not to allow their feelings or their votes to be swayed by sentiment but to squarely face the facts as men of the world and to

vote for the Bill to be amended as recommended in the full knowledge that on the merits of the case we are acting rightly, that in the interests of India we are doing right and so that we can look back on this as a day when we had it in our power to do India a good turn and did it.

The HONOURABLE COLONEL SIR UMAR HAYAT KHAN (West Punjab: Muhammadan): Sir, we all say that the Budget should be balanced but we want it to be done by a miracle. We do not want to give any money to balance it. How could that be done? Sir, we in this House consider ourselves that we ought to be the anchor of a ship which has broken off from its moorings. We have had such chances of being so and we have proved such and I hope my colleagues who are here for that purpose would again prove themselves to be the same. Sir, I have been about 16 years in the Legislature and I have heard my very great friend, Mr. Gokhale. At that time all the politicians thought that we should tackle Government somehow or other in season and out of season. The only thing which they could find at that time to attack was the salt duty and say "Oh, everybody requires salt,—even the poor and even the cattle." But I personally think, Sir, that the man who is to look after those animals may give them salt or he may give them anything he likes—something that he generally requires for himself. Take buffaloes in the jungle. Where do they get their salt from?

The HONOURABLE LALA SUKHBIR SINHA (United Provinces Northern: Non-Muhammadan): Cattle in the forests do not require salt because they have no work to do.

The HONOURABLE COLONEL SIR UMAR HAYAT KHAN: They have got very much to do. They are hardier because they run about the whole forest to obtain their food.

The HONOURABLE THE PRESIDENT: Order, order. The Honourable Member must not enter into a conversation. He must address the Chair.

The HONOURABLE COLONEL SIR UMAR HAYAT KHAN: It is just the other way. There are lots of men in various places who do not eat salt. I think it is only a vice to give it to the animals. Then, Sir, to become fashionable speaker, one always has to take up the side of abolishing the salt duty. But we do not want such cheap popularity. If we go and make the cloth of the general public dear they suffer. But as regards salt, I come from a part of the country which produces salt. If it gets dear we do not get any benefit, nor when it is cheap, because the whole benefit goes to the middleman who buys and sells salt. The general public are not so much concerned about it. They always have to pay about the same price. Lots of people suggest that we should have such and such duty, and so forth. Why not impose all such duties which they suggest. We have been responsible for bringing about these deficits and adding to the burden of posterity, and we ought to do something for them by using all the money we can get from taxation. Get money by taxes and after spending for your administration, let the balance go towards lessening the burden of the debt. We ought to undo what we have done before. I am sorry that His Excellency the Commander-in-Chief is not here as I wanted particularly to attack him for allowing the reduction in the Army. We all say penny wise and pound foolish. It has been seen over and over again that if a country wants to progress but has not got the means to protect itself it is nowhere. If we do not keep a sufficient army we are liable to get

[Colonel Sir Umar Hayat Khan.]

trouble any day. One of my Honourable friends tried to contradict me the other day, but I will say again that Asia now-a-days is bucking up in a way to unite together. Then we have Afghanistan.

The HONOURABLE SIR ZULFIQAR ALI KHAN (East Punjab: Muhammadan): What has all this to do with salt duty?

The HONOURABLE COLONEL SIR UMAR HAYAT KHAN: If we do not get money by the salt duty, and if you have no money how are you going to keep an army to save yourselves? That is one of the sources to get money. (*A Voice*: "There are other ways of getting money.") Have also those. That is why I have already said that you should have money, in order to run efficiently the machinery of State. They say, run your railways very nicely. Make the third class carriages like first class ones. But if you cut down the railway expenditure as in the other House the other day, how are you going to improve the railway service? I am glad those who said that the railway expenditure should be cut down were not heard and the demand granted. If there is a Commission coming here to improve our lot, we say, "No, we do not want it". And it is again gratifying that this proposal met with the same fate. If we have not got money how can we run the ship of State?

The HONOURABLE SIR MANECKJI DADABHOY: Why not tax on land revenue?

The HONOURABLE COLONEL SIR UMAR HAYAT KHAN: I was just coming to that. I always know that the rope and the chain break at their weakest point. If you get into trouble the first thing would be to raise the land revenue and that simply because we do not murmur. Always men with money escape. All those who want to whittle down the expenditure on various items for the good of the Government and the army are far away from the line of action of the invasion. Some are in Madras, some in Calcutta, some in Bombay, where no conquerer has ever reached. Unfortunately I come from the Western Punjab which is next door to Afghanistan and we have tasted something of the invasions. They used to say, "All you eat is ours, the rest goes to Ahmed Shah". It has been said in another place that this item, i.e., Salt Tax, is the last straw on the camel's back. Who is the camel? The people or the Government? So many retrenchments have been effected and so suddenly that it might break the camel's back also on the side of Government. Everything should be done slowly. If we take away all the pillars of this hall, the roof will fall. We should remove one at a time and see what happen just as the elephant feels the land under his feet before he walks. The poor Zemindars are paying on every pice on land, while the banyas are not paying anything under 2,000 and I would suggest to the Government that the limit should be brought down to 500 or 1,000 so that all may shoulder the burden equally. We have all heard about the Inchcape Committee. Some people are expert in making cuts but they are not expert in other things. They may cut some expenditure which the army or the medical people may not like. Then again we want money very badly and that is why I say that all sources should be tapped because in these days in the lower rungs the pay is less and the expenditure is more as we have not got money. How can we improve their condition if we do not find the money. So I

think, Sir, that we should welcome all these taxes, because there is a proverb that if you see all property going and you can save it by giving half the amount, better do it at once.

THE HONOURABLE THE PRESIDENT: I do not want to hurry the Honourable Member, but there are other Honourable Members waiting to speak.

THE HONOURABLE COLONEL SIR UMAR HAYAT KHAN: As I hope I shall catch the eye of the Chair and as I shall have lots of other opportunities later when I may be able to say something more on various other points, I conclude.

THE HONOURABLE DIWAN BAHADUR V. RAMABHADRA NAIDU (Madras: Non-Muhammadan): Sir, I am sorry I have to oppose the Bill. My duty, as an elected Member, is to express, here in this Council, the view of my constituents and if possible to influence my colleagues to their way of thinking.

The mandate is "Do not increase taxation especially on poor man's salt." I think so too, in spite of my earnest desire to help the Government in any difficulties they may be placed in.

Though the last year's deficit was 10 crores of rupees, salt was not taxed. It was wisely accepted by Government as an article not to be taxed. Salt is the last reserve of Government. It must not be taxed especially in the present hopeful state of finances. This year the deficit is only 3½ crores. Would it be just and proper to impose tax on salt? It would not be. We do everything to support Government in all reasonable proposals. This Council also must show that it can vote the popular view. In spite of the almost unanimous opposition in the country, this Council can ill afford to support enhancement of this tax. Any increase in salt duty will lower the consumption and decrease the vitality in the people.

Lord Curzon, when he was Viceroy, had the good fortune to reduce the duty on salt from Rs. 2-8-0 to Rs. 1-4-0. When we have got the Reforms, when India is making rapid progress in every way, it has fallen to the lot of His Excellency Lord Reading's Government to increase again the salt tax and go against the public opinion. I do not think his Government is bankrupt of Statesmanship and Justice. His watchword is "Justice" when he assumed charge of his high office in India. We cannot see the reason why Government should persist in their attitude to increase this tax. They must take the people by them. It would not be wise to set the Council against the Assembly. Our prayer is that India should not be landed in trouble, political as well as economical.

When Lord Inchcape was appointed, it was thought by most of us that the cuts which his Committee would make would be adopted *in toto* by the Government in all the Departments.* But the Government could not do so all at once. When we consider the large waste on Army, this deficit of 3½ crores is nothing. The expensive Army authorities have paid nearly 30 lakhs on erection of workshop at Chaklala near Rawalpindi and an annual wage Bill of 13 lakhs. The Inchcape Committee consider that there is no justification for the stock of vehicles which the Military authorities require. Vehicles have been used for unnecessary purposes, half loaded, with an attempt not to regulate the mileage per gallon of petrol. "We examined," say the Committee, "the record maintained by one Motor Transport company and found they were far from

1 P.M.

[Diwan Bahadur V. Ramabhadra Naidu.]

satisfactory; the number of vehicles in use was considerably in excess of the requirements, and in many cases the daily loaded mileage run by individual lorries was only 2 to 4 miles with light loads of about 5 maunds." The Military authorities estimate the running cost of a Ford car at Rs. 4,250 per annum, exclusive of personnel, interest on capital or depreciation.

The HONOURABLE THE PRESIDENT: I cannot quite hear what the Honourable Member is saying, but he appears to be straying off the subject.

• The HONOURABLE DIWAN BAHADUR V. RAMABHADRA NAIDU: Those who are familiar with Fords will agree with Inchaape Committee that this running cost is excessive. We can see a further waste of money in the Army by keeping up a large staff of officers at Wellington and a school. When such waste is allowed to run even under the control of His Excellency the Commander-in-Chief, how could the Government hope to balance the Budget?

Many are of opinion that the Gold Standard Reserve must be touched. Why should not the Government have recourse to it? Why should not the Government impose a duty of 6 pies more on Customs? The Railway is sure to bring better revenue this year. If the Government would economise faithfully and in accordance with the suggestions of the Inchaape Committee, then the expenditure this year will adjust itself along with the revenue. There would be no need for more taxation. This is my honest opinion.

The HONOURABLE SIR ARTHUR FROMM (Bombay Chamber of Commerce): Sir, I am sure all the Members of the Council were very thankful when my Honourable friend Sir Alexander Murray rose to speak in his usual optimistic manner and also equally thankful when my Honourable friend Sir Umar Hayat Khan, followed and gave utterance to his cheery speech because after listening to my Honourable friend Sir Maneckji Dadabhoy such a gloom of depression came over the House that if he had continued very much longer, I think I should almost have had to retire. I do not see there is any occasion for this depressing gloom. The Bill is perfectly straightforward. It certainly comes to us with a recommendation from the Viceroy and Governor General, but this does not restrict a discussion on the amendments before us in connection with the Bill. It is entirely open to the Honourable Members of this Council to vote according to their honest convictions. If they disapprove of the amendments, presumably they will vote against them, and if they approve of them, presumably they will vote for them.

In my opinion, Sir, the budget should be balanced, and I think that is the opinion of most Members of this Council. You cannot expect Government to go on with an unbalanced budget year after year, year after year. They must stop some time; and I cannot help thinking that this is the time when the deficit should be stopped, for the reason that Government have this year cut very deeply into their expenditure. The retrenchments as recommended by the Retrenchment Committee have been followed very fully with a promise of being pursued still further; and it is possible it will be found in some cases that the cuts have been too deep. Is it not necessary that we should avoid a revenue deficit when we have been cutting so deeply into the expenditure side? We may be faced with a possibility that in some

Department of Government the out has been too deep, and if continued for say one, two or three years then in the fourth year it would be very much more costly to restore the Departments than if they had been kept up annually during the period I have referred to. That is an obvious recognition in business. If, say, you do not keep up your mills, if you allow the upkeep of your mills to slide over a certain number of years, at the end of those years you will find it will cost you very much more to restore the mills into proper working order than if you had kept them up annually to their best working condition. Therefore with these deep cuts I contend that we must have a full revenue and we must balance our budget.

My friend the Honourable Mr. Lalubhai Samaldas expressed some resentment at what he thought was a suggestion from the Finance Secretary that the Legislature were responsible for the hundred crores of deficit extending over the past five years. The Finance Secretary apparently made no such suggestion, but my friend the Honourable Mr. Lalubhai resented any such implication, and in doing so, he immediately revealed his innermost feeling that he did not like a deficit (*Honourable Mr. Lalubhai Samaldas*: "I said if we could help it"), although he went on to say he thought there was no reason why there should be a deficit this year.

I thoroughly agree with the remarks made by the Honourable Sir Alexander Murray as regards the rather remarkable rise in Government securities during the past few days. We were both thinking alike. I jotted down the same thing in my notes that he did. I am of opinion that the rise was due to the anticipation that the Government this year would balance its budget.

One word more, Sir. We have heard one or two Members utter words of warning to the Government on this question of salt. Now I have spoken to many Indian friends,—and I have a number of Indian friends,—I have invited argument with them; I have invited it in order that I should be convinced that this salt tax is oppressive to the poor man, and the majority of my Indian friends have said, "No, it is not an oppressive tax, but sentiment is against it." I have mentioned that before. I think my Honourable friend on my right told me it was felt to be oppressive a number of years ago. But a number of years ago the poor man was in very different circumstances to what he is in now. His income was very much smaller. I appeal to the Honourable Members who really feel that this salt tax is not going to be oppressive, I appeal to them, not merely to give utterances of warning to Government, and if there were some little trouble not to stand aside and say "I told you so". Would it not be a better action to try and put their constituencies right, to point out to them that this salt tax is not an oppressive tax, and to educate the people to realise that they are asked to subscribe their mite, a very small mite, to the upkeep of this great country in which they live.

The HONOURABLE MR. V. G. KALE (Bombay: Non-Muhammads): Sir, critics of Government will feel thankful to the Honourable Mr. Cook for the very strong case that he made out against the policy of Government, as representing the views of its opponents, and I am glad to feel that he was not able, in the course of his remarks, to rebut the arguments which have been advanced by Government's critics. I do contend, Sir, that the deficit in the budget is an unreal deficit. It is only an apparent deficit. It is not a normal deficit, and we cannot say that we are not able to balance our normal expenditure and normal

[Mr. V. G. Kale.]

revenue. Can it be said, Sir, that expenditure in Waziristan, amounting to a crore and a half, is normal expenditure? If it is not, there is no point in taking it into account in making out a deficit. Similarly, much has been said with regard to the faking of accounts; but, if we are to arrive at a correct understanding of the financial position, we shall have to find out whether the present method of accounting is a correct method. I do realise that the Government want what we call in connection with investments "new money," but does the present financial position justify the demand of the Government for additional taxation? Even though it may not be possible for Government to carry out in full the recommendations of the Retrenchment Committee in the course of this year, next year it is just probable that the Government will find itself in the happy position of being able to do more than balance its Budget. The Honourable the Finance Member in the course of his Budget speech has himself said that "if this reduction and the others which have been agreed upon could have been fully and effectively put in operation by the 1st of April 1923, the net military budget for 1923-24 would be 57.75 crores; but a sum of 4.25 crores has to be allowed for special expenditure in Waziristan and for the fact that the reductions cannot be in full force throughout the year." So that this expenditure of 4½ crores is abnormal expenditure. Similarly, the lag and the terminal charges are not items of normal expenditure; they are admittedly abnormal. We have, therefore, no justification for saying that the financial position of India is so bad to-day that we must levy additional taxation. In fact, the Budget is a self-balanced Budget even to-day. (*The Honourable Mr. E. M. Cook: "How?"*) If we were to look at it from the proper point of view of what is normal revenue and what is normal expenditure, which can be put down to revenue, the expenditure and the income are balanced. Government have, therefore, no very strong ground to stand upon when they say that for bringing about an equilibrium between the normal revenue and expenditure they want this additional taxation. What in effect they will secure if addition to the salt duty is approved, will be a surplus. If things go on as they expect them to do during the course of the next year,—though it is very difficult to make a prophecy,—I think by the end of the year they will find themselves in the fortunate position of having a considerable surplus. As a matter of fact, these 4½ crores will be a surplus, and the question for us to consider is whether we are going to allow Government to have this surplus through the salt tax. I would certainly not grudge Government a surplus provided it was not to take it out of the salt duty. Some of my friends have tried to make out that the salt duty is not an oppressive tax, but the position has not been made convincing even though my friend the Honourable Sir Umar Hayat Khan has given to us a number of jokes about it. I am afraid he spoke as if he thought the salt duty had something to do with the duty that the Members of this Council have to perform towards Government. The salt duty is certainly not expected to be a duty of the Members of this Council to support Government in their proposal for additional taxation on salt. An addition to the existing salt duty may be a negligible increase from the point of view of the cost per head of the population. The real question is whether the salt duty is not an emergency tax, to be resorted to only to meet emergencies. I do not wish Government to regard the salt duty in India as something of the

nature of income-tax in England. Whenever the Finance Member there finds himself in a difficulty he raises the income-tax, say, by a few pence or by a shilling. The Government in this country cannot look upon the salt tax as an ordinary tax which, on account of the ease with which it can be assessed and collected, ought, from time to time, to be raised. Really speaking, the salt duty should have been reduced by this time to Re. 1 per maund to the pre-war level. It was tolerated only as a war measure and it continues at the present time as a sort of war measure; but if we were to give Government an additional four or five crores in the matter of the salt tax, then the emergency character of the tax would vanish. It is essentially a tax which ought to be resorted to only in a time, say, of sudden calamity, or sudden difficulty or a catastrophe. Salt cannot be regarded as an ordinary object of taxation. It is people's food, and therefore Government ought not to manipulate this tax from year to year in order to make up their recurring deficits. The Honourable Mr. Cook said that the outcry against the salt duty was a very old outcry, and that the battle-cries of one generation ought not to be made the battle-cries of another generation. Unfortunately in this country, Sir, some serious grievances of the public have not yet been redressed and we have to continue our agitation against them and in favour of certain reforms. The question of military expenditure and the question of currency and exchange are questions involving popular grievances of old standing, and we have to agitate for reform with regard to those problems and we are not here simply repeating the old cry against the salt duty when we say that the duty ought not to be raised. It is misleading to say that because the poor man is not likely to suffer very much by the addition of 12 annas or a rupee or Rs. 1-4, to the family burden, therefore, the Government should be allowed to increase the salt duty. I would suggest to Government, if they have any doubts about public feeling, that they might take a referendum. Many of my friends have doubted whether the public really feels against this salt duty. I would therefore throw out a suggestion; let the Government take a referendum of the mass of the people, and if they find that the people do not want this salt duty, certainly they will be welcome to impose it. But I have no doubt in my mind whatsoever that they will not get even a fraction of the population of India on their side in this matter of the salt duty. I do not want, Sir, to refer to what has been said in regard to provincial contributions. In the course of my budget speech I have said already that it was an apple of discord thrown into the midst of the representatives of the provinces by the Government of India. It has been suggested that if the public consented to this proposed increase in the salt duty, it might be possible for Government, in the very near future, to reduce provincial contributions. I would say in this connection, that if the Governments of provinces are to have their contributions reduced it will be practically tantamount to their taxing their own people. The increased tax will fall upon their people, so that the Government of India will give back to the provinces with one hand what they will be taking from the people of the provinces with the other. Then again, Sir, there is no certainty as to what Government is going to do with regard to the provincial contributions. In any case, I do not feel that the Government is justified in raising the salt duty, because I repeat that this deficit is not a real deficit, taking the normal revenue and the normal expenditure of the country. If the Council will allow the Government to raise the salt duty, it will only provide a big surplus. We do not want Government to have such a

[Mr. V. G. Kale.]

surplus just at this moment when the work of retrenchment of expenditure has not been completed. We feel that there is still considerable scope for retrenchment and we are convinced that all possibilities of retrenchment have not been exhausted. The Council is not, therefore, justified in allowing the Government to increase the salt duty.

The HONOURABLE SIR BASIL BLACKETT (Finance Member): Sir, Professor Kale is at any rate consistent. In the debate on the general discussion he took the view that it was better to budget for a deficit than to impose new taxation at the present time. I disagree, I am afraid, with his rosy picture of an abnormal deficit, which means really a normal surplus. But I would just give him one argument based on his premises. Assume that this year we have got an abnormal position which gives us a deficit. Is not that the moment to put on for a year the emergency tax to cover it? After all, the period for which the tax is imposed by this Bill is only a year. We should therefore on that basis be using our emergency weapon for the emergency purpose and reach the end of the year with our budget balanced and go forward next year to the problem of how to deal with the next year's Budget. But is the deficit abnormal? It has become rather normal. We have had five years of deficits in succession. It has been asked to-day why we should not have a sixth, and that a very little one? Well, "it is the last straw that breaks the camel's back" is a proverb which can be applied to deficits as well as to other things. It is said that the deficit is abnormal because the charges for Waziristan are not normal. I hope they are not, but such charges were not very abnormal in the last generation and the generation before that. It is said that the deficit is abnormal because there are the lag and the terminal charges in the army estimates which will not recur next year. I am afraid some terminal charges will not be over by 1924-25 though we hope the lag will be entirely over. But as I have pointed out in another place more than once, over 2 crores of the reduction in the army estimates this year represent a non-recurring reduction of stores. That reduction does not recur. Next year we shall have to find some means of effecting reductions in other directions to keep that particular bit of reduction in our hands. The same is true in some of the civil estimates. There is a cut of 3 crores in the programme Renewals expenditure, the expenditure for keeping the rail roads in repair, so as to keep them in proper condition and prevent depreciation. That is not a normal cut. That is not a recurring saving of 3 crores. The same line of argument that there is no real deficit this year is one on which the suggestion that we should transfer to capital certain charges which are at present charged to revenue has been based. Now that has been dealt with from time to time rather fully, but I must repeat here that there are certain charges in the Railway Budget which represent repayments of capital in the sense that they represent a reduction of our capital liability in respect of annuities. But that is the only provision in the Railway Budget for writing off railway debt, for reserve,—for depreciation in general. We cannot have an asset such as the Railways and regard it as certainly a valuable asset a hundred years hence. We may all then be flying about with our own wings. What will be the value of the railways? You must make some reasonable provision for writing down your expenditure.

The HONOURABLE MR. LALUBHAI SAMALDAS: Have a sinking fund.

The HONOURABLE SIR BASIL BLACKETT: That is exactly what I am advocating and that sinking fund must be charged to revenue.

The HONOURABLE MR. LALUBHAI SAMALDAS: That will be later on but at present it must go to capital.

The HONOURABLE SIR BASIL BLACKETT: That is not the case now. Such as it is, it is charged to revenue. Then, there are two crores of expenditure on New Delhi which has to be shown on the other side.

The HONOURABLE MR. LALUBHAI SAMALDAS: For which we are not responsible.

The HONOURABLE SIR BASIL BLACKETT: I do not say who is responsible. All I say is that I have not suggested in the Budget transferring it to a revenue charge. I said it is only sheer necessity which justifies its being kept as a capital charge without any provision for its yearly repayment. Would the Honourable Member like to do a deal with me over it? I have 196 lakhs which ought to be charged to revenue. Would he like to exchange this for the 114 lakhs representing annuity charges?

The HONOURABLE MR. LALUBHAI SAMALDAS: If it is correct, let us go in for it.

The HONOURABLE SIR BASIL BLACKETT: I am in great hopes that next year by the time the Budget is introduced we shall be able to revise all these deficits and be able to improve the whole of the accounts, and present real commercial accounts for the railways. But we are arguing now only this question of the annuity. Now for the purpose of showing a surplus where there is a deficit on the methods which you have used for accounting for years, when you have announced to the public that there is a deficit on those methods, are you going to improve your credit by making a transfer to capital not in order to improve the accounts but simply because you want to make your deficit appear like a surplus? I entirely agree with the line that Professor Kale took that, if you are going to have it, you should show your deficit as a deficit and not as a camouflaged surplus. The argument that our credit has been suffering has been challenged to-day by two Honourable Members. I should like to remind them of what they said on March the 7th. Mr. Lalubhai Samaldas said:

"The Budget ought to be balanced. There is no doubt about it. Those of us who have anything to do with commercial concerns realise that unless the budget is balanced neither the country nor the Government can have any credit with the outside world."

Sir Maneckji Dadabhoj had something interesting to say on the subject to-day. This is what he said on the 7th of March:

"I endorse all that Sir Basil Blackett has said as regards the necessity of balancing the budget. It would be impolitic, it would be unwise, it would not be in consonance with a well regulated policy to leave the deficit uncovered and some means must be found to obtain that object."

After all we are all agreed that the deficit must be covered. The only question is, is it better to put on new taxation or to leave the deficit uncovered, if the new taxation is so unpopular or so much disliked as the particular method which we have proposed this year? Well, I never heard of any taxation that was popular. All taxation is disliked. I imagine that it would be very seldom that you would get a majority in a referendum in favour of any taxation. Incidentally, I am afraid that the 4 crores

[Sir Basil Blackett.]

deficit would be increased considerably if we tried to have a referendum on the question of imposing the salt tax. But all taxation is disliked, and taken by itself it will invariably be objected to and opposed. The people who are responsible for the finances of the Government, this House, the other House, the Government, in the case of India, have got to do things that are not altogether popular if they want to balance the budget. If you do not carry taxation as this House and the other House have carried it with great spirit and courage in the last few years, you will never be able to put your finances in a sound position. This year we have gone further. We are not merely proposing to cover our expenditure by new taxation. We have done our utmost to put into effect the very drastic recommendations made by the Retrenchment Committee. I was very much gratified to hear to-day a Member of that Committee say that he was thoroughly satisfied that the Government had put into force all that was possible in 1923-24 of the recommendations of the Retrenchment Committee. That, I do assure the House, is the case. We have gone all out to effect those reductions. It is going to be a continued fight all through the year to prevent the actual expenditure exceeding the Budget figures. In this case we have to depend on putting into force retrenchments which we have not yet had actually time to carry out. If that is so, I think that I really have a good answer to the complaint that has been made that the Government was unyielding in not agreeing to large cuts in the estimates as presented to the other House. These estimates, as presented, showed the minimum figure which it was honestly possible to consider as likely to be reached in reducing expenditure next year. If the Government produces estimates and then accepts large cuts in the course of the discussion, it is open to the just charge of having produced bad estimates. It cannot permit a lakh or two here or a lakh or two there to be cut and still claim that the estimates that it introduced to start with were correct.

The HONOURABLE MR. LALUBHAI SAMALDAS: That is what we were told by the Honourable the Finance Secretary last year.

The HONOURABLE SIR BASIL BLACKETT: I admit that possibly some things that happened last year may have been misleading us this year. But this year our estimates represent the minimum that we can honestly put forward as required after putting into force all the recommendations of the Inchcape Committee.

One particular point has been mentioned. It is an item called service charges in the interest figures. Now, the budget for our requirement for interest is necessarily one of those which are uncertain. If you borrow late in the year you have larger charges to pay under the head of interest on treasury bills and less under service charges. But just taking that item as it stands, we are told that because last year we managed to get through a rupee loan of 47 crores with Rs. 58 lakhs for service charges, our estimate of Rs. 80 lakhs this year when the loan is only Rs. 25 crores is too big. Well now, in 1917-18 we borrowed Rs. 42½ crores and the service charge came to Rs. 236 lakhs. We borrowed Rs. 56 crores in 1918-19 and the service charge was Rs. 162 lakhs. In 1919-20 we borrowed Rs. 21 crores and the service charge was Rs. 181 lakhs. The next year, the loan was Rs. 49 crores and the service charge Rs. 190 lakhs and last year it was Rs. 47 crores and the service charge Rs. 58 lakhs.

The HONOURABLE MR. LALUBHAI SAMALDAS: The Department was learning. They ought to have learnt better now.

The HONOURABLE SIR BASIL BLACKETT: We have taken the yearly average which is over Rs. 80 lakhs and put it down at 80.

The HONOURABLE MR. LALUBHAI SAMALDAS: Not the average. Last year's percentage is what I want.

The HONOURABLE SIR BASIL BLACKETT: The year before it was Rs. 190 lakhs for Rs. 49 crores and last year Rs. 58 lakhs for Rs. 47 crores. We have not taken the average of those two. We have taken the average over a series of years. I only give that to illustrate that that figure is the best figure that we can produce. We are quite confident that taking the estimate for interest as a whole it was impossible to make any serious cut in it without being fairly certain that on the estimate as a whole we should find it necessary to come back for a supplementary grant. (*The Honourable Mr. Lalubhai Samaldas*: "Could have done it.") Of course, we can quite well introduce at the beginning of the year estimates which we know will require supplementaries of 10 per cent. all round, but we cannot present those estimates as our forecast of the budget expenditure for the year. The fact that you can get a supplementary estimate if a cut is made has nothing to do with the question that you have got to produce a forecast now of what your expenditure for the year will be. It may be quite different from your preliminary demand for grant which you can double by a supplementary grant if that is possible. An appropriation under the demand grant is really rather a different problem from forecasting your budget requirements. However, we have honestly reduced our estimates to a form where we think it is impossible to reduce the figure below the figure of the deficit of 869 lakhs which we now put forward.

Then the question is, if this salt tax is so unpopular, if like all other taxes sentiment objects to its being taxed, is not some other kind of taxation possible? As the Council is aware, we did our utmost to see whether anything could possibly be done in that direction. All efforts were made by Government to see whether an agreement could be arrived at for other kinds of taxation which would between them take the place of the salt tax. Not only was there no unanimity among those who suggested alternatives, but in nearly every case—I must not say they did, but I think they privately thought that salt tax was preferable. (*A Voice*: "No, no.") It was said in another place that if anything was going to encourage non-co-operation it was the income-tax department, and a surcharge on income proved very, very unpopular and I do not think there would have been any chance of an agreement on that as a substitute for the salt tax. Given that the budget deficit must be covered, the Government of India are honestly and sincerely convinced that the right and the fairest course in the interests of the Indian tax-payer as a whole, in the interests of India's credit and in the interests of the future of India is the salt tax. They did not close their minds to the possibilities of other taxes, though I may say for myself that I went through very much the state of mind which Sir Alexander Murray went through. I disliked salt tax. It did not seem to me to be a desirable thing in itself, or a desirable thing to come forward with as a supplement to the Retrenchment Committee's report. But one after another possible alternative taxes were explored. The possibility of a further reduction of expenditure was, as I have explained, out of the question. I have great sympathy with one argument that is put forward in connection with that matter. I think it is as a matter of fact the strongest argument against the imposition of salt tax or any other tax this year and that is

[Sir Basil Blackett.]

that additional taxation will take away all inducement to Government for further retrenchment. Had I thought that I should have voted for the opposition to the salt tax. But why should that be so? Assume that we have produced a budget that balances in 1923-24. In the first place, most of our taxation is annual. But apart from that we are still over 9 crores short of a final balance because there are 9 crores of provincial contributions between the Government of India and the final balance—between its permanent income and permanent expenditure whatever the normal figure of that is going to be. We have got 9 crores of retrenchment to make before we can clear the provincial contributions out of the way as we are pledged to do, 9 crores of retrenchment less such amount as we may obtain from increasing revenue from existing sources. I have missed one point that was made by a speaker to-day and that is that our revenue estimates are unduly cautious. It is very difficult to frame revenue estimates with the world in its present state, to foresee what the future of our internal trade and of our export trade is going to be, but we have been sufficiently warned by our efforts last year only when our revenue estimates were 12 crores too high as to the dangers of overestimating. I claim that we have not underestimated. We have allowed for a considerable increase, I think nearly 4 crores in gross receipts from railways, for an increase of over 3 crores in the net receipts from the Customs and we have allowed for normal growth elsewhere. We have not allowed for abnormal growth of revenue. We have not allowed for a boom. I hope the boom is coming but I do not expect it, I am afraid. If we are going to have an improvement of trade, it is going to be slow and steady and probably, in the best interests of the world, it is better that it should be slow rather than a boom. But we cannot frame estimates on the assumption that it will be anything but slow and steady. That being so, there is no room for being over-sanguine as to balancing our budget in future years by growth of revenue. We have got considerable retrenchments still to carry out. We have got to complete the work that has been done by the Retrenchment Committee and I hope those Members of the Retrenchment Committee who are also Members of this House will not disagree with me when I endorse a remark that was made in the other House that the Retrenchment Committee is not the last word on possible retrenchments.

The HONOURABLE MR. LALUBHAI SAMALDAS: I hope not.

The HONOURABLE SIR BASIL BLACKETT: We too hope not but I do say that is the one argument which seems to me really a strong one against covering the deficit this year that it will take away the inducement to Government to economise. There is 9 crores between us and a real balance, which is a considerable inducement and the House can still study the Retrenchment Committee's report and talk to us next year and the year after. I do not imagine that will be forgotten. I do claim, therefore, that looking to the interests of India as a whole the Government is doing right in asking that the salt tax be passed, that the Budget for this year be balanced and that the era of deficits which has now been with us for 3 years shall be definitely brought to an end.

The HONOURABLE DR. MIAN SIR MUHAMMAD SHAFI (Law Member): The motion now actually before the House is that the Bill as amended by the Legislative Assembly be taken into consideration. I venture to suggest to Honourable Members that further discussion on the salt duty will properly

arise on amendment to clause 2 standing in the name of my Honourable friend Mr. Cook. There have, I submit, been already a sufficient number of speeches of a general character and therefore, Sir, I move that the question now be put.

The HONOURABLE THE PRESIDENT: I think the House is prepared to come to a decision without my putting the closure.

The HONOURABLE THE PRESIDENT: The question is:

"That the Bill to fix the duty on salt manufactured in, or imported by land into, certain parts of British India, to vary the duty leviable on certain articles under the Indian Tariff Act, 1894, to fix maximum rates of postage under the Indian Post Office Act, 1898, to amend the Indian Paper Currency Act, 1923, and to fix rates of income-tax, as passed by the Legislative Assembly, be taken into consideration."

The motion was adopted.

The Council then adjourned for Lunch till Three of the Clock.

The Council re-assembled after Lunch at Three of the Clock. The Honourable the President was in the Chair.

The HONOURABLE THE PRESIDENT: The Council will now proceed with the detailed consideration of the Bill—clause by clause, the Preamble being held over as usual.

Clause 1.

The HONOURABLE SAIYID RAZA ALI (United Provinces East: Muhamadan): Sir, there are certain amendments before this House.

The HONOURABLE THE PRESIDENT: There are no amendments before this House.

The HONOURABLE SAIYID RAZA ALI: I mean, Sir, in connection with the Finance Bill, there are certain

The HONOURABLE THE PRESIDENT: There are no amendments before this House.

The HONOURABLE SAIYID RAZA ALI: It is true, Sir, that there is no amendment before this House to clause 1, but so far as the other clauses are concerned

The HONOURABLE THE PRESIDENT: Order, order. I called clause 1. If the Honourable Member desires to speak on clause 1, he can do so.

The HONOURABLE SAIYID RAZA ALI: Sir, I want a ruling from you whether certain amendments would be in order.

The HONOURABLE THE PRESIDENT: The Honourable Member will get a ruling from me when the occasion arises for me to give a ruling. He will not get a ruling by endeavouring to speak on a clause on which he apparently does not wish to speak. I again call Clause 1.

The question is that Clause 1 stand part of the Bill.

The motion was adopted.

The HONOURABLE THE PRESIDENT: Clause 2.

The HONOURABLE MR. E. M. COOK: Sir, I beg to move:

"That in sub-clause (i) of clause 2 of the Bill, after the words 'construed as if,' the words 'with effect from the first day of March, 1923' be inserted, and that for the words 'one rupee and four annas' the words 'two rupees and eight annas' be substituted."

The operative portion of this amendment, Sir, is to give effect to the recommendation made by the Governor General. I do not propose to repeat what I said this morning in moving for the consideration of the Bill. I then endeavoured to show why it was, in the opinion of the Government, necessary that this amendment should be made to the Bill as passed by the Legislative Assembly. In my remarks this morning I did not dwell at any length on the merits or demerits of this particular tax, nor do I propose to do so now, for, if the truth be told, Sir, in the speeches we heard this morning I did not catch many remarks criticising the salt tax as a tax. So far as I understood them, those speeches were mainly directed at establishing a direct negative and in view of that I do not think it necessary to go over the ground again, or to examine the arguments advanced, or that perhaps will be advanced on this clause, against the proposed enhancement of the salt tax. I beg to move.

The HONOURABLE SAIYID RAZA ALI: Sir, I do not wish to lose my right to speak on the amendment moved by the Honourable Mr. Cook, but as I have given notice of an amendment to the amendment moved by my Honourable friend Mr. Cook, I, Sir, would ask your indulgence to give a ruling on a point that is not free from doubt. The point, Sir, is this, I have moved an amendment to the proposed

The HONOURABLE THE PRESIDENT: The Honourable Member has not moved an amendment; he has an amendment on the paper.

The HONOURABLE SAIYID RAZA ALI: Yes, I have given notice of an amendment; I have not moved it yet. But that proposed amendment is so indissolubly connected with two other amendments of which I have also given notice that it is impossible to separate the one from the others. The point, Sir, is this that there is a certain deficit in the Budget which amounts to Rs. 369 lakhs

The HONOURABLE THE PRESIDENT: If the Honourable Member wants a ruling with regard to his amendments, he must not make a speech.

The HONOURABLE SAIYID RAZA ALI: I just wanted, if I might, to explain that the other two amendments which follow the proposed amendment

The HONOURABLE THE PRESIDENT: We are now dealing with clause 2 and I will at once re-assure the Honourable Member that the amendment he has placed on the paper is perfectly in order as regards clause 2 and he can move it if he likes. When we come to any other clause, if it is necessary to give a ruling, I will do so, but I do not propose to anticipate events in any shape or way.

The HONOURABLE SAIYID RAZA ALI: That is exactly the reason why I ask your indulgence to put up with me for a minute so as to enable me to indicate what I mean. If I have that permission now I will do that.

The HONOURABLE THE PRESIDENT: If the Honourable Member is to ask me to rule whether certain amendments he has later on the paper

relating to other clauses are in order, he will not get a ruling from me. He will get a ruling on the amendment that is now on the paper and which deals with the clause under discussion. If it is necessary later, I will give a ruling regarding the other amendments when the time arrives.

The HONOURABLE SAIYID RAZA ALI: If that is your ruling, then the only thing I propose to do now and the only thing which I can do, strictly according to law, is to move that the consideration of clause 2 stand over till this Council has had an opportunity to consider clause 6. That is the request that I make to you; it is for you to grant it or not; but one thing I can say is that there is a precedent for that course. That was done last year when a clause that was first in point of order stood over until the consideration of the following clauses had been completed.

The HONOURABLE THE PRESIDENT: I am quite prepared to put that to the Council and, if the Council so decide, it can be so postponed. That is a matter entirely for the Council to decide. Motion is made that the consideration of clause 2 be postponed till the consideration of clause 6 has been completed. That motion is now open to debate.

The HONOURABLE SIR BASIL BLACKETT: Government have no objection to this, if it would meet the convenience of the House. I understand that the object of the motion is that Honourable Members may be in a position to know whether or not in the event of their not accepting the Government's proposal in regard to the salt tax, they can make up the balance of the deficit by proposing other clauses which would impose additional taxation. You, Sir, have ruled that a ruling cannot be given on that at this stage, but if you could give a ruling on that, it might be possible to go on with clause 2 at once. I do not wish to ask you to change your ruling, if it is contrary to the orders of the House, but the whole point of this amendment is to obtain a ruling for the guidance of the House.

The HONOURABLE THE PRESIDENT: Then if this is so I would suggest to the House that they take up what seems to me the logical position and oppose the motion of the Honourable Saiyid Raza Ali that the clauses be taken out of their order.

The question is:

"That the consideration of clause 2 be postponed till the consideration of clause 6 has been completed."

The motion was negatived.

The RIGHT HONOURABLE V. S. SRINIVASA SASTRI (Madras: Non-Muhammadan): Sir, it strikes me that it might be helpful, while we are considering this particular amendment, to consider the position of the salt duty in the system of Indian taxation. It has been said that the opposition to this duty is sentimental, that it is a necessity imposed on Honourable Members by the approach of a general election and that upon the whole the considerations so far put before the Legislature are of a political rather than of an economic nature. I am gratified that there is no tendency on the part of official exponents of the Bill to minimise the political or the electioneering aspect; they grant that there is much force in them; but they are not prepared to grant that there is any material argument that might be brought forward against the salt tax. Sir, the poet has said that one half of the world does not know how the other half lives. If it is true anywhere,

[The Right Honourable V. S. Srinivasa Sastri.]

I believe it is true with reference to the Members of this Council, say, generally in their attitude towards those who live either on or below the margin of subsistence in this country. Of these people, there are not tens of thousands nor hundreds of thousands, but millions. The average income per head in this country has been variously estimated, but the official estimate which we regard as very sanguine puts it at about 30 or 32 rupees. This is the average. The number of people who get incomes far below that figure must be enormous. I am using the figure arrived at a long time ago, probably the figure of 30 or 32 should now under modern currency be put at 55 or 60 rupees. Even so, there are millions who live below the margin of subsistence. I am afraid a vivid perception of their life is not amongst the equipments of the Members of this Honourable House in approaching this subject. To these millions, Sir, an anna is not a bagatelle, a rupee is a considerable proportion of their extremely restricted annual budgets. I can speak from personal knowledge of these people, because, Sir, as I will admit, it being no crime, I have lived very close to this line of subsistence. For many years when I was a little boy, the prospect of starvation was a familiar companion and amongst my sharpest and bitterest recollections to-day is this circumstance, that one year when money was scarce and amongst other necessities of life salt was very dear, my poor mother was obliged to decline a gift of mangoes because she could not afford to purchase the salt necessary for pickling it. It is me, I may venture to say, who am entitled to say a word on behalf of the millions of India: others have no right to speak of what the effect of a salt duty raised to Rs. 2-8 may be upon these poor millions. Free salt is by ancient tradition one of the gifts which ambitious monarchs used to dream of being able to give some day to the poor people. After the British established themselves in this country and regular budgets became the rule, I quite remember for a long series of years Secretaries of State, Viceroys and Finance Members saying time after time 'we hate to put on a salt duty. We would gladly rid ourselves of this necessity, and our ambition is, as the financial strength of India grows, one day to abolish this tax for ever.' In that sentiment the people and the Government used happily to agree till some years ago. Now either because the necessities of India from a financial point of view have become vastly greater or because the close attention to the needs of the poor that used to be paid in former times has disappeared—I do not care to distinguish between these two causes as to their relative intensity,—for some reason or other, we have all, officials and non-officials, come to regard the salt duty as a part of our financial system. It has reached down to one rupee sometimes. It generally stood at Rs. 1-4-0; it came up to Rs. 2-8-0 for some years, but we considered it a piece of good fortune that we were able to bring the taxation down until it reached Rs. 1-4-0, and it must have been the direst necessity which could drive the Finance Member of a past generation to think again of raising it. As I said, even non-official opinion has come to regard the salt duty as an inseparable part of our fiscal system. I will venture, Sir, to quote the opinion of my late master Mr. Gokhale on this subject, for it is sometimes enveloped in obscurity. He used to say 'The salt duty now stands at a low level. If it could be reduced still further and brought down to the level of one rupee, I should not object to its being a part of our fiscal system. That is one of the taxes which must be kept at a very low level in order that Government may have in their hands always a margin of taxation which

they could avail themselves of at a pinch.' The occasions when he would have sanctioned an increase of salt duty would be the direst necessity of the State, and even then only for a temporary period. I had hoped in the discussions in another place that Government would declare that the additional impost on salt which they were contemplating was a purely temporary thing to enable them to tide over the distress of this particular year so that they can cut it out next year absolutely. If that condition had been promised, I personally believe that the objection to the salt duty would not have been so very bitter. On the other hand, Sir, it was freely allowed to be stated—and I heard something very near it this morning from the official Benches—that this additional revenue from salt was intended to be made a permanent part of Indian finance and glittering prospects of squashing the provincial contributions were held out upon the strength of the revenue acquired from the new duty on salt. That puts the case altogether out of court, so far as I am concerned. I should have been willing to recommend a small additional impost on salt for one year and for one year only, if it would have enabled the Government to bring about a balanced budget for this year, trusting to better sources next year to help them out of a similar difficulty. If it is going to be a permanent impost, if it is going to add to our revenues in order that we may meet obligations such as the squashing of provincial contributions or additions to the salaries of the Imperial Services, then, I am afraid, the last justification for this impost is taken away. I am very willing to believe, Sir, that an unbalanced budget, coming after four unbalanced budgets, is an evil. I am willing to believe that a surtax on customs is a nuisance. I am willing to believe that a surtax on income-tax is not popular by any means; but the greatest evil of all, it seems to me, is a certified tax on salt standing at the very high level of Rs. 2-8. I cannot but think that the Government of India have been very badly advised in choosing this means of escape from their financial difficulties.

The HONOURABLE RAI BAHADUR LALA RAM SARAN DAS (Punjab: Non-Muhammadan): Sir, I am sorry that Government have not been able to accept the recommendation, or rather the decision, of the Legislative Assembly as regards the duty on salt. It is a matter of great concern to us that His Excellency the Viceroy has had to use the power under section 67B three times in this year, 1922-23, which power he is supposed to use very rarely. I have the greatest esteem for His Excellency, but, at the same time, and with due deference to His Excellency's office, I must, I think, voice the feelings of the people and of my constituency in particular in putting before this House very strongly that the salt tax is very greatly resented by the people. So, I oppose the amendment very strongly. I cannot understand why Government has been led to enhance a most unpopular tax. Various proposals to meet the deficit have been put forward by this House and the Assembly but they have all been ignored by Government. (*The Honourable Sir Basil Blackett*: "No.") The Government, I am sorry to say, has been found non-co-operating with the co-operators. I think the Government should not incur any unpopularity among the people by adopting this measure which are evidently bent on enforcing regardless of our wishes. I cannot understand, Sir, why Government is so nervous about this small deficit of 3 crores and some lakhs. There was a time, Sir, in the last few years, I mean, when our exports were very small. But now, the prices of exportable articles have fallen considerably of late and in many cases by 40 to 50 per cent. I believe there will be a heavy export

[Rai Bahadur Lala Ram Saran Das.]

this year, which will lead to a very large income to railways although the Honourable the Finance Member has only put in about Rs. 2 crores as extra income from Railways, in the Budget. I think we shall fully get another 3 to 4 crores indeed from the Railway income. So, I do not imagine, Sir, that this deficit will really exist when our next financial year comes to an end. The increase in the railway goods rates has also been responsible for the decrease in the traffic as between small radii the traffic has been taken on by the carts and other transport. If the Railway administration will consider this point, that will be another way of regaining the income which they are at present losing. As I had no chance to speak on the main Bill, in case I am allowed, I want to put in about one or two remarks, at the end of my speech.

The HONOURABLE THE PRESIDENT: I think the Honourable Member must confine himself to the amendment. The debate was very long this morning.

The HONOURABLE RAI BAHADUR LALA RAM SARAN DAS: As regards the income-tax also, Sir, I might point out that as trade is reviving, the Government can anticipate a bigger income under income-tax. I feel that when Government has not minded a deficit of Rs. 17 crores in the current year, the small paltry deficit of about Rs. 3 crores need not be minded now. I therefore beg the Government to reconsider their amendment.

The HONOURABLE SIR EDGAR HOLBERTON (Burma Chamber of Commerce): Sir, I feel that in common with the whole of the House I must acknowledge the intensity of the impression that has been made upon me by the personal appeal of the Right Honourable Mr. Sastri. Coming as it does from a man who has himself lived, as he tells us, very close to the line, coming as it does from one who represents the society he does and has led the public life he has, it must carry great weight. It is therefore with some feelings of temerity that I venture to carry the argument a little further than he has and to put it to you that in spite of all this, there are periods in a country's career or history, when every class, race and creed of its population must bear its share in the burden which has fallen upon it. In the present instance we have had before us a very interesting series of debates in another place which we have been able to follow—some of us fortunate ones personally and some through the newspapers—and we have had some interesting speeches in this House also, and I think I may go so far as to say that we have arrived at a dead conclusion, practically unanimous, that this Budget deficiency must be made up. I was indeed surprised this morning to hear two of the senior Members of this House going back on this view and expressing the desire to let the deficit run. The gentlemen concerned, on second thoughts, I cannot believe will maintain this. As we have at present the facts before us, there is no way for this House to avoid leaving that deficit except by passing the salt tax. I wish to be quite clear on this point. All that has come up to us from Government who are the only people, who, as we are at present advised, can make an amendment, the only amendment which is officially before us which will cover this deficit is the salt tax. Supposing that the danger of leaving the deficit uncovered is greater than the danger of passing

the salt tax I would put before my Honourable friends here and specially before my Right Honourable friend the fact that from the evidence that has come before me from an eight months' travel round India with the Fiscal Commission there is a very deep and strong feeling in the minds of Indians that there is still room to tax the ryot. The volume of evidence that we had was overpowering that there was room to bring in a policy of protection even though it would certainly fall upon the lowliest and humblest houses in this country. From this point of view I think it must be admitted that in itself the salt tax, apart from its sentimental side, is no more a severe tax upon the multitudes than is a protective policy. In fact, I go so far as to claim that where the incidence of the salt tax will be in annas the incidence of protection will be in rupees. Therefore, Sir, from the purely financial point of view I do not find that the case against the salt tax is at all conclusive. From the sentimental point of view those of you who know India better than I do will probably feel even more strongly than myself that it would be desirable, if it could be afforded, to remit this tax and if this House had been meeting to-day to discuss a series of alternatives by which the budget could have been balanced and the deficit covered I very much doubt if the balance of opinion here would have fallen on the side of salt. It is a very queer thing to me, Sir, that the united wits of the Assembly have entirely failed to produce any alternative. Not one alternative has come up to us from that Assembly after some 20 or 25 days' discussion and therefore I can only take it that the position we have to discuss here is simply a choice between the salt tax and an uncovered deficit. Let us not confuse the issues by bringing in any other point whatever. That is the case which has been put to us from the Assembly. Well, Sir, in the course of his remarks this morning, the Honourable the Finance Member, if I heard him aright, was perfectly explicit on the fact that he was at the moment only asking for this salt tax for one year. If that is so, I appeal to the Right Honourable Mr. Srinivasa Sastri to come in with him for this one year. During that year we can all of us see how the affairs of the nation go. We can all of us think out alternatives to this tax and when the budget comes up next year it will not be a question of deciding simply whether the salt tax shall be at this figure or at that; it will be to decide whether a better alternative can be found for an unpleasant expedient which want of money has forced us into for one year.

The HONOURABLE LALA SUKHBIR SINHA: This motion reminds me of what happened last year on this subject. When the budget was placed before this House as well as the other House last year the salt duty was proposed to be raised from Rs. 1-4-0 to Rs. 2-8-0. When the Budget was discussed on the general merits here as well as in the other House, very great opposition was made to this proposal of raising the salt duty. When the Finance Bill was placed before the other House this point was discussed, namely, of increasing the salt duty from Rs. 1-4-0 to Rs. 2-8-0 and it was rejected by a majority of votes. His Excellency the Governor General did not like to recommend or to certify the enhancement on that occasion. The Bill was brought here as amended by the Assembly and my friend Sir Edgar Holberton took it in his head to move an amendment to raise the duty from Rs. 1-4-0 to Rs. 2-8-0. To that amendment almost all the non-officials objected.

The HONOURABLE MR. LALUBHAI SAMALDAS: Officials also.

The HONOURABLE THE PRESIDENT: The Honourable Member was repeatedly interrupting this morning. I trust he will refrain from doing so this afternoon.

The HONOURABLE LALA SUKHBIR SINHA: That amendment of Sir Edgar Holberton was strongly objected to by the non-official Members of this House and as the Governor-General did not recommend the Bill the Finance Member and other official Members did not support it. That amendment was rejected and the salt duty remained where it was, that is Rs. 1-4-0. Now we find the same proposal again before this House. I do not find any reason or justification though in a different shape—for in increase from Rs. 1-4-0 to Rs. 2-8-0. From last year to this year nothing new has happened which has enabled the Government to justify asking for an increase of duty on salt. I should have been very glad if our new Finance Member would have begun his career by having no fresh taxation. He had a full opportunity of retrenchment before him. The Inchope Committee recommended a great deal of reduction in expenditure. If he would have made a little more effort it was possible for him to balance the budget without any further taxation. The deficit is only about 369 lakhs out of 130 crores. I think to reduce the expenditure by 3½ crores is not very difficult if we work out details. I am not going into details at present because we have discussed the question on previous occasions. But I find that both in the Military Department and in the Civil Department there is still a great deal of scope of retrenchment. What I say now is this that if the Finance Member would have liked to balance his budget with the present income he could have done so. But he says he has thought over all the proposals and could not find his way to suggest any other proposal than the increase of duty on salt. Sir, we non-officials, so far as we and the public are concerned, have opposed this proposal not only this year but opposed also last year. From my experience, and as it has been the experience of my Right Honourable friend Mr. Sastri, I can tell this Council that salt is one of the indispensable necessities of life. If you go to the villages you will find hundreds of people taking their bread with salt, nothing else but salt. From this you may see how much salt is necessary for the upkeep of life of the common villager who has nothing else but bread and salt. When the salt is so commonly used and so necessary to life, it is not right for the Government to increase the duty on salt again after so many years and it should be allowed to remain as it is without any increase. I quite agree with the Finance Member that the Budget should be balanced but the question is about the ways and means, how to balance it; he says that the salt duty is the only ways and means to balance it, but I differ here from him. I say that there are many other ways how the budget may be balanced. But we have no chance to go into the details, and we are never asked to express our opinion at the proper time. They budget as they like, and when they find difficulty, they come to us for fresh taxation. This country is already overburdened with taxation, and I think no further taxation is justified at this present time. My Honourable friend, Sir Umar Hayat Khan, attacked me personally and said that I would not raise the question of cattle in this respect but I do raise that question. It is my experience that salt is required for cattle also. I think in all dairy farms it is the experience that salt is given to cattle. To all cattle that we keep in our houses we give salt; without salt no cattle is found to be in good health, or can give good milk. He says

that salt is not required for cattle, and he says that when cattle are in the jungle, who give them salt? I think he has forgotten the fact that in the jungle these cattle have no work to do, and therefore they do not want these things, they do not get fodder, no grain that we give them in our houses and therefore salt is one of those things that are required, for fodder and other things. Therefore, to say that salt is not required for cattle is to go against the facts. Therefore, Sir, I submit that when salt is such a thing that it is required for human beings, and for cattle, and for all kinds of animal, then is it not the duty of Government to keep this tax as low as possible? It is said that it will be only 3 annas per head per annum more and it is nothing. But, Sir, when you take into consideration the total income per head of people here, you will find what effect this will have on them. The total income is not more than Rs. 30 or 35 per head in a year,—which means 3 or 2½ rupees a month; so out of that, if a man spends so much on salt and so much on other things, it will be a great burden on the poor man. Little things become great when collected together. It is said that it comes to only 3 annas, but it will bring in six crores of rupees. Six crores of rupees is not an insignificant amount, and it will come from the poor people of this country. Then what I say is that this salt duty will be paid by the rich as well as the poor alike. The principle of taxation should be to tax those more who can pay, and less those who cannot pay. The salt duty will fall on the rich and poor equally. Therefore, Sir, I strongly oppose this amendment, and request the Honourable Finance Member and the Honourable Finance Secretary not to press this question, and I think Government is not well advised to press this enhancement of the duty on salt, and I would request them to reconsider the matter and not press it.

The HONOURABLE MAHARAJADHIRAJA SIR RAMESHWARA SINGH (Bihar and Orissa : Non-Muhammadan) : I do not propose to say anything about the merits of the question before us as it has already been exhaustively dealt with by the able speakers who have preceded me. I will therefore, confine myself to a few remarks.

His Excellency the Viceroy has sent the Bill to us with his recommendations and has advised us to agree to the tax, as in his opinion it is the only feasible solution of the present difficulty. I daresay, there can be two questions as to the sincerity and earnestness with which he and the Finance Member are trying to solve the questions of the finances of the Empire.

The report of the Incheape Committee has come as a welcome relief and I am sure that India will be very grateful to the able financier who has rendered a signal service to the country by his report and to Their Excellencies the Viceroy and the Commander-in-Chief who have agreed to his suggestions. I hope that it may be found possible for Lord Incheape to come again to India in a year or two and go more deeply into the subject with the help and advice of officials and non-officials, and I am sure that his next visit will be attended with a still more welcome contribution to the question of retrenchment of expenditure. I have every hope that His Excellency the Viceroy will be only too glad to make such reductions in the very heavy taxation of the country as may be considered necessary, and that the proposed additional tax on salt is only a matter of a year or two.

[Maharajadhiraja Sir Rameshwar Singh.]

I appeal to the Honourable Members of this House to put their trust in His Excellency and they may be sure that by strengthening his hands at the present moment they would be acting for the best interests of the country.

The HONOURABLE RAJA VASUDEVA RAJA OF KOLLENGODE (Madras: Nominated Non-Official): Mr. President, when I spoke on the Budget two weeks ago in this Council, I expressed, Sir, that there was genuine mis-giving in regard to the form that the proposed additional taxation has taken, that there was a feeling against taxing the breakfast table, that, though the incidence of taxation proposed was negligible there was a sound sentimental objection to the enhancement of the salt tax and that it was of an unpopular character. These considerations appear to me to be real and I must confess that it was with a prejudice against this particular taxation that I approached the question. Having now given the proposal my most careful and anxious consideration, Sir, I have come to the conclusion that the reasons for supporting the motion before us and of accepting this additional burden far outweigh those against it and that it is our duty, as responsible Members of this House, to support it even at the risk of incurring some public odium. We are not here as mere advocates of one cause or another as in the pre-reform days, when we had neither power nor responsibility, but now things are quite different and we must take a long view of things consistent with our share of responsibility and position.

The position as I see it now is this. The Budget as presented to the Assembly by the Government anticipated a deficit of 4½ crores, and the Finance Member laid great stress on the absolute necessity of covering that deficit. So far as that point is concerned, no body has attempted to minimise the obligation upon us to do so, or seriously attempted to argue that we can, without most undesirable consequences, allow the world to know that India has once more failed to produce a balanced budget. There were two ways by which this object of covering the deficit might have been attained. One is by a reduction of the expenditure. In this respect circumstances have entirely altered since last year. The Retrenchment Committee has concluded its work and submitted its report; and the budget as presented provides for such retrenchments as can be effected in the coming year in accordance with its recommendations. Some people say the action taken does not go far enough, others have complained that in certain respects it goes too far and that Departments which are essential to the development of our resources and political life are being starved. There is a greater measure of unanimity that still further reductions should be made in the expenditure on the Army, though here again demands have been made for the improvement of the unsatisfactory conditions under which our troops are being housed. As regards the strength of the Army, His Excellency the Commander-in-Chief has stated that it is only with great reluctance and in view of the sheer financial necessities that he has concurred in the very considerable reductions which are to be effected. After all, on such a question those on whom such a tremendous responsibility is placed must have some say as to the terms on which they will undertake it. We have, therefore, to proceed on the assumption that so far as the reduction of expenditure is concerned we have arrived at the minimum demands which the Government are in a position to put forward. And while certain suggestions accepted by Gov-

ernment have reduced that demand slightly, we still have a deficit of about 3½ crores or, after allowing a small margin, about 4 crores to cover. It is unnecessary for me to refer to certain suggestions thrown out as to treating Revenue expenditure as Capital expenditure.

The HONOURABLE THE PRESIDENT: I must remind the Honourable Member that he is on the amendment.

The HONOURABLE RAJA VASUDEVA RAJA OF KOLLENGODE: I am only showing that

The HONOURABLE THE PRESIDENT: Will the Honourable Member proceed bearing in mind my words!

The HONOURABLE RAJA VASUDEVA RAJA OF KOLLENGODE: It seems clear that, so far from rehabilitating our financial credit, it might seriously be depreciated. This is a very serious matter, in view of the large amount of credit we have to raise in the near future in connection with the Railway Programme and the repayment of Government loans as they fall due. These obligations are so large that an increase of even one per cent. in the rate at which we can borrow money would make a very heavy addition to our interest charges in the next few years. We are, therefore, left face to face with the fact that in order to cover this deficit and to produce a real balance between our revenue and our expenditure, we must provide the Government with additional resources. The Government's proposal is to double the salt tax being the only proposal which has stood financial scrutiny. We were given to understand this morning that negotiations were carried on in another place to see whether no more acceptable alternative tax or combination of taxes could be devised but although the Government were apparently ready to go at least some way towards an accommodation, no general agreement was found possible. That seems to me a matter for great regret and I do not know whether there is any prospect of negotiations being resumed or, if so, with what chance of success. But, in the absence of any such arrangement I feel compelled, though reluctantly, to support the minimum demands which after full consideration of the discussion in this Council the Government feel bound to put forward. I trust nothing that I or others here may say, will in any way lessen the chances of some agreement being arrived at between the Government and the Legislature, for, I feel that much of our present embarrassment is due to the fact that a precipitate decision to condemn and reject the budget proposal was taken in certain quarters before full consideration of all the important issues involved could possibly have been accorded.

I cannot conceal from myself the fact that even if the taxation proposals of Government are accepted, they provide only their immediate obligations. The obligations to the Provinces still remain. This is, as I have stated before, a matter of very greatest importance. Retrenchment and additional taxation have, in most provinces, already been carried to the limit of which present conditions admit. Such further retrenchment as may be feasible are unlikely to be sufficient to meet even those additional pension charges and salary charges which under the new financial arrangement will not reach their maximum for several years to come. Nor can the provinces be expected further to tax themselves merely to relieve the Central Legislature of what, I admit, is a very unwelcome and disagreeable obligation of assenting itself to additional taxation. For my part, I can see no other way out of the unfortunate dilemma in which we are placed and can only hope that a decision may, ultimately, be arrived at,

[Raja Vasudeva Raja of Kollengode.]

which will not add to the already enormous difficulties of the situation and apparently irreconcilable differences between the Government and the Legislature, which, while it may no doubt cause the Government considerable anxiety and embarrassment, will not necessarily improve the position or reputation of the Legislature or forward the objects and aims which we have at heart. With these few words I support the motion.

The HONOURABLE SAIYID RAZA ALI: Sir, I cannot but deplore the form that the amendment of the Honourable Mr. Cook has taken. Sir, there are occasions when, in order to meet your budget requirements, you have to raise taxation, and I do not conceal from myself the fact that sometimes you have to impose taxes even on the poor classes; but Sir, it is almost unheard of to find a tax raised from Rs. 1-4 to Rs. 2-8, in other words an increase of 100 per cent. Sir, I deplore this amendment because of the constitutional developments which it may raise hereafter, but I no less deplore it because of the financial implications that are involved thereunder. Sir, let me say in plain words that there is a general feeling in the country that the choice of Government has fallen on this tax in particular because Government think that they can get all the money that they want, or that they think they want, by raising the duty by 100 per cent. on this most necessary commodity of the poor. Had it been a case of the incidence of taxation falling proportionately on the rich and the poor, I do not think the solid united front that has been shown by the country against this taxation would have manifested itself. And what is it, Sir, that the incidence of taxation means? This is not the time to go into larger economic questions, but I believe every school-boy knows that you should not require all the residents of a country to pay the same amount of taxation, which, if you do so, amounts to nothing less than a poll tax. The incidence of taxation means that the poor or those who are least able to bear it should be required to contribute the smallest portion to the State exchequer, whereas those who can afford to pay larger sums should be required to contribute their proportionate quota. In this case, Sir, we find that every man, whether rich or poor, or belonging to the middle classes, will have to contribute to the State revenues almost the same amount; and this for obvious reasons is the most objectionable feature from a financial point of view of the tax that is proposed to be levied. Sir, it is most unfortunate that the Government should have concentrated all their energies on this tax in particular and should not have explored the possibilities of raising money from other sources. Is not one entitled to say that the Government ought to have considered the alternatives of taxing many other commodities which would readily suggest themselves to every man who has gone through this question. An import duty could easily have been levied on silver; there was petrol to be taxed and there were so many other commodities which I could name, and which for the sake of time I propose to drop, on which the Government could reasonably have raised a tax in order to supplement their revenues. All the same, Sir, we find that the entire burden has been thrown on this one commodity and on this commodity alone. Sir, if the Government had acted in a reasonable manner I am one of those who would have been prepared to support the raising of the salt duty by a small amount, but I cannot bring myself to support a measure which throws the whole burden on to the shoulders of the poor. Sir, I think, the amendment of the Honourable Mr. Cook is one of the inevitable results of the yoking together of an irremovable executive and an elected Legislature. Sir, there is not the least doubt if the

executive were even in some slight measure responsible to the Legislature, some way out of the difficulty would have been found long long ago. As it is, I can quite see the Government arguing: "We are aware no doubt that to certify does bring a certain amount of odium upon us; yet the vote of either Chamber cannot affect our position in any material degree. Here is a very handy tax and by imposing it we can raise 4½ crores; therefore, we are going to raise this tax." On the other hand you find a Legislature smarting under the knowledge that the increase is against the dictates of their own conscience and that it is impossible for them to swallow this camel. It may be, Sir, that the Government during the past 6½ months have swallowed many a camel and would not hesitate to stick at a gnat; but the Legislature is yet unable to do it. They also find that that is the feeling of their electorate. Therefore, they argue like this, "There is absolutely no reason why we should put our solemn seal of approval to a tax which we dislike, which we abhor, and which at the same time is highly distasteful to our constituents. Here is a Government which after all by a mere shake of its pen can certify this Bill and give it the effect of law; therefore, why not throw the entire responsibility, the entire odium, upon the shoulders of the Government?" These, if I mistake not, are the respective feelings and I have not the least doubt—I am convinced—that if our constitution would have allowed the Legislature greater voice in the counsels of the executive Government, this impasse would not have been created.

Now, Sir, coming to the speeches that have been delivered, I have made it quite clear that the greatest wrong that the Government have committed is to propose to raise the entire money from one source without looking to other sources of revenue. But, Sir, I am unable to see eye to eye with my friend the Right Honourable Srinivasa Sastri when he said that altogether it was impossible to raise the salt duty unless the country was face to face with an emergency or a crisis. A speaker on this subject had earlier in the day given utterance to similar sentiments. The Right Honourable Srinivasa Sastri went on to quote from that distinguished son of India, the late Mr. Gokhale. Now, Sir, I find that in the officially reported utterances of Mr. Gokhale there is nothing which would give support to the contention of the Right Honourable Srinivasa Sastri. We know, Sir, that India's finances were in a most prosperous condition in the year 1902; surpluses had accrued from year to year during the preceding 4 years. Speaking in the Imperial Legislative Council, Mr. Gokhale pointed out that it was a wrong thing to take from the tax-payer more than was necessary for the needs of the State. His plea was for a reduction of the salt duty, also for a reduction in the income-tax so as to give relief to the payers of income-tax by raising the minimum income on which income-tax should be levied. Now taking that as his theme, I find, Sir, this is what the late lamented Mr. Gokhale said on the 26th March 1902: "Taxation for financial equilibrium is what we all can understand, but taxation—kept up in the face of difficulties and misfortunes of a period of excessive depression and for 'large, continuous and progressive surpluses'—is evidently a matter which requires justification." I believe, Sir, if the Government had not tried to cast their net too wide, and if they had not proposed to increase this tax by 100 per cent., it may well be that the Government could claim that their case was covered by the first dictum enunciated here by Mr. Gokhale when he said that "taxation for financial equilibrium is what we all can understand". Now reverting to the same subject, a year after, namely, in 1903, when relief was announced by Lord Curzon

[Saiyid Raza Ali.]

by reducing the salt tax from Rs. 2-8-0 to Rs. 2-0-0 and also by raising the minimum taxable income, I find the late Mr. Gokhale said this: "Public opinion in India has for a long time prayed for these very measures of relief, and the National Congress has, year after year, urged upon the attention of Government the necessity of raising the taxable minimum limit of the income-tax from five hundred rupees to one thousand, and of reducing the duty on salt from Rs. 2-8-0 a maund to Rs. 2 at the earliest opportunity." Sir, this, I believe, is the highest non-official Indian authority that I can quote on this subject. It would appear from this that provided your need is great, provided you will not make the tax permanent and keep it within reasonable limits, an increase would be justifiable; but here Government have given no indication that the present increase is only temporary.

The next objection is that the increase is too great, and it is impossible to agree to that. If, Sir, the Government had tried to touch not only the pocket of the poor but also to knock at the door of the rich, if they had tried to make both the rich and the poor pay proportionately, I for one would have been prepared to support the amendment of Government. As it is, Sir, I find it is absolutely impossible for me to support the amendment. If there is a division, the only course open for me would be to cast my vote against it.

The HONOURABLE MR. C. A. INNES (Commerce and Industries Member): Sir, salt has lost its savour for me. I hold of course by this salt tax, but I do say that I hope that never again shall I have to speak of salt either here or elsewhere. But I feel that I must once again get up to re-state the position of Government in regard to this most difficult matter. I think the House is well aware why we have proposed this tax. As I have said before, we began the preparation of our Budget this year with a postulate that this year at least we must balance the budget. We were aware that if we did not balance the Budget this year we should be driven for the sixth year in succession to have a deficit budget. We also were aware that if we left an uncovered deficit this year, that fact must tax the attention of the world. Everybody knows here, in England and elsewhere, that this year we had made the most strenuous efforts to balance our budget. The Honourable Mr. Raza Ali and others may say what they like, but I say without any fear of contradiction that the Government of India could have done no more than what they have done in the way of carrying out the recommendations of the Inchcape Committee's Report and in retrenching. We have cut down our expenditure side to the absolute minimum possible, and yet, Sir, in a good year, in a year of good crops, in a year where trade, if not very prosperous, at any rate, has shown signs of revival—and yet we still find ourselves with a deficit of 3.69 crores. That is our position. We have cut expenditure down to the limits and we still cannot make revenue and expenditure meet. Are we to go before the world with that position? We decided definitely that we could not do so. We could not do it in the best interests of India and in the interests of India's credit. And, whatever objection may have been taken to the precise method we propose for balancing this budget, I have rarely heard, either elsewhere or in this Council, I have rarely heard any challenge to that proposition. Everywhere it has been accepted almost as axiomatic that the deficit must be covered. I am sorry to hear to-day, Sir, several of the most respected leaders of this Council

tending to resile from their position. I am sure that on reflection they will return to their former position, that come what may the deficit must be covered. Then, Sir, we have been accused to-day that we have made no efforts to explore alternatives. I am quite sure that everyone in this Council knows that that charge is not true. I am sure that everyone recognises that we have done everything we can not only by ourselves but in consultation with the non-official representatives of the people up here. We have done everything to find a satisfactory alternative to the salt tax. And we have failed. And that is why the salt tax still stands. The salt tax, whatever its disadvantages may be, has many advantages. It is easy to collect. The increase of the tax does not increase the collection charges nor does it increase the distribution charges. I would like the House to remember that what makes up the price of salt for the consumer is not the cost of manufacture, which is very small indeed, but the duty *plus* the distribution charges. We don't touch the cost of manufacture. We don't touch the distribution charges. And from one point of view, enhancement of the salt tax is a good tax because Government does get or should get practically the whole proceeds of the tax. The middleman may pass on rather more than the tax to the consumer, but he cannot do very much in that way. And, from that point of view, the tax is a good tax. It is also a good tax in that it distributes the burden all over the people. It is perfectly true that proportionately the burden comes more heavily upon the poor. But the burden in any case is so small that I cannot admit that it is a practical objection, having regard to the necessities of the case.

Mr. Raza Ali has given away his own case. Mr. Raza Ali is quite prepared to agree to a 50 per cent. increase in duty. We have proposed a 100 per cent. increase in duty. It sounds a lot. I admit it sounds a very heavy increase. But what does it mean? I have given the figures before, not once but many times. But let me put them to the Council in a slightly different way. It means this. I should first explain that we know by statistics that the annual consumption of salt in India, including the consumption by human beings, by cattle and including all the consumption of salt for industrial purposes,—we know that the average annual consumption per head is 6 seers per annum. On the 28th of February in Delhi City here, a man could have bought for one anna two months' supply of salt. As a result of our increased duty, he could on the 10th March have bought for one anna six weeks' supply of salt. If Mr. Raza Ali's amendment had been accepted, he could have bought seven weeks' supply of salt. Now, Sir, that is what Mr. Raza Ali's amendment means. Surely, in actual practice, there is not so very much difference between increasing the price of salt by 50 per cent. and increasing it by 100 per cent. And, Sir, let me take the Right Honourable Srinivasa Sastri's objection. And I should like to say, Sir, that I do appreciate the moderation with which the Right Honourable gentleman put his case. Mr. Srinivasa Sastri said that there were a very large number of people, many millions of people, in India who lived on the margin of subsistence and he put it to the Council very strongly that this increase in the duty on salt, slight though its effect might be, would press hardly upon this submerged tenth. I dare say that is true, Sir. But all taxation must press to some extent upon the poor and in every country in the world there is this submerged tenth. It is not peculiar to India. That phenomenon unfortunately is common to all countries in the world, and Sir, since we are dealing with this submerged tenth, I say that this submerged tenth in this country is in some

[Mr. C. A. Innes.]

ways better off than the submerged tenth in other countries. Mr. Srinivasa Sastri has been in London in England in the winter and I have no doubt that he has seen, as I have seen, miserable half starved half-clothed creatures selling matches or what not in the streets with the snow on the ground and the wind blowing on their faces. Take his own country, Madras. In Madras where it is always warm, where clothes are hardly a necessity of life, Sir, in Madras the submerged tenth are in some ways better off than they are in Europe. I do not attach great importance to the Honourable gentleman's arguments, for, as I have said, there is scarcely any taxation in the world but must press hardly upon some small fraction of the population.

Then, Sir, Mr. Srinivasa Sastri quoted Mr. Gokhale and I was interested to hear that in 1903 or 1904 it may have been—Mr. Gokhale admitted that there should be a tax of Re. 1 a maund on salt. Had Mr. Gokhale been alive to-day, Sir, having regard to the decrease in the purchasing power of money and the general rise in the standard of living, I am quite sure that Mr. Gokhale, in view of the changed conditions to-day, would not have disapproved at any rate of a Rs. 2 tax on salt. Rs. 2 to-day, Sir, is worth no more than Re. 1 twenty years ago.

Mr. Sastri also said, Sir, that had he any guarantee that this tax would only be a tax for one year, he personally would not object to it. He agreed that it was a matter of last importance to balance and cover our deficit, and in view of the importance of effecting that, he said that he would agree to this increase in the salt tax had he any assurance that it would be for one year only. Well, Sir, on that I can only refer him to clause 1 (3) of this Bill which provides that the clause of the Bill which relates to salt shall remain in force only up to 31st March 1924.

Sir, when I am on the economic aspect let me refer to one more fact. I should like the House to think how greatly the standard of wages and of comfort generally has gone up in India in the last few years. We all know that in 1919-20, subsequent to the war, there was a rapid and steep increase in prices. We had to readjust our wages all over the country in order to meet that increase in the cost of living. Government had to do it, and I think I am right in saying that they spent Rs. 9 crores in doing it. And not only Government but every employer of labour had to do the same. I was told the other day that Government had been very unwise in increasing the wages, and that instead of that, they should have tried to meet the case by a war bonus. From one point of view I agree, had we been able to do it, had we any cost of living index which would have enabled us to do it. From another point of view I do not agree, for I hold myself strongly that the one thing which India requires is an increase in the standard of living. Sir, as a result of our action in 1919-20 combined with a period of fall in prices, I hold that there has been a remarkable increase in the standard of living in India in the last two or three years. Wages remain where they were fixed. They were fixed on the basis of prices in 1919 and 1920. Prices have fallen all over India and people are far more able than they were before to stand even this small increase in the salt tax. Every one in this Council will admit, in fact I have not heard this position seriously challenged,—every one in this House will admit that there is no objection on the economic ground to

this salt tax, but the objection is political. I do not under-state the political objection at all. I do realise and Government always have realised that we have placed those Members of the other House who have to face their electorates in November—we have placed them in a very difficult position by asking them to agree to an increase in an unpopular tax. We would not have done so, Sir, had we been able in any other way, in any other satisfactory way to meet our present needs. But, Sir, in this Council Honourable Members are not placed in that same difficulty, and I do appeal to the Honourable Members of this Council to come to the assistance of Government in our hour of need. I know that the possibilities, the constitutional implications in this measure weigh very heavily upon the heart of every one here. If the Honourable Members will come now to the help of Government, if on a dispassionate consideration of a very difficult problem they arrive at the conclusion that on the whole Government have done the right and the wise thing, then, Sir, I say that it is their duty to go into the lobby with the Government, and to send back a message to the Legislative Assembly that on a consideration of all the facts of the case they have come to the conclusion that the action taken by Government was right. And, Sir, who knows whether the Legislative Assembly on getting that message may not reconsider the matter and may not minimise the crisis which we all fear may be coming. Sir, it is said that we are putting a great strain upon the reforms. I believe myself that the acid test by which the reformed councils will be judged in England and in the world is by this case. The world will ask whether the reformed councils are going to rise to the occasion and again shoulder their responsibility. It is admitted that we must balance the budget. Government have done their part, and I ask the Council to do their part.

The HONOURABLE COLONEL SIR UMAR HAYAT KHAN: I just want to say that I shall shortly vote for the salt duty. My reason for so doing is that this duty falls equally on all shoulders and not on the zemindars alone. The second reason is that we might one day get rid of the provincial contributions. The third reason is that it is only 3 annas per head per year, that is one pice per month and I cannot think that people cannot pay one pice per month. I want to say the truth. I do not care whether my constituency returns for or not. I want to say that this is the best way of getting out of the difficulty in which the Government is.

The HONOURABLE SIR EDGAR HOLBERTON: I move that the question be now put.

The HONOURABLE MR. LALUBHAI SAMALDAS: We on this side of the House very much appreciate the appeal made by my Honourable friend Mr. Innes to consider very carefully the *pros* and *cons* of the subject, but there are certain factors which weigh with us and lead us to think that this increase of salt duty will be unbearable by the poorest of the poor. In this connection I would like for the sake of the Honourable Mr. Innes' information chiefly and for the information of the House refer to certain statistics to show that the submerged tenth in Madras or Bombay or in other parts is worse off than the submerged tenth in London. I have not been able to get the figures after 1909 but I have been able to get the figures up to 1909. They show that in England the consumption of salt is 72 pounds, but after deducting for manufacture and other purposes I take it that the consumption is 36 pounds per man. In France it has

[Mr. Lalubhai Samaldas.]

risen from 20 to 30, from 1830 to 1886, while in Germany it has risen from 25 to 35 pounds and in Russia, the poorest country on the Continent, it has risen from 18 to 33 pounds and in India it is still at 12 or 13 pounds. Now according to my Honourable friend the figure works out at 12 pounds also. For the information of the House I will read one sentence from Mulhall's Dictionary of Statistics:

"Whenever the consumption falls below 20 pounds per inhabitant, it is bad for public health. During the Paraguayan War of 1864-70, it was observed that the men who had been without salt for three months, when wounded, however slightly, died, as their wounds would not heal."

And then the same author says about India:

"Consumption of salt barely averages 10 pounds per inhabitant, which tends still further to debilitate the inhabitants."

This is a well known authority and a world recognized authority and I dare say it will be acceptable to all concerned. If that is the condition of the poorest of the poor in India, is it not likely that if we increase the duty on salt from Rs. 1-4-0 to Rs. 2-8-0 the consumption of salt will go down. I have before me figures to show that when the duty was increased in 1888 the consumption did go down and it was only in 1903 when the duty was reduced that consumption went up. Now, my late lamented friend Mr. Gokhale has been quoted by my Honourable friend Saiyid Raza Ali. I may also refer to his speeches and say that every time he has spoken on this subject he has said that the tax affects the poorest in the country and that it is the duty of the Government to do away with the salt tax as quickly as possible. He has quoted authorities from Lord Cross in 1890 and from Lord George Hamilton in 1895. We feel that the condition of the poor is such that they cannot afford to pay this heavy tax which will fall more on the poor proportionately than on the rich and it is because of that that I want to oppose this tax. It is not in a spirit of lightheartedness that we oppose this tax. We realise the difficulties of Government. At the same time Government should realise the difficulties of the poor. As my Right Honourable friend Mr. Sastri said the poor do not seem to be the concern of Government now. If they were the concern of Government, Government would find some other way of balancing the budget. But it is because the poor suffer that we want to vote against this amendment.

The HONOURABLE THE PRESIDENT: The question is:

"That in sub-clause (1) of clause 2 of the Bill, after the words 'construed as if' the words 'with effect from the first day of March, 1923' be inserted, and that for the words 'one rupee and four annas' the words 'two rupees and eight annas' be substituted."

As many as are of that opinion will say Aye, those of the contrary opinion will say No. I think the Ayes have it. (*Cries of "No."*)

The question I have to put to the House is that the amendment I have just read to the House be made. On that question the House will divide. As the House is very full, Honourable Members should be careful to rise in their places and to vote in a distinct voice, as otherwise it will be impossible for the clerk at the table to prepare the Division List properly.

The HONOURABLE THE PRESIDENT: The result of the division is as follows:

AYES—28.

Akbar Khan, Major Nawab.
Amin-ul-Islam, Mr.
Baker, Mr. C. M.
Barron, Mr. C. A.
Butler, Mr. M. S. D.
Chadwick, Mr. D. T.
Cook, Mr. T. M.
Crerar, Mr. J.
Forrest, Mr. H. T. S.
Froom, Sir Arthur.
Holberton, Sir Edgar.
Ismail Khan, Mr.
Jha, Dr. G. N.
Lal Chand, Lieut.
MacWatt, Major-General R. C.

Miller, Sir Leslie.
Murray, Sir Alexander.
Muzammil-ullah Khan, Nawab.
Rawlinson, H. E. Lord.
Sarma, Mr. B. N.
Shafi, Dr. Mian Sir Muhammad.
Singh, Maharaja Bahadur K. P.
Singh, Maharajahdiraja Sir
Rameshwara.
Tek Chand, Mr.
Thompson, Mr. J. P.
Umar Hayat Khan, Col. Sir.
Vasudeva Raja, Raja.
Zulfiqar Ali Khan, Sir.

NOES—10.

Ayyangar, Mr. K. V. R.
Kale, Mr. V. G.
Lalubhai Samaldas, Mr.
Muhammad Hussain, Mr. Ali Baksh
Naidu, Mr. V. R.

Ram Saran Das, Mr.
Ray, Raja P. N.
Raza Ali, Mr.
Sinha, Mr. Sukhbir.
Srinivasa Sastri, Rt. Hon. V. S.

The motion was adopted.

The HONOURABLE THE PRESIDENT: The Honourable Mr. E. M. Cook.

The HONOURABLE MR. E. M. COOK: I beg to move, Sir:

"That at the beginning of sub-clause (2) of clause 2 of the Bill, the following words be inserted, namely:

'With effect from the first day of March 1923.'

As regards amendments Nos. 3, 4 and 5, although of course I must move them separately, I should like to give an explanation which will apply to all of them. These amendments are either consequential to the amendment which has just been carried or are of a precautionary nature, in order to meet any possible doubt that may arise as to the applicability of the provisions of the Provisional Collection of Taxes Act, 1918.

The amendment was adopted.

The HONOURABLE MR. E. M. COOK: I beg to move:

"That sub-clause (3) of clause 2 of the Bill be omitted."

This sub-clause which is to be omitted was inserted in the Assembly in order that the extra tax collected during the month of March need not be refunded. It was proposed by a non-official Member and was accepted by Government. In view of my first amendment to-day, which has been carried, this particular sub-clause now becomes unnecessary.

The HONOURABLE THE PRESIDENT: To clause under consideration, further amendment moved, that sub-clause (3) be omitted.

The motion was adopted.

The HONOURABLE THE PRESIDENT: The question is that clause 2, as amended, stand part of the Bill.

The motion was adopted.

The HONOURABLE MR. E. M. COOK: I beg to move:

"That to clause 3 of the Bill a new sub-clause be added, namely:

'(3) The amendments made in the Indian Tariff Act, 1894, by this section shall have effect from the first day of March, 1923.'

This amendment is of a precautionary nature and in order to make it quite certain that the provision of the Provisional Collection of Taxes Act, 1918, shall apply to this Bill.

The motion was adopted.

The HONOURABLE THE PRESIDENT: The question is that clause 3, as amended, stand part of the Bill.

The motion was adopted.

The HONOURABLE THE PRESIDENT: The question is that clause 4 stand part of the Bill.

The motion was adopted.

The HONOURABLE THE PRESIDENT: The question is that clause 5 stand part of the Bill.

The motion was adopted.

The HONOURABLE THE PRESIDENT: The question is that clause 6 stand part of the Bill.

The motion was adopted.

The HONOURABLE THE PRESIDENT: The question is that Schedule I stand part of the Bill.

The motion was adopted.

The HONOURABLE THE PRESIDENT: The question is that Schedule II stand part of the Bill.

The motion was adopted.

The HONOURABLE THE PRESIDENT: The question is that Schedule III stand part of the Bill.

The motion was adopted.

The HONOURABLE THE PRESIDENT: The question is that the Preamble stand part of the Bill.

The motion was adopted.

The HONOURABLE THE PRESIDENT: Before I call upon the Honourable Member to make the next motion which stands in his name, I should like to ask the Honourable Members whether they would prefer that I should do so this evening, or whether the House should now adjourn, I will ask the Honourable Member in charge the question.

The HONOURABLE MR. E. M. COOK: I should prefer to be guided by the wishes of the House, but I see no particular necessity for adjourning the debate now.

The HONOURABLE THE PRESIDENT: The Honourable Mr. Cook.

The HONOURABLE MR. E. M. COOK: I beg to move:

"That the Bill, as passed by the Legislative Assembly and as amended by the Council of State, be passed."

The HONOURABLE THE PRESIDENT: The question is:

"That the Bill to fix the duty on salt manufactured in, or imported by land into, certain parts of British India, to vary the duty leviable on certain articles under the Indian Tariff Act, 1894, to fix maximum rates of postage under the Indian Post Office Act, 1898, to amend the Indian Paper Currency Act, 1923, and to fix rates of income-tax, as passed by the Legislative Assembly and amended by this House, be passed."

The motion was adopted.

The Council then adjourned till Eleven of the Clock, on Monday the 26th March, 1923.