

Saturday, 5th March, 1927

THE
COUNCIL OF STATE DEBATES

VOLUME I, 1927

(8th February 1927 to 29th March 1927)

THIRD SESSION

OF THE

SECOND COUNCIL OF STATE, 1927



CALCUTTA : GOVERNMENT OF INDIA
CENTRAL PUBLICATION BRANCH

1927

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COUNCIL OF STATE.

Saturday, 5th March, 1927.

The Council met in the Council Chamber of the Council House at Eleven of the Clock, the Honourable the President in the Chair.

MEMBER SWORN:

The Honourable Major-General Thomas Henry Symons, C.S.I., O.B.E., K.H.S., I.M.S. (Director-General, Indian Medical Service).

QUESTIONS AND ANSWERS.

RECOMMENDATIONS OF THE LEE COMMISSION RELATING TO THE ALL-INDIA SERVICES.

116. THE HONOURABLE SIE HAROON JAFFER (on behalf of the Honourable Mr. Mahmood Suhrawardy): Will the Government be pleased to state:

- (i) the number of recommendations made by the Lee Commission with regard to the All-India Services, and the amount of the additional expenditure involved;
- (ii) the number of such recommendations given effect to, and the amount of additional expenditure incurred;
- (iii) the number of appointments made to the Imperial Services by promotion from Provincial Services, in terms of the recommendations made by the Lee Commission since the recommendations were accepted by the Government, province by province, and the number of Muhammadans and non-Muhammadans so appointed from each province and the additional expenditure involved in such promotions. If no such promotions have been made, will the Government be pleased to state the reasons for delaying in giving effect to such recommendations;
- (iv) whether efficiency, rather than seniority, will be the guiding principle in making such promotions from Provincial to Imperial Services; and
- (v) how far the scheme of Indianisation of services, as recommended by the Lee Commission, had been carried out up to the 31st of December, 1926?

THE HONOURABLE MR. H. G. HAIG: (i) The Honourable Member is referred to Chapter XV and Appendix VII of the Commission's Report.

(ii) I would refer the Honourable Member to the answer given by the Honourable Sir Alexander Muddiman to Mr. B. Venkatapatiraju's question on the same subject on the 18th August, 1926. If the Honourable Member requires further information in regard to any special recommendation, I shall be glad to give him such information as is available.

As regards expenditure, the Honourable Member is referred to the answer given by Sir Basil Blackett which is printed at page 124 of Volume VII of the Legislative Assembly Debates.

(iii) I will make inquiries and communicate the results to the Honourable Member.

(iv) Yes.

(v) I am placing in the Library a statement of the information required showing the position as it stood on 1st January, 1926. The statement is being brought up to date and a supplementary statement will be placed in the Library as soon as it is ready.

**ADDITION OF RULES 10A AND 24A TO THE RULES OF THE
COUNCIL OF STATE.**

117. THE HONOURABLE RAO SAHIB DR. U. RAMA RAU (on behalf of the Honourable Sardar Shivdev Singh Oberoi): (a) Will the Government be pleased to state what occasion had arisen for the recent addition of Rules 10A and 24A to the rules of the Council of State?

(b) Will the Government be pleased to lay on the table the entire correspondence held with the Secretary of State in Council in connection with the addition of these rules?

(c) Were the Provincial Governments consulted before making similar addition to the rules of the Provincial Legislatures? If so, will Government be pleased to lay on the table the entire correspondence held on the subject with the Provincial Governments?

THE HONOURABLE MR. S. R. DAS: (a) The rules applicable to the Council of State are the Indian Legislative Rules in which no rule bearing No. 10A has been inserted. A rule bearing this number was recently inserted in the provincial Legislative Council Rules in pursuance of the recommendation contained in the last sentence of paragraph 101 of the Report of the Reforms Inquiry Committee to which the Honourable Member is referred. Rule 24A has been inserted in the Indian Legislative Rules and in all the Provincial Legislative Council Rules with a view to regulate the conditions under which motions other than Resolutions may be moved. I may explain, for the information of the Honourable Member, that the position previously prevailing in regard to the moving of such motions was somewhat obscure and in certain quarters the view prevailed that the rules did not permit of the moving of any such motion.

(b) and (c). The answer to the first part of (c) is in the affirmative. The Government of India do not propose to lay on the table their correspondence with the Secretary of State and with Local Governments.

REGULATION AND CONTROL OF BEGGARY AND VAGRANCY.

118. THE HONOURABLE RAO SAHIB DR. U. RAMA RAU (on behalf of the Honourable Sardar Shivdev Singh Oberoi): (a) Will the Government be pleased to state what action, if any, they have taken on the Resolution,

regarding the regulation and control of beggary and vagrancy, passed by the Legislative Assembly on 2nd February, 1926?

(b) Will the Government lay on the table the correspondence, if any, held with the major Local Governments?

THE HONOURABLE Mr. H. G. HAIG: (a) The Resolution referred to by the Honourable Member was not adopted by the Legislative Assembly.

(b) There has been no correspondence with the Local Governments on the subject.

THE HONOURABLE THE PRESIDENT: It is perhaps somewhat unfortunate that the Honourable Member who put the last question down is not in his place, because it apparently involves a rebuke to the Honourable Member who has come to his rescue. With reference to the answer just given I must invite the attention of the Honourable Member in whose name the question stood to the terms of the Standing Orders which govern the admissibility of questions. Standing Order 14 lays down that in order that a question may be admissible it must satisfy various conditions, among which is one that if it contains a statement of fact by the Member himself he shall make himself responsible for the accuracy of the statement. The question that has just been answered contained a statement that a certain Resolution was passed by the Legislative Assembly. The answer shows that that was not the fact, that the Resolution was not adopted by the Assembly. It is clear, therefore, that the Honourable Member did not make himself responsible for the accuracy of the statement contained therein. It was a fact the correctness or incorrectness of which he might very easily have verified for himself, and I think he will realize that his failure to do so has involved a certain amount of unavoidable waste of labour and time, to say nothing of the cost incurred by the Council in printing his question on various lists. I hope the Honourable Dr. Rama Rau will convey my remarks to the Honourable Member.

UNEMPLOYMENT AMONG THE MIDDLE CLASSES.

119. THE HONOURABLE RAO SAHIB DR. U. RAMA RAU (on behalf of the Honourable Sardar Shivdev Singh Oberoi): (a) With reference to the answer to question No. 99 put in this House on 31st August, 1926, will Government be pleased to state if any replies have been received from Local Governments with regard to the action taken by them for removing unemployment in the middle classes?

(b) If the answer to (a) be in the affirmative, will Government please lay on the table all those replies along with the letter of the Government of India addressed to them?

THE HONOURABLE Mr. A. C. McWATTERS: (a) There has been no further correspondence on the subject between the Government of India and Provincial Governments.

(b) Does not arise.

RECOMMENDATIONS CONTAINED IN CHAPTERS 29 AND 30 OF THE CIVIL JUSTICE COMMITTEE'S REPORT, 1924-25.

120. THE HONOURABLE RAO SAHIB DR. U. RAMA RAU (on behalf of the Honourable Sardar Shivdev Singh Oberoi): Will Government be pleased to

lay on the table a statement showing the action taken by them on each of the recommendations requiring legislative action contained in Chapters 29 and 30 of the Civil Justice Committee's Report, 1924-25?

THE HONOURABLE MR. H. G. HAIG: Two Bills—(1) to amend the Code of Civil Procedure, 1908 (execution of decrees and orders) and (2) to amend article 182 of the First Schedule to the Indian Limitation Act, 1908, giving effect to the recommendations of the Civil Justice Committee involving legislation contained in Chapters 29, 30 and 31 of their Report, were introduced in the Legislative Assembly on the 27th and 31st January, 1927, respectively. The first Bill has been circulated for the purpose of eliciting opinions, and the second Bill, which was passed by that Chamber on the 7th February, 1927, is now before this House. Two recommendations, namely, (1) increase of court fee on suits filed in accordance with Order XXI, rule 68, of the First Schedule to the Code of Civil Procedure, and (2) the barring of appeals from certain orders under section 47 of the Code (paragraph 26 of Chapter 29 and paragraph 2 of Chapter 30 of the Report) are under separate consideration. The first recommendation has been referred to Local Governments. A Bill to give effect to the second may be introduced during this Session.

LUGGAGE RATES ON THE NORTH-WESTERN RAILWAY.

121. THE HONOURABLE RAO SAHIB DR. U. RAMA RAU (on behalf of the Honourable Sardar Shivdev Singh Oberoi): Has the attention of the Government been drawn to a letter, headed "Luggage Freight on the North-Western Railway", published in the *Tribune* in its issue, dated November 2nd, 1926?

THE HONOURABLE MR. G. L. CORBETT: Yes; Government have seen the letter. The writer has apparently, however, overlooked the appreciable reductions in fares that have been made, and the fact that the free allowance on luggage of third class passengers, which is fifteen seers, has recently been indirectly increased by permitting bedding, etc., and such articles of food as may be required on the journey, to be carried free without weight.

WAITING-ROOMS FOR INTERMEDIATE CLASS PASSENGERS ON STATE RAILWAYS.

122. THE HONOURABLE RAO SAHIB DR. U. RAMA RAU (on behalf of the Honourable Sardar Shivdev Singh Oberoi): Is it a fact that no waiting-rooms have been provided on State Railways for intermediate class passengers?

THE HONOURABLE MR. G. L. CORBETT: Government are aware that it is not the general practice on State Railways to provide separate waiting-rooms for intermediate class passengers.

OBSERVATION OF THE UNITED PROVINCES GOVERNMENT ON THE POLICE ADMINISTRATION REPORT FOR 1925.

123. THE HONOURABLE RAJA MOTI CHAND: (a) Has the attention of the Government of India been drawn to an observation of the United Provinces Government on the report of the Inspector General of Police on the

administration of his department in the United Provinces for 1925, quoted by the *Leader* newspaper in its leading article of February 14, 1927?

(b) Do the Government of India propose to take any action in the matter?

THE HONOURABLE MR. H. G. HAIG: (a) The reply is in the affirmative.

(b) No, Sir.

CANCELLATION OF THE PROMOTION OF AN INDIAN MEMBER OF THE INDIAN EDUCATIONAL SERVICE TO THE SELECTION GRADE.

124. THE HONOURABLE RAJA MOTI CHAND: (a) Has the attention of the Government been drawn to an extract from the *Indian Social Reformer* newspaper, quoted in the *Leader* newspaper of February 10, 1927, wherein the case of an Indian member of the Indian Educational Service is discussed?

(b) Is it a fact that the promotion of the Indian gentleman in question to the selection grade in the Indian Educational Service has been cancelled after eighteen months with retrospective effect?

(c) Will the Government be pleased to state the circumstances under which the promotion in question was cancelled?

(d) Is it a fact that the promotion in question was cancelled only to make room for a European?

(e) Is it a fact that the Minister, in defending or justifying this cancellation of promotion, confessed that it was not the United Provinces Government but the Government of India that was really responsible for the order?

(f) Did the Government of India really interfere in this matter, so as to cancel the promotion of the Indian gentleman to make room for the European? If so, will the Government be pleased to state the circumstances under which they interfered?

THE HONOURABLE KHAN BAHADUR SIR MUHAMMAD HABIBULLAH SAHIB BAHADUR: (a) The Government of India have seen the article referred to.

(b) Yes. But the officer concerned has not been required to refund the extra pay drawn by him while he was in the selection grade.

(c) The promotion was cancelled as a result of memorials addressed to His Excellency the Viceroy and Governor General by thirteen members—one Indian and twelve Europeans—of the Indian Educational Service, United Provinces, appealing against their supersession.

(d) No. It was a mere accident that the resulting appointment in the selection grade went to a European.

(e) The Honourable Member is referred to the speech made by the Honourable Minister for Education in the United Provinces Legislative Council on January 26, 1927, which will be found reported on pages 154-156 of the proceedings of that Council.

(f) In making their selection of an Indian Educational Service officer to the selection grade post, the Government of the United Provinces calculated the seniority of the officer selected on the basis of his total service in the Provincial and Indian Educational Services. The Government of India intimated to the Government of the United Provinces that an

officer's seniority in the Indian Educational Service should, in accordance with settled practice, be reckoned from the date of his appointment to the Indian Educational Service. The Government of India, upon whom rests the duty of seeing that the claims of members of the All-India Services are treated fairly and equitably, invited the Government of the United Provinces to reconsider the case in the light of their remarks and asked to be informed of the result. The Government of the United Provinces thereupon reconsidered and altered their previous orders.

**CAREERS OPEN TO INDIANS IN THE SERVICE OF THE GOVERNMENT
IN INDIA.**

125. **THE HONOURABLE RAJA MOTI CHAND:** (a) Will the Government be pleased to state what careers in the service of the Government in India are open to Indians?

(b) Will they be pleased to state the conditions of admission for Indians to the various departments of Government?

(c) Are there any departments of the Government to which admission for service is closed to Indians as such, or to Indians of particular castes as such? If so, which are they, and what are the castes so excluded? Will the Government be pleased to assign reasons for such exclusion?

(d) Will the Government be pleased to place on the table a copy of the rules regulating the admission, pay and prospects to and in each of the services under the Government in India?

THE HONOURABLE MR. H. G. HAIG: The information is being collected and will be supplied to the Honourable Member in due course.

OPENING OF NEW RAILWAYS IN THE DIFFERENT PROVINCES.

126. **THE HONOURABLE MR. KUMAR SANKAR ROY CHOUDHURI:** Will the Government be pleased to state how many railway lines have been opened by the heads of the local administrations in the different provinces during the last year, and what has been the cost incurred by the different railway administrations in that connection?

THE HONOURABLE MR. G. L. CORBETT: The following railway lines were opened by the heads of the Local Governments concerned during 1926:—

- (1) Sahdara-Narowal Railway.
- (2) Krishnagar-Nabadwip Ghat Railway.
- (3) Parbatipur-Siliguri broad gauge extension.

Government have no information as to the expenditure incurred by railway administrations concerned in connection with the opening ceremonies except as regards item No. (3) above on which the expenditure is approximately Rs. 5,000.

**ISSUE OF 14 DAYS' RETURN TICKETS TO INTERMEDIATE CLASS PASSENGERS
ON THE EASTERN BENGAL RAILWAY.**

127. **THE HONOURABLE MR. KUMAR SANKAR ROY CHOUDHURI:** Is it a fact that the Eastern Bengal Railway administration have stopped issuing 14 days' return tickets in the Intermediate class? If so, why?

THE HONOURABLE MR. G. L. CORBETT: The Honourable Member is apparently referring to Intermediate class return tickets issued for distances over 65 miles which were available for 16 days (see Eastern Bengal Railway Time-table in force from 1st October, 1926). From the new Time-table of this Railway which came into force from 1st March, 1927, it appears that the period for which these return tickets will be available has been altered to come into line with the Indian Railway Conference Association Regulations. The periods now vary with the distance of the journey and the Honourable Member will find full information in paragraph 38 (a) on page 109 of the new Time-table. The advantage of the alteration is that it enables return tickets to be issued in through booking with the East Indian Railway. In case the Honourable Member has not got a copy of the new Time-table, I have one here (price three annas).

RECENT VISIT TO INDIA OF A GERMAN EXPERT ON HYDRO-ELECTRIC POWER.

128. THE HONOURABLE MR. KUMAR SANKAR ROY CHOUDHURI: Is it a fact that a German expert on hydro-electric power recently visited India? If so, what was his object, and has the Government been in any communication with him about the information that he has gathered or any investigations that he may have made?

THE HONOURABLE MR. A. C. MCWATTERS: Various German engineers have recently visited India, but the Government have no information regarding their qualifications. The Government of India have not been in communication with any of them on the subject of hydro-electric power.

MANUFACTURE OF ANILINE DYES AND ARTIFICIAL SILK.

129. THE HONOURABLE MR. KUMAR SANKAR ROY CHOUDHURI: Is it a fact that a certain Bengali gentleman has invented processes for the manufacture of aniline dyes and artificial silk? If so, does the Government intend to communicate with him about the feasibility of producing those articles on a commercial basis?

THE HONOURABLE MR. A. C. MCWATTERS: The Government of India have no information on the subject.

RAILWAY BETWEEN INDIA AND BURMA.

130. THE HONOURABLE MR. KUMAR SANKAR ROY CHOUDHURI: Will the Government be pleased to state what are the routes that have been investigated for connecting India with Burma and why they are held to be not fit to be taken up for construction in the immediate future?

THE HONOURABLE MR. G. L. CORBETT: Three routes for connecting India and Burma by railway have been investigated, namely:

- (i) The Northern or Hukong Valley route from Lodo to Sahmaw.
- (ii) The Manipur route from Lumding *via* Manipur to a point on the Burma Railway about 150 miles north of Mandalay.
- (iii) The Southern or Sea Coast route from Chittagong *via* Akyab to Minhla.

None of the routes can at present be justified financially.

NUMBER OF INDIAN DRIVERS DRAWING THE MAXIMUM PAY OF RS. 220
ON THE EASTERN BENGAL RAILWAY.

131. THE HONOURABLE MR. KUMAR SANKAR ROY CHOUDHURI: Will the Government be pleased to state how many Indian drivers in the Eastern Bengal Railway (who are not Anglo-Indians) are getting the maximum pay of Rs. 220?

THE HONOURABLE MR. G. L. CORBETT: Government have no information. I may, however, point out that a classified list is being compiled of all subordinates on State-managed Railways in receipt of salaries of Rs. 100 and over and a copy of this list will be placed in the Library when published.

PROMOTION OF SUBORDINATE OFFICERS OF THE EASTERN BENGAL RAILWAY TRAINED IN THE CHANDAUSI TRAINING SCHOOL TO THE SUPERIOR GRADE.

132. THE HONOURABLE MR. KUMAR SANKAR ROY CHOUDHURI: Will the Government be pleased to state how many subordinate officers in the Eastern Bengal Railway have been promoted to the superior grade from out of those who have passed the Chandausi Training School course in transportation? How many of these are Indians and how many Anglo-Indians?

THE HONOURABLE MR. G. L. CORBETT: The answer to the first part of the question is "None", and the second part therefore does not arise.

INDEBTEDNESS OF THE INDIAN SUBORDINATE STAFF OF THE EASTERN BENGAL RAILWAY TO CO-OPERATIVE CREDIT SOCIETIES.

133. THE HONOURABLE MR. KUMAR SANKAR ROY CHOUDHURI: Is it a fact that nearly 95 per cent. of the Indian subordinate staff in the Eastern Bengal Railway are indebted to Co-operative Credit Societies?

THE HONOURABLE MR. G. L. CORBETT: Government have no information on the point.

RAILWAY WELFARE COMMITTEE ON THE EASTERN BENGAL RAILWAY.

134. THE HONOURABLE MR. KUMAR SANKAR ROY CHOUDHURI: Is there any institution known as the Railway Welfare Committee in the Eastern Bengal Railway? If so, what are its constitution and functions, and what reforms have been introduced in the railway administration through its intervention during the last five years?

THE HONOURABLE MR. G. L. CORBETT: Government have no information on the subject but will make inquiries.

SUPPLY OF DRINKING WATER FOR THE RAILWAY EMPLOYEES OF THE EASTERN BENGAL RAILWAY AT NAIHATI AND ISHURDI.

135. THE HONOURABLE MR. KUMAR SANKAR ROY CHOUDHURI: Has the attention of the authorities been drawn to the want of a proper supply of drinking water for the railway employees at Naihati and Ishurdi in the Eastern Bengal Railway? If so, what steps do they propose to take in the matter?

THE HONOURABLE MR. G. L. CORBETT: No. The matter is one for the Agent, Eastern Bengal Railway, to consider and a copy of the question and answer will be sent to him for such action as he thinks necessary.

DISMISSAL OF HARIPADA BANERJEE, A RELIEVING STATION MASTER IN THE PAKSEY DISTRICT BY THE EASTERN BENGAL RAILWAY.

186. THE HONOURABLE MR. KUMAR SANKAR ROY CHOUDHURI: (a) Is it a fact that one Haripada Banerjee, who was acting as a relieving station master in the Paksey district in Eastern Bengal Railway has been dismissed on the ground of producing a false medical certificate for obtaining leave?

(b) Has he obtained a decree from the civil court for pay for the period for which leave was asked for on that medical certificate?

THE HONOURABLE MR. G. L. CORBETT: Government have no information and do not think it necessary to call for it. The Agent of the Railway is quite competent to deal with the matter.

CONSTRUCTION OF A LIGHT RAILWAY FROM ISHURDI TO BERA *via* PABNA.

187. THE HONOURABLE MR. KUMAR SANKAR ROY CHOUDHURI: Is it a fact that Messrs. Martin & Co., of Calcutta, asked for sanction to construct a light railway from Ishurdi to Bera *via* Pabna in the year 1918 upon a guarantee of 4 per cent. interest from the District Board of Pabna? If so, why was sanction not given for the construction of the line?

THE HONOURABLE MR. G. L. CORBETT: The reply is in the affirmative. The proposal was for a 2' 6" gauge line and it was held that the area the proposed line would traverse might be served by a 5' 6" gauge line.

CONSTRUCTION OF A RAILWAY FROM ISHURDI TO BERA.

188. THE HONOURABLE MR. KUMAR SANKAR ROY CHOUDHURI: Is it a fact that a petition was submitted to the Local Government of Bengal in 1924, by Messrs. J. Choudhury and others, praying for a guarantee of 6 per cent. interest to raise the necessary capital for constructing a railway line from Ishurdi to Bera on a broad-gauge system through private enterprise? If so, why was no guarantee given?

THE HONOURABLE MR. G. L. CORBETT: Government have no information whether such a petition was submitted to the Government of Bengal or not.

SURVEY AND CONSTRUCTION OF A RAILWAY FROM ISHURDI TO PABNA.

189. THE HONOURABLE MR. KUMAR SANKAR ROY CHOUDHURI: Will the Government be pleased to state whether and, if so, when they propose to undertake the surveying and construction, respectively, of a railway line from Ishurdi to Pabna and onwards?

THE HONOURABLE MR. G. L. CORBETT: The line has been surveyed in detail and a traffic survey has also been carried out. The project is at present under re-examination.

GENERAL DISCUSSION OF THE BUDGET—PART II.

THE HONOURABLE THE PRESIDENT: The Council will now proceed to the general discussion of the Budget—Part II.

THE HONOURABLE SIR JOHN BELL (Bengal Chamber of Commerce): Sir, I desire to join in the congratulations which have been extended to the Honourable the Finance Member on his again presenting to the country a satisfactory Budget. The outstanding feature is of course the entire remission in the coming year of all provincial contributions. These contributions have for years embittered the relations between the Central Government and the Provincial Governemnts, and I trust that, to the extent that they are at present only temporary, these remissions will become permanent. Now that the claims of all the other provinces have been satisfied, I hope that it will be possible for Government to turn their attention to the claim of Bengal to a more equitable allocation of the revenue collected in the province. I do not wish to strike a discordant note, but I cannot accept the statement of my Honourable friend that the claims of Bengal, which pays more than one-third of the tax on income paid by the whole of India and Burma, are met by the mere remission of the annual contribution. The unfairness of the Meston Award, so far as it applies to Bengal, has frequently been exposed in this and in another place by Members representing Bengal, both official and non-official, and I do not wish to take up the time of the House by repeating what has been very often said. However, while Bengal does not in any way grudge the relief that has been extended to the other provinces, she submits, and firmly submits, that the time has now come for a reconsideration of the allocation of the revenues of the Province and the righting of a wrong that has been done to her.

The outstanding feature of the Budget is of course the remission of the provincial contributions, but there are other features of interest.

The removal of the export duty on hides, although it is long overdue, is one that will be received with satisfaction. I trust that it will result in the revival of an almost purely Indian industry which has nearly been ruined by the imposition of this export duty.

I agree with my Honourable friend that the reduction of the duty on motor cars and certain motor car accessories will be welcomed by the country. It is true that my Honourable friend has rather modified the benefit of the reduction in the import duty on motor cars by his pointed suggestion to Provincial Governments that a part of this should be taken by them in the form of local taxation and applied to the improvement and development of roads. While, as I had occasion to say recently in this House, the import duty on motor cars is greater in India than it is in any other country in the world and while users of motor cars might reasonably expect to get relief without any condition attached to it, yet if some proportion of the remission be taken by Provincial Governments and strictly applied in the manner suggested by my Honourable friend, I do not think that Government will find that the public will be unreasonable.

The decision announced by my Honourable friend to abolish the stamp duty on chequés differs from some of the other proposals in the Budget in this respect that there is not, as in the case of the remission of export duty on motor cars, any likelihood of a direct return in any other way. However, I trust that there will be an indirect return from the increased prosperity that will follow the development of banking in the country. The amount

involved is not a very large one, but the concession will be warmly appreciated by many of the small traders in the country.

With regard to the remission of the tea export duty, coupled as it is with an increase in the proportion of the profits of the tea industry to be assessed for income-tax, I would prefer to defer expressing any definite opinion. It is true that in times of depression in the industry it will be an advantage not to have to pay an export duty which has had to be paid whether profits were obtainable or not. But, on the other hand, I am not quite certain that the tea industry will appreciate a departure from a definite arrangement made with Government as to the proportion of the profits to be regarded as arising from agriculture and thus not assessable to income-tax and the proportion to be regarded as arising from the manufacturing side of the industry and therefore assessable to income-tax. My own personal view is that 50 per cent. is much too great a proportion to regard as the manufacturing profit of an industry so essentially agricultural in its character as the tea industry.

There were two references in the speech of the Honourable Member which struck me as being of interest. They occurred in different parts of the speech, but they seemed to me to have some connection with each other. The first was with regard to the form in which the budget figures were presented to the country, and the other was the reference made to the Retrenchment Committee. No matter how anxious the Finance Department may be to place clearly before the public the expenditure of the country, there are always a large number of items which remain hidden away and never come before the ordinary reader of the Budget. It is in following up these items and criticising them that the value of a Retrenchment Committee lies. I do not think that the Honourable Member meant to cast any reflection on the work of the Retrenchment Committee, for he has often expressed his indebtedness to that Committee. But his remarks as to their short-sightedness in making certain cuts might, perhaps quite wrongly, have been construed in that way. I think that the country owes a great deal to the work of the Retrenchment Committee and that if, in the opinion of some people, some of the cuts were short-sighted, the great majority of them were uncommonly sound and the country is reaping the benefit. If another Retrenchment Committee were appointed tomorrow, I am quite sure that they would find many items of expenditure which they might have occasion to criticise and in respect of which they might have to offer suggestions for even short-sighted cuts.

One of the items of expenditure which is included in the Budget will doubtless be followed up by Honourable Members with interest. That is the provision of Rs. 8 lakhs for beginning the construction of an India House in London. The sum referred to must be only a fraction of what will require to be ultimately spent. Everyone wishes that the officials of the Government of India stationed in London should have suitable accommodation and that the permanent headquarters should be worthy of India. But I hope that Government will take the public of this country, and particularly the Members of the Central Legislature, into their confidence both with regard to the design and with regard to the cost of this building, and that they will not commit themselves in respect of either without full consultation with the public in India.

Another point in the Honourable Member's speech in which I was greatly interested was his reference to the appreciation that has taken place in the securities of the Government of India in recent years. I do not think it is

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wise to emphasise too strongly that this appreciation is due entirely to an improvement in the credit of India. The Honourable Member's knowledge of the subject is too complete for me to have to point out to him this appreciation has arisen to some extent from entirely different causes. I do not mention the matter in order to controvert what has been said by my Honourable friend, but rather to disarm criticism in the event of a return of public confidence in industrial securities or a return of a larger demand for money in order to finance the industries of the country and a consequent set-back in the value of Government securities. But the matters to which I have referred are mostly of a minor nature, and I merely mention them in passing. The Budget which my Honourable friend has presented to the House is one that I feel sure will be received by the public with the greatest satisfaction, and the feeling will be strengthened that the financial affairs of the country are in sound and capable hands.

THE HONOURABLE SIR HAROON JAFFER (Bombay Presidency: Muhammadan): Sir, one of the most striking features of the account of the financial position and prospects of India, which has been placed before the House, is the series of surpluses which have succeeded the dark days of recurring deficits. The Honourable the Finance Member deserves to be congratulated on the determined and vigorous efforts he has been making to use the surpluses with which his regime has been blessed, to reduce the provincial contributions which, as he truly says, have been hanging like a mill-stone round the necks of the Provincial Governments and also the neck of the Government of India. As a representative of the Bombay Presidency, I have to express a sense of gratitude, on behalf of the people of that Presidency, for the relief which the latter have received at the hands of the Honourable the Finance Member. The people and the Government of Bombay have cried themselves hoarse over the inequitable financial arrangements embodied in the Meston project, and we are thankful for this measure of mercy, belated and small as it is. It must not, however, be understood that Bombay's grievance has been satisfactorily redressed and that in gratitude to the Government of India we ought to say nothing further in the matter. The temporary relief granted to Bombay is certainly welcome, but what is needed is a permanent arrangement by which the Presidency will receive equitable treatment corresponding to her position, her obligations and her contribution to the development and progress of the country.

I do not wish, Sir, to utilise this occasion to speak on the question of the exchange ratio. But I am bound to say in connection therewith that the expected has happened and that the Honourable the Finance Member has confronted the House with a dilemma. "If you want a surplus and the reduction and the speedy extinction of the provincial contributions, you must agree to the 18d. ratio. If you want deficits, additional taxation and the indefinite continuation of provincial contributions, then have the 16d. ratio." The Finance Member is really taking with one hand from the tax-payers what he is giving them with the other. The overflowing treasury of the Government receives its surpluses out of the pockets of the people who, taken as a whole, lose many times more than what passes into the Government's purse. The surpluses are only an indication of the heavy burdens which the public has to bear and the prosperity of our finances conceals this ugly fact. The Finance Member's budget is sure to give a misleading idea of the financial and economic

condition of the country if this underlying fact is not borne in mind. As to the proposals about the reduction of taxation, it is difficult to appreciate the reasons which have been advanced to justify the abolition of the export duty on tea. It is true that the tea industry is proposed to be subjected to higher income-tax, but why do away with the export duty? The industry is not in a depressed condition. The tea gardens have been paying high dividends. The argument that the abolition of the duty does not entail a net loss of revenue when it is taken with the income-tax proposal, is far from convincing. Export duties may be bad in principle and the duty on the exports of hides is certainly bad in principle as well as in practice. The higher income-tax on tea was called for in any case, apart from every other consideration. And the tea duty could have been continued without detriment and with advantage to the public treasury.

Sir, without in any way grudging to the Finance Member the credit which is due to him for the care and the skill with which he has handled the financial problems of India, I must say, Sir, that we must look beneath the surface and not be carried away by appearances. What India requires is solid progress and not mere delusive prosperity represented by heavy taxation and gains made through a high exchange rate. The Budget does not unfortunately reveal any signs of that far-sighted and wise policy and that bold retrenchment and strict economy which alone can place the finances and the economic structure of India on a firm and sound footing.

THE HONOURABLE RAO SAHIB DR. U. RAMA RAU (Madras: Non-Muhammadan): Sir, the Budget for 1927-28, which has been presented for discussion to-day, is, in my opinion, delusive and contains no bright features over which this House should feel exultant. It may be said that the large recurring surpluses during the past, current and next year, which this Budget reveals and the magnanimous proposal to remit the entire Provincial contributions, with some reservation though, constitute its redeeming features. But, Sir, if we closely analyse these surpluses, we will find strange disclosures. In 1925-26, the Budget provided for a surplus of only 24 lakhs, which in the revised estimate went up to 1.30 crores. But the actuals revealed a still larger surplus, namely, 3.31 crores. Again, the Budget for 1926-27 provided for a surplus of 5 lakhs and odd, which, according to the revised estimate, is 3.10 crores. This abnormal surplus is attributed to wide variations in revenue heads and savings on the expenditure side. During 1927-28, however, the revenue is estimated at 128.96 crores and the expenditure at 125.26 crores, leaving a substantial saving of 3.70 crores which was finally reduced to 3.64 crores due to the revision of certain excise duties. Thus, for the first time, a fairly accurate estimate of revenue and expenditure has been made out, and if only similar accuracy was maintained in the preparation of the past two years' Budgets, a greater portion of the provincial contributions would have been wiped off already, and the so-called non-recurring remission of 258 lakhs alone would have been left for disposal now. This dexterous process of under-estimating the receipts and over-estimating the expenditure has been evidently adopted all these three years, so that these surpluses came to be revealed at a psychological moment when the fate of the Budget hangs on the ratio question and the remission of the provincial contributions is made dependent on our unconditional surrender to the 1s. 6d. ratio. This is hardly a matter for congratulation. The present financial plight of the Provincial Governments is deplorable and

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the ratio question should never have been placed in the way of the Provinces getting their already long overdue remissions. Even with the wholesale abolition of the provincial contributions, Sir, the provincial finances cannot be said to be perfectly sound and stable. It is a matter of common knowledge that the principal sources of revenue of the Provincial Governments, namely, Land and Excise, are inelastic and are subject to constant fluctuations, as for instance when a famine is threatened, which would lessen considerably the income under 'Land Revenue' or when a policy of total prohibition is adopted, which would swallow the entire Excise revenue, and the time has therefore arrived that a re-allocation of the revenue resources should be made, by which some substantial share of the expanding heads of revenue of the Central Government such as Income-tax is given to the Provincial Governments. The Honourable the Finance Member, in his reply to the budget speech before the Legislative Assembly last year, said :

"We do feel that the time has come when an attempt should be made to take a step forward, namely, in regard to Devolution Rule No. 15 and the Provincial share of the income-tax. We hope to take up that question during the summer. Whether we can arrive at a solution depends, I say, on the good-will of the Provinces, all with divergent interests, all with interests divergent from that of the Central Government."

Sir, in the Honourable the Finance Member's Budget speech this year, there is no indication whatever to show if any action has been taken in this direction, though this forms one of the main recommendations of the Taxation Enquiry Committee. The Government of India have thought fit, however, to carry out some of the other recommendations of that Committee without previously consulting the Legislatures in the matter. It is true that a motion by the Honourable the Finance Secretary, recommending to the Governor General in Council to take into consideration the Report of the Indian Taxation Enquiry Committee, was moved in this House at the Simla Session in August last, but on account of the vagueness of the Resolution and the absence of any concrete proposals from the Government, it was decided, on my amendment, by a majority of 24 against 9, to defer the consideration of that Report till this Session. The Government instead of bringing forward definite proposals for enhancement or abatement of taxes before this House in the first instance, and proceeding on our recommendations, have picked up certain items from the Taxation Enquiry Committee's Report and made certain alterations in the existing duties on certain commodities, which would not meet with popular approval. Take for instance, the export duty on hides. The Indian opinion in the Committee was against the abolition of the export duty on this commodity because it would crush the Indian tanning industry, but still the duty is proposed to be abolished. As regards the reduction of import duty on motor cars, the Taxation Enquiry Committee were not quite specific in their recommendations and yet the duty has been reduced just to find a good market for the British and American cars and flood the country with them at a time when road communications are poor and scanty. When we compare this, Sir, with the indifferent attitude adopted and the absolute silence exhibited in regard to the majority recommendation of the Taxation Enquiry Committee for the levy of an export duty on oil-seeds, bones, and other forms of manure, which would have the effect of encouraging the crushing of oil-seeds in India and of cheapening the cost of oil-cake and other forms of manure to the Indian cultivator, we are convinced that these changes are introduced solely with a view to

promote foreign industries and further foreign trade. We have been crying ourselves hoarse, Sir, all these years for a further substantial reduction in the salt duty, and yet the Government do not think it necessary to effect it, in the case of this prime necessary of life. The rate should be reduced to at least 8 As. per maund in normal times as consumption always increases with a decrease in duty. It is only in cases of emergency, that increased taxation on salt should be imposed. Unless the reduction in the rate is appreciable, it would not benefit the mass of the people who buy their salt in very small quantities at a time. It will be interesting to know that in England, salt is untaxed, but the British Government here would not let salt go tax-free in this country. I hope the Government will give due consideration to this question and see their way to reduce the rate to Re. 1 per maund at least, which was the rate prevailing in pre-war times.

Now, coming to the expenditure side, the Military Department heads the list. There has no doubt been a gradual reduction in recent years in military expenditure but the rock-bottom has not yet been reached. I hope the Army Department and the Government of India will spare no pains to see that the military expenditure is brought down at least to the limit proposed by the Inchcape Committee, namely, 50 crores in course of time by curtailing expenditure. I think, Sir, the Military Stores Department requires thorough overhauling. Last year, the Honourable the Finance Member made mention of some serious shortages in the Ordnance Equipment, to replace which he had asked for a provision of 40 lakhs. In the revised estimate for 1926-27, 70 lakhs more have been provided. Another 80 lakhs are required for the same purpose next year. We were told last year that His Excellency the Commander-in-Chief was instituting an expert inquiry into the matter, but the result of that inquiry we have not been apprised of. Sir, on page 498 of the Finance and Revenue Accounts for the year 1925-26, a sum of 2.66 and odd crores has been shown under the heading "Reductions by various losses". Curiosity led me to trace the different kinds of losses and I have been able to find that under each account of the Military expenditure, these losses have been classified under "Loss of cash", "Loss of stores in transit", "Loss of stores in charge", "Loss by fluctuation in price of stores" and so on. I do not know if these losses mean "depreciation in stock" or "actual losses." The former is less likely, for losses of cash, losses of stores in transit and losses of stores in charge, cannot be classed under this category. To replenish these losses, we have already incurred and provided for nearly 2 crores of expenditure. I would like to have a clear explanation on this point. Turning to the medical stores, I find losses to the extent of 26.78 lakhs under Detailed Account No. 75D. alone. These Medical Stores have undertaken to supply medicines, etc., to all the Civil and Local Board and Municipal Hospitals and Dispensaries throughout India. About 34 lakhs of rupees worth of stores are being issued annually by the Medical Stores for these Civil Hospitals. I understand that a certain percentage is charged as profits for supplies made to Government Civil Hospitals and a further percentage for Local Board and Municipal Hospitals. This is really hard and unfair to these famished local bodies. As regards payment, the local bodies are very regular; in fact, as soon as the bill is received, the Local Government pays it in the first instance by way of adjustment and recoups it from contributions payable to them. If there be any delay at all, it is all on the side of the Medical Stores Department. There are frequent complaints of non-receipt of stores in time and though the indents are sent out

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some 3 or 4 months in advance of each official year, the stores are seldom received in time and more often than not, they are despatched three or four months after the commencement of each official year. The difficulties of medical men, especially in rural parts and the awkward plight in which they are placed when they find their stock of medicines run out and cannot therefore conscientiously and successfully treat their patients, can better be imagined than expressed. I can very well understand the reason why such stores are supplied through medical stores. It is to ensure, no doubt, the best quality and uniformity in rate. But, if it fails to serve the real purpose, namely, to afford effective and timely relief to patients, then, Sir, these considerations may be waived and the local bodies can be left to themselves to get their supplies from elsewhere. Already, this subject is enjoying the serious attention of the local bodies in my Presidency, and the Honourable the Director-General of the Indian Medical Service in whose charge, I understand, these medical stores are, will I hope set right matters and see that these local bodies get their stocks then and there and for the same rate at which Local Governments get them, failing which they might be allowed to have freedom of action.

The next point I wish to mention, Sir, is in connection with War expenditure. The Honourable Sir Basil Blackett said last year referring to certain War claims:

“These claims, I may say, have no connection with the important sums in dispute between the War Office and the Government of India, in regard to War expenditure.”

I would like to know what is that dispute, in what stage that dispute now is, and whether that dispute is likely to be settled early and what is the total amount involved in the dispute? It is now nearly ten years since the world war was over and we have now another war—I do not want to say war—another military operation of a defensive nature in China, for the full cost and equipment of which the British War Office is solely responsible. If the old War accounts have not been settled yet and are still contested, I am afraid we may have to undergo similar troubles in connection with the Chinese operation as well. I hope, Sir, the Army Department will not sleep over this matter also but see that the accounts connected with this operation are settled then and there and the Indian tax-payer is not saddled, directly or indirectly, consciously or unconsciously, with even a small fraction of the cost of this operation.

The last point is about the Indianization of the Military Department. Pending receipt of the Skeen Committee's recommendations, I would defer any reference to it, but I might, however, be permitted to remind the Army Department of its solemn pledges to Indianize the Military services as rapidly as possible.

Let me now pass on to the Post and Telegraph Department. There are two calls on the finances of this Department. The one is that of the staff for increased pay and emoluments and the other of the public for better services and cheaper postal rates. So far as the grievances of the staff are concerned, they have been practically met at an annual cost of ₹5 lakhs nearly. In the distribution of these amounts, however, certain provinces have been favoured more than others and Madras has had very bad treatment in the past from the Honourable Member in charge of this Department. The time-scale of pay fixed for Madras postal employees and the minimum they are now getting is much below that of Calcutta and

the Honourable Sir Bhupendra Nath Mitra seems to shift the responsibility on to the leaders of Madras in the Assembly, who seemed to be content with a lower scale for Madras. None in my opinion would be so unpatriotic as to suggest that Madras postal employees could live on low wages and, granting there were some such, they do not constitute the majority, nor do they represent the employees. I do not for one moment question the partiality of the Honourable the Industries Member for Calcutta or any other city, but what I say is that he should not take the one-sided view of any Madras Member or Members and use it as a pretext to place the Madras postal employees under perpetual misery. Lest their case should again go by default or otherwise, I have voiced forth in this House the feelings of these helpless postal employees in Madras and I hope in the revision of the scale proposed for the Postal clerks, for which a sum of Rs. 5,81,000 is provided in the Budget for 1927-28, their claims will be reconsidered and they will be placed on an equal footing with their brethren in other parts of India.

The next point for consideration is about better services and cheaper postal rates. With regard to the former, there were local deliveries for every two hours or so in Madras some years ago but now they have been restricted to one delivery in the afternoon. The village postal system is being neglected and requires overhauling. Coming to the question of cheapening postal rates, I do not wish to say anything in detail now. The proper time will be when the Finance Bill is being discussed in this House. But I would, however, venture to suggest at the present moment that the financial difficulty involved in this proposal could be easily overcome by utilizing the unallocated recurring surplus still left, namely, 1.01 crore for 1927-28, for the reduction of postcards at least. I know that it will shatter all the high hopes of the Honourable the Finance Member for the building up of a revenue reserve, to fund the would-be Reserve Bank. The question of the establishment of the Reserve Bank might conveniently be postponed to some later date until at least our finances have sufficiently adjusted themselves and our surpluses prove to be real and substantial by further trials. Even the Currency Commission have not recommended the immediate establishment of the Reserve Bank and there is, therefore, no hurry about it now. The reduction in the rate of postcards at least will give considerable relief to the poorest of the poor.

With regard to beneficial services, I would like to make one or two proposals, which I hope will commend themselves to Government. I wish that provision is made in the Budget for 1928-29 at least, for the establishment of herbariums in suitable centres in India to collect, grow and preserve the very many useful herbs and plants of great medicinal value, which, for want of proper care and attention, are fast disappearing.

This will not only provide a vast field for research work, but will in the long run go to make medical aid very cheap. Another thing I would suggest is that more money should be allotted for research work in tropical medicine.

Sir, I have now come to the close of my remarks. The glowing picture drawn by the Honourable the Finance Member at the conclusion of his speech is full of promise, full of sympathy to the millions of the masses of India. But this picture will soon fade away and a gloom will overtake us, we are told, if the ratio question is not decided in his favour. The will of the Indian nation, whether right or wrong, will be known shortly, when the

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Currency Bill is discussed in this and in the other House. But in the meanwhile to barter away any permanent national benefit for a temporary boon that is now offered, namely, the entire abolition of the provincial contributions, is neither sound policy nor true statesmanship.

THE HONOURABLE MR. W. A. GRAY (Burma Chamber of Commerce): Sir, I wish to associate myself heartily with the congratulations that have been tendered by the Honourable Sir John Bell to the Honourable the Finance Member on the financial results of the year that is just drawing to a close, and more particularly on the remission of the provincial contributions, even though we have no assurance that complete remission will be a feature of the Budget in ensuing years, and even though the offer is subject to the decision of the Legislature on the Currency Bill which will be under discussion next week.

Speaking as the representative of Burma, I must express gratitude for the way in which the Government of India has seen fit to comply with the appeal of the Provincial Government for the removal of the import duty on rubber stumps and seed, thereby offering encouragement to a growing industry; though the sacrifice which this involves to the central revenues is hardly comparable with that resulting from other schemes of revised taxation that appear in the budget proposals. From the prominence given to this point in the speech which accompanied the introduction of the Budget it might almost be supposed that Burma was receiving special consideration as great as that which is being received by Bombay, for instance.

Burma, in common with other Provinces, will be grateful for the relief given by the removal of the export duty on hides. Burma has no tanning industry. Attempts have been made to institute one but they have failed, and therefore Burma has had nothing to gain from this duty, though it has had much to lose in the past. For some time past the hide industry in Burma has been in a moribund condition so much so that it is hardly worth the while of the agriculturist to flay the carcasses of dead cattle. Though we could have wished that the export duty on skins also had been removed, it is to be hoped that the abolition of this duty will give a new lease of life to the hide industry and enable it to compete in the export trade.

Export duties are universally condemned as a vicious form of taxation and this view has been recently confirmed by the Taxation Enquiry Committee. It is therefore to be regretted that the Government of India have not seen their way to propose the abolition of yet another export duty, that is, the export duty on rice. As is mentioned in the statement issued by the Central Board of Revenue and circulated with the budget papers, Indian rice has to compete in foreign markets with rice from French Indo-China and Siam, and consequently the price which the consumer pays is fixed by this competition. The rice miller or middleman naturally is careful to see that he does not suffer more than is necessary and consequently the burden of this export duty is borne by the producer or agriculturist. Now in Burma at present we have two taxes—the Capitation Tax in Lower Burma and the Thathameda Tax in Upper Burma—which fall mainly on the agricultural classes. I will not weary this House with a description of these taxes but will only say that they have been universally condemned as a source of provincial revenue, and an attempt is being made to substitute other taxes

for them. So long as these taxes exist or any other tax is substituted for them which takes the form of a burden on the agriculturist, the Provincial Government is not justified in attempting to increase its income from land revenues, but if the export duty on rice was removed and the agriculturist relieved of the burden which he now bears, an increase in the taxes derived from agricultural land and products would not be felt by the producer. The existence of the rice duty is thus a check on the Local Government's ability to increase revenues and Burma would gladly see it abolished.

Failing its abolition what we ask is that the proceeds of the rice export duty should be made over to Burma. I do not suggest this as an act of charity on the part of the Government of India because Burma has outrun the constable; nor do I claim any special consideration for Burma though it would not be unreasonable to do so on the ground that she came under the control of the Government of India at a time when other Provinces had already reached an advanced stage of development; and since the Government of India fears to provoke the wrath of other Provinces by giving her special assistance, she is not likely to overtake the other Provinces except by her own unaided exertions. But, Sir, I do not base my claim on any reasons such as these. I base it on the fact that Burma alone provides this source of revenue to the Government of India. Other Provinces export rice it is true, but during the last 20 years India has imported from Burma approximately 8 tons of rice for every 5 tons which she has exported to other countries; from which it is clear that if there were not
 12 NOON. a sufficient surplus crop produced in Burma, India could not export rice at all, and therefore it is Burma alone which is responsible for providing a sum of Rs. 1 crore which this duty yields to the central revenues.

Sir, this is not the time to discuss the ratio question, but before concluding my remarks I wish to refer Honourable Members to two points in the statement issued by the Central Board of Revenue regarding the effect on the financial position of the Government of India of an alteration in the exchange value of the rupee from 1s. 6d. to 1s. 4d. In paragraph 11 of the statement it is estimated that the result of the alteration would be an increase of 20 per cent. in the export of rice, giving a further gain of 24 lakhs. I do not dispute the correctness of the figures, but what I do question is, whether we can safely assume that India will have a sufficient surplus crop to enable her to increase her export by 20 per cent., that is to say, by some 4 lakhs of tons. I do not think that this assumption is likely to be fulfilled; and so the gain under this head should be reduced considerably, if not entirely ignored.

The second point is in paragraph 12 of the statement where a gain of Rs. 10 lakhs is assumed as a result of the reduced import of kerosene. Now, Sir, the amount of kerosene imported into India has little if anything to do with the exchange value of the rupee. The quantity imported is almost entirely regulated by the difference between the volume which India can produce and the volume which she consumes; and the deciding factor is therefore the productivity of the Indian oil-fields. If Honourable Members will refer to the summary contained in paragraph 14 of the statement they will find that if these two items are excluded from the anticipated gain, the total under that heading is reduced by more than one-third, and the net loss to the customs revenue from the alteration from 18d. to 16d. will be increased to Rs. 160 lakhs.

THE HONOURABLE SETH GOVIND DAS (Central Provinces : General) : Sir, I am sorry that I cannot join in the congratulations offered to the Honourable the Finance Member by my Honourable friends, Sir John Bell, Mr. Gray and Sir Haroon Jaffer. The first thing on which the Finance Member is being congratulated is that he has been able to bring forward in this House surplus budgets for the last four years. I may point out, Sir, that this is not a matter for congratulation. It may be asked "Why not?" We, Congressmen have always been blamed for putting forward before this House extreme views. But, Sir, I will quote from the moderate of moderates, the late Mr. Gokhale. In his very first speech on the Budget in 1902, the late Mr. Gokhale said that they constituted a double wrong :

"they are a wrong in the first instance in that they exist at all, that Government should take so much more from the people than is needed in times of serious depression and suffering; and they are also a wrong because they lend themselves to easy misinterpretation and among other things render possible a phenomenal optimism of the Secretary of State for India who seems to imagine that all is for the best in the best of lands."

Thus, Sir, I cannot congratulate the Finance Member on the surplus.

Then, Sir, he has been congratulated on his having remitted the provincial contributions. On this point, Sir, I will only say one thing and that is that it is only a piece of belated justice; he should have done it long ago in the year of the very first surplus; and for this reason I again cannot congratulate him. On the other hand, Sir, I would say that he has put us on the horns of a dilemma. My Honourable friend, Dr. Rama Rau, pointed out that the suggestion was that either we should have the ratio question settled at 18d. or that we should go without the remission of provincial contributions. I may say that this has not been a new thing with Government Members.

THE HONOURABLE SIR BASIL BLACKETT : In possession of facts.

THE HONOURABLE SETH GOVIND DAS : Yes, Sir. In 1924 the Honourable Sir Basil Blackett said in his speech in the Assembly while dealing with the question of the salt tax and the provincial contributions :

"There is the choice before the House; this House has the choice this year of Re. 1.4 as. salt tax and no relief for provincial contributions, and though it is not absolutely certain, it is probable that if it makes that choice there will be no relief for provincial contributions next year."

Thus, Sir, this has been the practice of the Government in the past. I will only say this, that if you give us the choice, then let it not be a restricted one and we will show that we can bring the ratio down to 1s. 4d. and we can give remission to the provinces too; and not only this; we will do much more; we will remit the salt tax and we will bring down the postal rates and accede to other popular wishes. But what is being done now is to give a certain choice to us and to restrict us. As far as the ratio question is concerned I shall not deal with it at this stage. This question is coming up later before the House and I reserve my remarks for that occasion.

Now, Sir, as regards the additional taxation. What do we find? Since 1913-14 the taxes have gone up by Rs. 49 crores. In the beginning it was said that the taxation could not be reduced on account of the War; then the financial bogey came and there were deficit budgets, and for making up those deficit budgets there was further taxation. Now, Sir,

the War is over; the deficits are gone and still the taxes are where they were. In fact, Sir, I will say that the burden of taxation has increased and I will show how it is so. If we look at the purchasing power of the rupee, we find that in 1920, the index number of prices in Bombay was 260; it has come down to 146

THE HONOURABLE SIR BASIL BLACKETT: What was it in 1920?

THE HONOURABLE SETH GOVIND DAS: 260.

THE HONOURABLE SIR BASIL BLACKETT: 216 you mean?

THE HONOURABLE SETH GOVIND DAS: No, 260.

THE HONOURABLE SIR BASIL BLACKETT: It was not 260; it was 216.

THE HONOURABLE SETH GOVIND DAS: Yes. I am sorry, Sir, it was a slip of the tongue; it was 216; and it has come down to 146. Now, Sir, at that time the people paid 64 crores as taxes. If we measure this in terms of rupees of 1920, it comes, Sir, to Rs. 117 crores. Thus, Sir, in fact the burden of taxation has not decreased; it has considerably increased.

Another point, Sir. In 1922 the Retrenchment Committee recommended certain reductions to balance the Budget. If the Government had accepted those recommendations, the Budget could have been balanced.

THE HONOURABLE SIR BASIL BLACKETT: Government did accept those recommendations.

THE HONOURABLE SETH GOVIND DAS: Not fully. Then what do we find, Sir? We find that certain circumstances, certain new favourable circumstances, have come into existence. In 1923 the ratio went up from 1s. 4d. to 1s. 6d. There was a reduction of interest; there was a fall in prices; and, Sir, according to the Honourable the Finance Member's own calculations the Government are now saving from exchange 5½ crores of rupees

THE HONOURABLE SIR BASIL BLACKETT: May I intervene for a moment, Sir. I did not say that the Government are saving 5½ crores of rupees from exchange. I said that the effect of a sudden alteration in the exchange would be a decrease of over 5½ crores. That is quite another thing.

THE HONOURABLE SETH GOVIND DAS: If there will be a deficit now on account of 1s. 4d. there must have been a surplus from the ratio having gone up from 1s. 4d. to 1s. 6d.

THE HONOURABLE SIR BASIL BLACKETT: It is not an exactly equivalent amount.

THE HONOURABLE SETH GOVIND DAS: I say, Sir, whatever the Finance Member may say now, Government must have been saving considerably; there is no doubt about it.

Then, Sir, under Interest, the Honourable the Finance Member says that they are saving 5½ crores now. If we compare the figure in 1922 and that at present and consider the fall in prices, then they must be saving a great deal by this as well. All this money should have gone to the remission of taxes, but we find that the taxes have not gone down.

Apart from this, Sir, there should be an equitable distribution of the burden of taxation. But according to the Taxation Enquiry Committee the burden is more on the poor. It is hardly fair. And what have the

[Seth Govind Das.]

Government done this year? The import duties on motor cars have been reduced. I ask, Sir, is it going to affect the poor people? My Honourable friend Colonel Crawford said in the other place in his speech in the course of the general discussion of the Budget that he is anxious to give a seat in the car to every poor man in this country. I say, Sir, when the poor people are not getting even enough to eat or to clothe themselves, how can they relish the boon? As regards salt, Sir, the Government say that cheap salt will be a luxury, and for post offices, it is said that they must pay their way. This is what is being done for the poor. In the matter of salt, it was again urged that like English alcohol and tobacco, there should be some tax to be contributed by the poor. This is absurd. There cannot be any comparison between a tax on alcohol or tobacco and one on salt. Alcohol and tobacco, Sir, are luxuries, whereas salt is a daily necessity, an indispensable commodity for the preservation of health.

Then, Sir, if we turn to the expenditure side, what do we find? Much has been said about the military expenditure, and I will therefore add only a few words. According to the recommendations of the Retrenchment Committee, the military expenditure to-day, when the prices have fallen, should not be more than 50 crores; but, Sir, it is said that it is a pious wish. His Excellency the Commander-in-Chief said this in the other place and the Honourable the Finance Member endorsed it here thus:

"Only the sternest economy and strictest vigilance can now prevent our military expenditure from showing a tendency to rise rather than to fall."

Well, Sir, the recommendations of the Retrenchment Committee are thought to be pious. Why is it so? Why not accept their expert opinion in this matter also? When the question of steel protection came up it was said by my Honourable friends Sir Charles and by Sir Maneckji that we must accept the recommendations of the Tariff Board, because it was the expert opinion. But now when these recommendations are inconvenient to them, I say, Sir, that when expert opinion is inconvenient to the Government, they say it is a pious wish. The frank statements regarding the reduction of the military expenditure of the Honourable the Finance Member and His Excellency the Commander-in-Chief are prophetic. I see, Sir, which way the wind is blowing. The political situation in the Far East is far from satisfactory. Troops are being sent to China and we are going to have a naval base at Singapore.

THE HONOURABLE SIR MANECKJI DADABHOY (Central Provinces: Nominated Non-Official): The China Expedition expenditure will not be borne by the Indian Government.

THE HONOURABLE SETH GOVIND DAS: It is said, Sir, that England is also spending a large portion of her revenue on military expenditure. I say, Sir, that the military expenditure of England is now much less as compared with prewar expenditure. I shall just read a quotation from the *Statist* of the 1st August, 1925. That paper writes:

"The personnel of the army and navy in 1925 is considerably below that of 1914, and the total expenditure of the army and navy, making due allowance for the changes in the value of sterling, is lower than it was then."

Now, Sir, what is the case in India to-day? In India we find that in 1913-14, the military expenditure was only 30 crores. Well, the prices

have risen no doubt by 50 per cent., but even then to-day the expenditure should not have exceeded 45 crores according to the ruling prices; but it is 56 crores. Even if England has to maintain a big army she has to keep under subjection a big Empire; she has a worldwide trade to protect and she has vast political ambitions to carry out. But what is the position in India? We have no ambitions outside our country. We have no liberty worth the name to protect and our independence is yet to come. Therefore, Sir, the conditions of England cannot be compared with those prevailing in this country. So far we have been fighting the wars of England. But now the results of the last Imperial Conference make me suspect that in future we might have to fight the battles of the Dominions too, and that might be another reason for maintaining such a large army in this country.

If the Government really want to reduce the expenditure, they can certainly do so. So many ways have been suggested regarding the reduction of expenditure on the civil services as well as on the army, that I do not think it necessary to repeat those arguments. I will only add in conclusion, Sir, that the Government can do much if they really wish to relieve the poor. The Budget which has been presented to us, Sir, is in my opinion far from satisfactory, and I cannot congratulate the Honourable the Finance Member on it.

THE HONOURABLE SIR ARTHUR FROM (Bombay Chamber of Commerce): Sir, life is full of surprises and the Budget which we are discussing to-day has its fair share of them. Surprise No. 1 is that the revised estimates of last year were over-cautiously calculated to the extent of just over 2 crores, with the result that 1925-26 closed with a realised surplus of 331 lakhs instead of 130 lakhs. Surprise No. 2 is that the revised estimates for the current year, 1926-27, show an advance of 305 lakhs over the budgeted surplus of 5 lakhs, and Surprise No. 3 is that in the current year, on the present level of taxation, the budgeted surplus works out at 370 lakhs.

Well, Sir, surprises come under two categories, pleasant ones and the reverse, and on this occasion I think the Honourable Members of this Council will agree with me that the shocks we have sustained come under the former description. I think the Honourable the Finance Member must have received the shock of his life at the windfall of 2 crores at the close of the year 1925-26, further accentuated by the budget surplus of 5 lakhs for 1926-27 being converted into a revised estimated surplus of no less than 310 lakhs. However, Sir, having recovered from his astonishment the Honourable the Finance Member manfully tackled the Budget for 1927-28 and guided by the figures for the current year it is of little surprise that he has produced an estimated surplus of 370 lakhs for the coming year.

I listened with considerable interest to the financial dissertation of my Honourable friend Seth Govind Das, but I will just remind him that there is one thing which he overlooks, in his great dislike for a surplus Budget, and that is debt redemption. With the surplus for 1927-28 Sir Basil Blackett at once proceeded to redeem the promises he made to us a year ago, and here I think the whole House will join with me in a chorus of approval of the Honourable Member's action and of congratulation that by skilful and careful financial management he finds himself in a position to carry out what he had hoped to do. I refer of

[Sir Arthur Froom.]

course to the reduction of the import duty on motor cars and motor tyres and to the relief to the Provinces of the contributions to the Central Government.

As regards the former, I have no doubt that the Provincial Governments will take the Honourable Sir Basil Blackett's hint and help themselves to the 10 per cent. reduction in the import duty on motor cars. To this I have no objection; in fact, I hope they will take that action, but with this proviso, that the money so obtained should be devoted solely to the improvement of roads and to their upkeep. This I feel will meet with the full approval of this Council which has recently passed a Resolution recommending that Government should institute a full inquiry into the question of road development in India.

Turning next to provincial contributions, I am in full agreement with the Honourable the Finance Member's action in taking his courage in both hands and reducing by 3½ crores the total contribution which at present stands at 608 lakhs, leaving a non-recurring remission of 258 lakhs. I further applaud the Honourable Member's proposal to remit altogether for the year 1927-28 the contributions from all Provinces. I also think, Sir, that I would be considered guilty of a lack of courtesy if I did not express my thanks to Sir Basil Blackett for the allocation of a gift of 28 lakhs to Bombay against her contribution of 56 lakhs for the current year, 1926-27. However, in expressing Bombay's gratitude I do so with a certain reservation. As no doubt Honourable Members are aware, the original contributions from Provinces under the Meston Award totalled the sum of 983 lakhs, of which Bombay's share was determined at 56 lakhs. Since the time the award was originally made there have been two permanent reductions totalling 8½ crores but, in spite of these reductions, Bombay's contribution has remained the same, whereas Madras has received relief to the extent of 183 lakhs, the United Provinces 89 lakhs and the Punjab also 89 lakhs. It is true that the contribution of 63 lakhs of my friend's, Sir John Bell's province—I am talking of Bengal—also remained unaltered, *on paper*, but Bengal, Happy Bengal, has not been called upon to pay anything, whilst poor Bombay up to the present has received no consideration whatever except for a non-recurring present of 22 lakhs for the year 1925-26. When I came to the Council this morning, Sir, I expected to see broad smiles on the faces of my friends on my right, because of the proposed recurring reduction of 3½ crores, Madras gets no less than a further 116 lakhs, in addition to what they have already received. Now, of the recurring remission of 8½ crores, proposed by the Finance Member, Bombay received relief only to the tune of 19 lakhs. It is true that in 1927-28 she is to receive a remission of her balance, namely, 37 lakhs, but this 37 lakhs is a non-recurrent remission and that is where I have said Bombay's gratitude is tempered with some reservation. I sincerely hope that this time next year, when presenting his Budget for 1928-29, the Honourable the Finance Member will be able to wipe out altogether the balance of the contributions, or if he cannot do that, I hope that at any rate he will wipe out the Bombay's share of 37 lakhs. With the huge amount of income-tax which Bombay contributes to the Central Government I think I can claim with justice that she has been harshly treated. I think I am right in recollecting that the Honourable Sir John Bell said that Bengal

paid one-third of the whole of the income-tax of India and Burma. He did not say how much Bombay paid. I have not got the figures before me. I fancy she pays a good share of the remaining two-thirds.

THE HONOURABLE SIR JOHN BELL: About half of what Bengal pays.

THE HONOURABLE SIR ARTHUR FROM: At any rate I am glad that Bengal's conscience has been awakened, because it is not very many years ago that Bombay paid more income-tax than Bengal owing perhaps to the activities of the inland revenue officer in Bombay, and perhaps to the sleepiness of the inland revenue officer in Bengal.

Sir, I read with considerable surprise the views expressed in the Press by one of the Honourable Members of this Council that the Budget was one for the rich and not for the poor. Would the Honourable Member describe the reduction of 10 per cent. in the customs duty on motor cars as a present to the rich, when obviously the sum represented by that reduction will be seized by the Provincial Governments for road development to the benefit of the poor agriculturist in the country? In effect, there will be no actual reduction of the duty on motor cars, but there will be an alteration in the direction in which the present duty on motor cars goes, or part of it. Again, would the Honourable Member describe the relief afforded to the hides trade, a trade in which many poor people are employed, as a gift to the rich? The reduction in the export duty on tea might have come in for some criticism at the hands of the Honourable Mr. Ramañas Pantulu had not the Finance Member been careful to take away with his left hand, in the shape of increased income-tax, what he has given with his right. And here I have no doubt that the Honourable Sir Basil Blakett will have listened with interest to the remarks which fell from an Honourable Member who sits behind me—but who is not in his place now—in that he clearly made it plain that he was in favour of taxation on agricultural incomes. Then, to continue, would the Honourable Member to whom I have previously referred, describe the relief afforded to the Provinces as a benefit for the rich when this relief will enable the Provinces to go ahead with their schemes for the raising of the social and economic status of the people? I think that the whole House will agree with me that this accusation of a rich man's budget is entirely unjustified and that most Members with myself are getting not a little tired of these unfounded accusations against Government. Of course, we should have liked some relief from taxation. But I recognise, and I think that all reasonable Members of this Council will recognise, that the Honourable the Finance Member cannot stretch his surplus further than it will go. I remember that when I was a lad in this country, on more occasions than one I tried to make Rs. 10 go as far as Rs. 20; but my experiment was not very successful. It generally resulted in an overdraft on my bank and my last state was worse than the first, because banks have a nasty habit of charging interest on overdrafts. I contend that if the Honourable the Finance Member did not pursue a cautious policy in dealing with his surplus, he would find himself in a very similar position.

Now, for a moment, I wish to invite Honourable Members' attention to the statement under ways and means. It is now close on four years since the Government of India have issued any sterling loans and the present Budget for 1927-28 includes no provision for any external loan.

[Sir Arthur Froom.]

This is a matter for sincere congratulation and is a testimony to the soundness of India's financial position. I think, too, that we can pat ourselves on the back, after having first patted the Honourable the Finance Member's back, in that the credit of the Government of India stands so high and that the last loan was floated at a considerably lesser rate of interest than that which was ruling a few years ago; that position, too, has been attained with the value of the rupee at 1s. 6d.

In referring to the rupee I do not propose to introduce now this controversial question, but I do claim that the short statement issued by the Honourable the Finance Secretary to show what would be the effect on the Budget of a reversion to 1s. 4d., has been drawn up in no exaggerated form; in fact, I am of the opinion that the estimate that the finances of the Government would suffer to the extent of Rs. 5½ crores, were the present value of the rupee to be dropped arbitrarily to 1s. 4d. is understated rather than over-stated and that, if the change were made, instead of having a budget surplus of Rs. 370 lakhs we should have an even larger deficit than the suggested one of Rs. 1½ crores.

Sir, I have heard the Honourable the Finance Member described as a first class juggler. Well, if that is the correct description of Sir Basil Blackett, I take off my hat to him as a successful adept in the art of juggling. In fact, I would go further and make him a present of my hat if he would only continue his juggling tricks and produce out of it further surplus budgets for the benefit, the prosperity and welfare of India.

THE HONOURABLE MR. MAHMOOD SUHRAWARDY (West Bengal: Muhammadan): Sir, I wish to join the other speakers before me, in congratulating the Honourable the Finance Member and his Secretary for having presented a surplus budget once again. My congratulations are not formal, for we were treated to an exceedingly lucid exposition of the present condition of Indian finance. Sir, it was not mere fortune that came to his aid, but throughout the Budget, there are marks of exemplary care and scrutiny coupled with unremitting zeal displayed in the huge volumes offered to us for study and criticism.

Sir, dealing with the resources of the revenue for the current year, the Honourable the Finance Member expects a net revenue of 49.15 crores (four thousand nine hundred and fifteen lakhs). I have no doubt that the Honourable Member has taken note of the general tendency for prices in European countries to fall and I do hope that our export and import transactions will bulk sufficiently large to justify his expectations in this direction.

Sir, though one may feel dissatisfied that there is no reduction in income-tax and super-tax, it is gratifying to find that with increased trade, the Finance Member expects an increasing return under this head. But in this connection I should like to bring to his notice that there is a volume of opinion in the country that the collecting agencies resort to harassment to some extent. I am sure, however, that while adopting vigilant measures in collection, the heads in charge of this department of collection will see that avoidable worry and annoyance is not caused to the assessees.

In the matter of super-tax also, I think no reduction is feasible and I believe it falls on shoulders that are well able to bear it.

Sir, coming to the expenditure side of the Budget, the first in size and importance is the military expenditure. Veteran financiers like the late Mr. Gokhale and my Honourable colleague, Sir Dinshaw Wacha, who have made a life-long study of this and other kindred questions in our finance have seriously complained in the past about the mammoth size of the then military expenditure. I gather, Sir, that it was then not more than 30 crores. I wonder how the cool, calm and deliberate statement of the Finance Member that there is no near possibility of this expenditure going below its present level, will be received in the country. By the side of the 128 crores of the revenue, 54·92 crores of military expenditure would strike even the most light-hearted as most extraordinary. It may strike a curious foreign student of our finance that the country is always in danger of foreign invasion.

Sir, in spite of the existence of the League of Nations, the disarmament proposals and other international agencies making for world peace, it was not possible for His Excellency the Commander-in-Chief to secure a further reduction under this head.

Sir, with the establishment of the naval base at Singapore and the improvement of the Air Force, it must become possible to reduce the British section of the Indian Army to some extent and a slight increase in the Indian section.

We are told, Sir, that there is a considerable stock of surplus stores for disposal. But no indication has been given of its approximate value.

We are promised an immediate expansion of Air Force and barrack accommodation for British and Indian troops. I for one would welcome the proposed channels of expenditure. But in doing so, I should like to add my voice also that the people of my country ought to get greater facilities for training in air craft and the Indian officers and non-commissioned officers should get better opportunities in this direction.

Now, Sir, as regards barrack accommodation for Indian troops I would request His Excellency to have a soft corner in his heart for the Indian sepoy in regard to their barrack accommodation and other amenities.

His Excellency knows, I am sure, that India of to-day is not what it was before the Great War. The standard of living of all classes of people, not only in towns and cities, but also in remote villages, is fast changing and the sepoy drawn from the rural parts ought to feel contented that they get a better standard of living in the barracks than in their villages. It must be admitted that there is still much scope for improvement in the lot of the Indian sepoy in all directions compared with his British counterpart.

Sir, throughout the entire House, there will be nothing but praise that the first concern of the Central Government is to spend on the *beneficial services*. Without subscribing to the Finance Member's left-handed compliment to the Retrenchment Committee I should congratulate the citizens of the *administered areas* under the Central Government for the great solicitude it now extends for their physical, social and moral well-being. But it is a pity, Sir, that the Government have not thought fit to show the same generosity to the other Provinces, especially Bengal. It is true that the Central Government has no direct responsibility in matters of provincial education and health. They are certainly aware of the crippled resources of the provincial exchequers, in spite of the heavy taxation prevailing there. Sir, in a vast country like Bengal where malaria and epidemics account for the alarming death-rate, adequate provision ought

[Mr. Mahmood Suhrawardy.]

to be made in order to lessen the appalling death-rate. I do know that Health, Education and Medicine are provincial transferred subjects. But, Sir, the Central Government cannot afford to look on with indifference at the present state of public health in my Province, resting themselves on the technical plea of these being provincial transferred subjects. Be that, however, as it may, the public, Sir, cannot and will not absolve the Central Government of its ultimate responsibility for the well-being of its people at large.

Throughout the entire Budget I have not been able to find a single new item of expenditure or a new reduction of tax that will directly enure to the benefit of the poor folk. Except for the negative virtue of not having raised the salt duty, the poor man's lot continues to be what it was in the last year.

Sir, I would directly refer to what I mean. Time after time, year after year, repeated arguments have been urged on the floor of this House for the reduction of prices of postcards and letters. Whenever there is a surplus, it is usual to expect that some share of it, be it small or great, would go to the people who contributed to it. I mean that something tangible and directly appealing to the masses ought to be given. We are painfully familiar with the patent reply that the department has been commercialised and that it must first be made to pay its way before any reduction of the prices of these things could be granted. It is conceded, however, that the Postal Department is working at a profit, but it has unfortunately to buttress the Telegraph Branch. Need I say, Sir, how pleased the whole country will become, if only the Finance Member can find a way of reducing the prices of these things.

Well, Sir, it is indeed very gratifying that out of the net surplus, the Finance Member has made a generous distribution by remissions of the provincial contributions, and we should be grateful to the Government if they would *extinguish* it as early as possible.

Sir, we have doubtless a surplus budget, but it does not require much acumen to find out whether this happy state was attained through a period of commercial and industrial prosperity. Does it really represent an all-round increase in the average income of the people? Trade is not very brisk; taxation is high enough, unemployment is growing and the cost of living has increased everywhere. I do not say this in a spirit of fault-finding *for*, I know that Government have many commitments on hand to meet which they have to keep up the present level of taxation.

Sir, I am sure this House is particularly thankful to the Finance Member for the reduction in the import duty on motor cars and tyres. I am sure the reduction would stimulate motor transport trade throughout the country. In this connection, Sir, I would remind the Government again, that the benefit of this reduction should go to improve road development in rural areas.

The reduction of import duty on rubber seeds and stumps is also welcome and it will give a much-needed stimulus to the rubber industry.

Sir, though there is no general reduction of taxation, the few articles marked for the reduction of duty have been chosen with such great judiciousness and foresight that we cannot fail to congratulate the Finance Member once again. Above all what strikes me as a very important feature in the financial policy of the Government is its scheme for the avoidance

of debt or debt redemption. But this year we are told that he had to depart a little from this accepted canon of public finance and I do hope that adequate steps will be taken to push on this scheme and extinguish the unproductive debt and foreign debt as quickly as we can.

Sir, I fervently hope that in the coming year the Finance Member will put forth his best efforts and apply his usual genius for economy and scrutiny and reduce the expenditure to an appreciable extent, so that we may have not only a surplus budget but one based on the prosperity of trade and commerce.

Lastly, I heartily echo the unexceptionable sentiments of the Finance Member at the close of his speech in reference to the health and happiness of the millions of our fellow countrymen.

[The Honourable Nawab Sahibzada Saiyid Mohamad Mehr Shah (East and West Punjab: Muhammadan) made a speech in Urdu, a translation of which appears as an Appendix to these Proceedings.]

THE HONOURABLE SIR MANECKJI DADABHOY (Central Provinces: Nominated Non-Official): Sir, a Budget that reveals a surplus of Rs. 3,10,00,000 during 1926-27 and an estimated surplus of Rs. 3,70,00,000 during 1927-28 cannot but be regarded as a satisfactory one. The Budget has been framed very cautiously and on sound financial lines. It is a bold Budget in my opinion because it is full of self-imposed responsibilities, and I trust that the confidence with which the Honourable the Finance Minister looks forward to next year's surplus will be fully justified. I have heard it said that this Budget is a rich man's budget because it does not dispense with the taxation on salt, and because it does not reduce the duties on postal stamps. I must say that it is an erroneous idea to view a budget from such a standpoint. A prosperity budget does not necessarily imply or denote a rich man's budget. Then, further, no one has a right to ask that a particular community or a particular section should profit by the sacrifices of another community. The Finance Minister has to see that both the rich and the poor citizens receive an equal measure of relief from taxation when such relief is to be given. It is a bad principle of economics to say that the burden of taxation should always be borne by the rich, and that the poor should always and at all costs be relieved. The burden should be equitably distributed, distributed so judicially as to result in an equitable incidence, and any argument to the contrary in my opinion is wholly unsound. It has been argued this morning by several of my Honourable colleagues that no relief has been given under major heads of taxation. In this connection I am also bound to state that the idea prevailing among some Honourable Members is not a sound one. In judging of relief from taxation which a Finance Minister is able to announce, we have not only to look to a particular year. It is true that in the first year of his office the Finance Minister imposed heavy taxation. But, on the other hand, if you look to the last three Budgets what has been done? It is a wrong thing to state that no relief has been given. A considerable amount of relief has been given, and I trust further relief will be given very shortly. You will find by a study of the last three Budgets that relief to the extent of Rs. 9 crores has been given to the Provinces by remitting the provincial contributions. You will find that relief to the extent of nearly 2 crores of rupees has been given to the textile industry by the abolition of that much-condemned duty. In other directions also relief has been given particularly by the reduction in the salt-tax and

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what is contemplated by the present Budget is also further relief of taxation. In all relief to the tune of fifteen crores has been given during the last three years. We are having much coveted relief this year. I am not referring to the relief given to the hides and skin industry and the tea industry. I am referring to the promised remission, almost to a complete extent, of the provincial contributions in 1927-28, and if the provincial contributions are wholly remitted, is it not a substantial relief from taxation? It may not be a sort of immediate relief from the Central Government, but the Central Government places the Provincial Governments in a position to give relief to various communities in their own provinces. They are saved from additional taxation in the provinces and, therefore, the result is the same whether relief from taxation is given directly by the Central Government or a contribution is given to Provinces and the Provinces are able to meet all the necessary expenditure and avoid further local taxation. Just that is being done. This year, you will see, that every Province has shown a deficit something between 50 and 70 lakhs of rupees in their provincial Budgets, and a relief of this character will enable them to rehabilitate their financial resources and give relief to their own people. So, I submit that in gauging the standard of relief, it is a short-sighted policy to confine our attention only to the immediate dispensation of a particular tax. Sir, I quite agree that it is the first duty of the Finance Member to apply the surplus for the reduction or avoidance of the central debt, but Honourable Members are aware that the whole of India and the two Legislatures have been consistently fighting for the last five years for the total remission of provincial contributions and that they extorted a pledge from the Central Government that those contributions shall be dispensed with as soon as finances have been rehabilitated; and when there is a surplus what else is the Finance Minister to do but to comply with the popular demand, the popular sentiment, that these provincial contributions should be wholly dispensed with? Sir, I trust nothing will happen to retard this consummation. I trust nothing unfortunate will take place and that my Honourable colleagues here, when the ratio question comes up, will not do anything to mar or postpone the progress of the Provinces but will remember the great need for money under which the Provinces are seriously and unhappily labouring. It must be remembered that an alteration in the ratio will convert this surplus budget into a deficit budget. As regards this matter of ratio, I do not propose to speak on this occasion. The matter will be discussed as a separate issue very shortly in both Houses. All that I now want to point out to Honourable Members is that it has been sadly misrepresented in some quarters that this surplus has been obtained merely by the exchange being fixed at 1s. 6d. The Budget has not been framed this year only on the basis of 1s. 6d. exchange. Please remember that this is the third year in which the Budget has been framed on the ratio of 1s. 6d., and this argument to-day that the surplus has been created for the nominal purpose of satisfying provincial needs and getting the Ratio Bill passed does not hold good.

Sir, I am glad that the Honourable Member has clearly stated in his Budget that the credit of the country is much restored and stands at a very high level. It is the credit of every country which is reflected by its own internal management. In this particular case this credit has been brought about simply by balancing our Budgets and by imposing a just

and fair system of taxation. We have been able last year to float the Government loan at a very moderate rate of interest. This is an indication of the credit of the country and also of the prosperity of the country. I only trust, and would like on this occasion to give a little warning to my Honourable friend with all humility, that he will not carry his desire or ambition to reduce further the rate of interest. It is true that the rate of interest in India stands to-day at a much higher level than in the United Kingdom, but the circumstances are different, and, if the rate of interest is reduced too low, there might probably be a tendency to avoid investments in Government stocks and securities.

Sir, I am very glad that an important measure of relief has been given in the matter of two export duties, the hide and the tea industry. I heard one of my Honourable friends stating that the duty on the tea industry is dispensed with for the benefit of the foreign consumer. I am afraid that my friend is not at all aware of the history of these duties, otherwise he would not have made that remark. Export duties are not beneficial to any country. Export duties ought to be abolished as far as possible. We have revenue export duties only on four or five articles in this country, and the Fiscal Commission, with the exception of one, namely, the export of rice, to which I will allude presently and which the Honourable Mr. Gray has mentioned to-day, have recommended that they should be abolished at the earliest opportunity. The duty on tea was imposed in 1916 after the War because finances were required by the Government of India, and a promise was then made that that duty would be dispensed with as early as possible. Now in the case of the export duty, who pays for it? It is a wrong thing to suppose that the foreign consumer always pays for it. The duty invariably falls on the producer and that producer is the agriculturist of the country, and it is only fair and right that that duty should be abolished. It is simply a tax on the produce of the country. The Fiscal Commission unequivocally recommended the abolition of that duty and I am glad that the Government have taken this opportunity to do it. I welcome in the same manner the abolition of the duty on hides. It was a duty imposed for the protection of the tanning industry. As regards rice, my friend is perfectly justified in placing his case so far as Burma was concerned, but let me point out to my Honourable friend that in the case of rice, the export duty does not work harshly. Of the total quantity of rice exported from the near East, India is in a position to export 50 per cent. of that quantity and there is practically no competition. The other portion goes from Indo-China and Siam with the result that there is no competition in price and the export duties were condemned by the Fiscal Commission on the ground that it affected the producer and that it did not much benefit the foreign consumer. Here in this case I think this was a long-needed relief and I am glad the Government have reduced this taxation. I am very sorry that this has been accompanied by a reimposition of additional duties by way of income-tax on the profits of agricultural income, because what you have given with one hand you have taken away with the other. You give a relief of 50 lakhs and you get back 45 lakhs, which only gives a relief to the extent of Rs. 5 lakhs.

Sir, I do not wish to trouble the Council with the discussion of many further points, but I am very glad that in the matter of education a provision has been made to give relief to the capital city of Delhi as well as to

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the Frontier Provinces, in the matter of an additional 300 schools, compulsory education and the extension and improvement of vernacular education which is commendable. I trust, when all the financial contributions are wiped off and the Finance Minister has large surpluses to spare, they will be given for the improvement of sanitation and for other nation-building works.

HIS EXCELLENCY THE COMMANDER-IN-CHIEF: *Jenab President Sahib: Mere dost Nawab Sahibsada Saiyid Muhammad Mehr Shah ne, jinhon ne Urdu men taqreer ki hai, apni taqreer ke doran men, aik do fauji amurat per behas ki hai. Main un ko Urdu men jawab nahin dunga, kionkih mujhe malum hai, kih na siraf mere dost khub Angrezi samajh sakte hain, bulkih bahut achhi tarah se Angrezi men bol sakte hain.*

Of the three points which I think my friend the Nawab Sahib made, the first was that a great many of the Indian soldiers to whom we have given grants of land on horse-breeding terms were not now receiving the consideration they should. I am not aware of what he then said, *vis.*, that our terms as regards men possessing horse-breeding grants are more onerous than they were. Those men who receive grants of land on horse-breeding terms take them up perfectly willingly and knowing what the conditions are, and we invariably do our best in the way of helping them in every way we can and by being most lenient to them. In certain cases we find men who do not produce good mares and do not look after their property. In such cases they are invariably warned, not once but several times by the remount officers, and it is only in very exceptional circumstances that the step is taken of depriving a man of land which he does not keep up and look after. That the terms are not onerous is, I think, proved by the fact that, if there is any hint that a man is likely to be deprived of his grant, we get applications from 50 to 100 others ready to take up the land. I think, therefore, that my friend will agree that we are not hard on our horse-breeders. We do our utmost to encourage them. If the Nawab Sahib can bring forward any case in which individuals have received hard treatment from remount officers and will bring them to my notice, I shall be very glad to look into them. Another point he made was in connection with the enlistment of the Saiyads, that is those who come from a part of the country that he comes from on the right bank of the Jhelum river. As he and other Members are aware, we have had to reduce our army very considerably in recent years, and consequently the numbers of all classes have had to be reduced in proportion. There are many classes which formerly enlisted in the army and which have now disappeared altogether. Others again have a much smaller representation. The Saiyads, which my Honourable friend represents here, would apparently, according to him, like to receive specially favourable treatment. That cannot be, because to enlist more of them we should have to decrease the numbers which we enlist from other sections in the Punjab. There are the Tiwanas—I do not know what our friend on his right has to say to that,—the Gujars, Janjuns, Awans, the Rajput Muhammadans and others in that neighbourhood. This we could not possibly contemplate doing. I am unable to say straightaway what the number of Saiyads is in that part of the country, but I think I am right in saying that in the Punjab there must be something like 100,000 to 120,000 Saiyads. I also believe I am right in saying that there we have

1,000 of them, enlisted in the army. That I think is not a bad proportion for Saiyids, and we cannot give them a larger proportion than they have at present, though I can of course quite understand my Honourable friend advocating their cause.

The third point he made I think was as regards education. He complained that there are a large number of ex-soldiers now without employment in the country. I deeply regret that this is the case. It has had to be so owing to the reduction of the army. If my Honourable friend wants the army increased, I hope he will use his best efforts in trying to induce the other Members of this House, as well as Members of the Assembly, to accept his point of view, namely, that the army is too small and should be increased, in which case we can again take back a large number of men whom we have discharged. To educate those men from army funds is not practical; but as he is himself aware we have started a school at Jhelum for soldiers' children. Every squadron company and battery which has men of that class has the right of nominating boys to go to that school. That will also apply to discharged men, for we shall be glad to take the children of such men into our schools and do all we can for them. The Honourable Member is close to Jhelum. I do not know if he has paid a visit to our school there, but I should be very glad if he would do so. He will find it an excellent institution where a first class education is being given to the boys of soldiers.

Then my Honourable friend Mr. Mahmood Suhrawardy called my attention to the state of the barracks in which the Indian troops live. In years gone by the barracks of our British soldiers and certainly of our Indian soldiers left much to be desired; but I can assure my Honourable friend that we are now doing everything we can to improve our Indian lines and we have gone a very great way towards doing it. I was inspecting only last week the lines in course of construction not very far from here, at Bareilly; and if the Honourable Member would care to pay a visit to those lines I should be delighted to arrange it for him. I believe if he will go and see the lines we are now building he will not only be satisfied, but he will agree that they compare most favourably with the houses in which the men live in their villages. There they have got beautiful, big airy barracks, excellent *langar khana*s and washing arrangements, pipe water laid on everywhere. The Indian officers' quarters each has a zenana apartment and everything arranged for them. I could not hear any complaint either from the officers or the men about the quarters provided for them. As regards reconstruction and improvement of lines we are working on a definite programme. Year after year we are knocking down old lines and providing better ones. We are building in pucca style everywhere, and I say that our new lines do compare very favourably with the home quarters of the men who enlist in the army. I think my Honourable friend is possibly aware that I frequently visit Indian villages and see the homes from which our Indian soldiers come. I was glad to hear from him that, as years go on, conditions of life in the villages are improving, and that a higher standard is now demanded than was previously the case. This, I am sure, is true, but, at the same time, I think we would probably all acknowledge that this improved standard of the villages is very slow in coming. On the other hand, the increased standard at which we are aiming in the barracks of our Indian soldiers is coming at a very much more rapid rate. We realize that our men, especially after having seen the accommodation existing in other countries,

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which those who saw service ex-India during the War were able to see, must certainly demand a higher standard. It is this we are aiming at, and, as I say, we are certainly outpacing the standard my friend mentions as being aimed at in Indian village life. I should be very glad if my Honourable friend will really pay a visit to any of these new lines; and if he can make any recommendation or give us any advice as regards further improvements we shall be very glad.

Then Seth Govind Das spoke about the general expenditure on the army. He wanted to know why we could not take expert advice and reduce our military expenditure to the figure recommended by the Inchcape Committee. Now I happened to mention that subject when speaking in the Assembly a day or two ago; and I did the same last year, when I gave particular prominence to the figure of 50 crores mentioned by the Inchcape Committee. Of course we can say that Lord Inchcape's Committee was an expert committee; but it was an expert financial committee; it was not an expert military committee. I stated that Lord Inchcape's recommendation to reduce the Military Budget to the figure of Rs. 50 crores was a pious hope, a pious aspiration to reduce expenditure. There was no expert scientific advice with regard to it; there were no recommendations in regard to particulars or details as to how the retrenchment could be carried out. The expert in that particular subject then was my late friend, Lord Rawlinson. That distinguished officer there and then stated that in his opinion it was entirely impossible to reduce our army expenditure to that figure without efficiency suffering so greatly that the safety of India would be hazarded. He stated that definitely, and he further stated that he only accepted such reductions as he did because the finances of the Government of India were not then in a prosperous condition; and he definitely stated that he considered, when Government was in a position to increase military expenditure, they should do so if they wished India to be safe. I entirely agree with Lord Rawlinson's opinion in this matter.

I heard, I think, a remark also that our Army in India was kept up to the present level owing to our "political ambitions", the "political ambitions of the United Kingdom." The political ambitions of the United Kingdom, Sir, do not apply to this country. I can assure this House and I can assure the Honourable Member who made that remark, that there are nothing in the way of political ambitions behind us when we decide on the necessary military establishments. Since the War the expenditure is larger because everything is much higher in price; all our requirements are more costly now; military science is advancing day by day; our clothing, our rations, our lines, about which much has been said, are all more expensive; our numbers are very considerably smaller; and if my Honourable friend and other Members here have studied the papers, during the last week, as they probably will have, and seen the correspondence that has taken place between the Home Government and Russia, I think they will realise that we are not in a state of being able to sit down and disband our army. They must have realised that there is a potential danger behind the Bolshevik menace which it behoves us to keep in mind. Our armies are kept up for the defence of India. Look at what would happen to us if we relaxed our vigilance on the frontier; before we knew where we were we might be invaded by very large numbers of men.

We have got the North West Frontier always before us, and I may say we have to keep a strict watch on the North East Frontier also. We know what the Bolsheviki propaganda is doing not only in Afghanistan but also in China. The time may come—God forbid that it comes soon—but the time may come, when the Bolsheviki menace may come upon us. We have seen that the Bolsheviki never seem tired of their propaganda work; both in Afghanistan and in China they are carrying on an enormous amount of propaganda, and if we were deliberately to reduce our army in India, I have not the slightest hesitation in saying that India would suffer, and suffer in a way from which she might never recover. This expenditure on the army is a premium on our necessary insurance. I presume as intelligent people every one of us insures his life; surely it is far more necessary to insure our nation. Our lives may not be of great value to any one of us; and if we do not insure ourselves it is our own personal look-out. When, however, it comes to the safety of the country and the freedom of our people, we have to think of posterity and can afford to take no risks regarding our insurance. The premium we pay now is the very lowest we can possibly pay in justice to the interests involved. The wealth of the country is increasing daily; the prosperity of the country is increasing; and, that being the case, it is surely up to us to pay a higher premium if need be in order to protect the wealth and safety of India.

I shall leave to my Honourable friend, the Finance Member, the task of answering in more detail the figures which the Honourable Member quoted as regards our numbers now, in comparison with what they were previously. I think he complained that we had increased our expenditure while the Home Government had decreased theirs. That is not the case. I have not got the figures by me; but our figures have decreased in every way since the War. Sir, I will not keep the House longer; but I can most honestly assure them that we military people are tax-payers like everybody else; we are citizens of this Empire first and soldiers afterwards; and that we are simply doing our very best to safeguard the interests of India and of the people of India. We do not wish to spend money unnecessarily; we try to economise as much as possible wherever we can, and we do our utmost to see that our troops are well looked after. I am sorry to say that it very frequently does happen now that certain endeavours we would wish to make for the well-being and comfort of our soldiers have to be put aside because the budget estimates would not allow them. If we did all I could wish to see done for the well-being of our men, we would have to ask for very much larger budget estimates.

*THE HONOURABLE SRIJUT LOKENATH MUKHERJEE (West Bengal: Non-Muhammadan): Sir, happily for me the offering of congratulations to the Honourable the Finance Member has not been made a party question. Sir, before I discuss the Budget, I should like to congratulate the Honourable the Finance Member on his having been able to present before the country a prosperity budget for the fourth time. Sir, with the vagaries of the monsoon in India, it should be gratifying to Sir Basil Blackett to have been able to place before us surplus budgets year after year. My congratulations also go to the Honourable the Finance Secretary, who, the other day, gave a very lucid exposition of the financial stewardship of Sir Basil Blackett.

*Speech not corrected by the Honourable Member.

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Sir, in introducing the Budget for the coming year in the other House the Honourable the Finance Member seems to have congratulated himself on the fact of his being in a position to present a surplus budget for the fourth time. Sir, to my mind, continued surpluses are not a very encouraging feature according to the canons of public finance. It means that the people are paying more than actual requirements. To obtain a surplus is entirely creditable for a Finance Member, but a surplus obtained without any reduction of the expenditure or of the burden on the taxpayer, especially when the prices have markedly fallen and the incomes of the people have decreased, does not and cannot denote a sound financial prosperity or a sound financial adjustment of the country. Sir, I submit that the surplus budget is the natural result of heavy taxation that has continued to be imposed as an inevitable consequence of the Great War, with only corresponding decrease in expenditure, which must have resulted from a marked reduction in prices. India reached its highest level in prices in 1918 when the index figure was 236, while to-day it is probably below 150. Again, Sir, according to the Honourable the Finance Member, the "taxes on income are now estimated to bring in 29 lakhs less than the budget estimate of 16.15 crores". Sir, my explanation for the fall in the receipts from income-tax as also from salt duty is that it is due to nothing but want of prosperity of the people of the country, as I consider an increase or decrease of the revenue from these two sources to be a fair, nay, a sure index of the prosperity or otherwise of the country.

Sir, my next submission is that this surplus is also a result of over-estimating of the expenditure and under-estimating of the revenue. Sir, this is a defect which was first pointed out by the late Mr. Gokhale, but I am sorry to say it has never been rectified.

Sir, that it was the sincere desire of the Honourable the Finance Member to do away, if possible, with the provincial contributions under the Meston Award is manifest from what the Honourable the Finance Member said when introducing the Budget this year. This is what he said :

"Ever since the reforms were inaugurated, the provincial contributions have been a millstone round the neck, both of the Central Government and of the Provincial Governments, poisoning their mutual relations and hampering their every action. Their quality even more than their amount, has strained the resources of the giver and the patience of the recipient. They have brought curses, not blessings, both to him who has given and to him who has taken."

To use his language, "the year 1927-28 sets India free from this incubus", for which the Honourable the Finance Member certainly deserves to be congratulated.

Last year the amount of surplus which was anticipated to be realised was 125 lakhs, but as the amount of surplus has actually come to be more than double the expected amount, the tax-payer can naturally and justifiably expect to get some relief. Everywhere in the civilised world, where the Government is responsive and responsible to the people, whenever there are any surpluses, it is utilised for no other purposes than for improving the social and moral well-being of the people and also for reducing those taxes which are pressing hardly, particularly on the poorer masses. Here, Sir, I submit, Sir Basil has been a failure. He has not been able to offer any relief to the real poor tax-payers.

THE HONOURABLE SIR BASIL BLACKETT: 5½ crores.

THE HONOURABLE SRIJUT LOKENATH MUKHERJEE: Not directly. No doubt the *ad valorem* duty on motor cars and the import duty on tyres have been reduced to two-thirds and half respectively, but these reductions can never be considered a relief to the tax-payers, it being really meant for the European and richer sections of the country.

THE HONOURABLE SIR JOHN BELL: No.

THE HONOURABLE SRIJUT LOKENATH MUKHERJEE: Except that it will help in popularising the use of motor cars there is hardly anything which can be said to its credit. Sir, truly speaking, it is the rich community and the foreign producer who will benefit by the reductions. Even the middle classes, not to speak of the poorer masses, can neither afford to buy motor cars nor do they deal in them. All the benefits, as I have said, will go to the rich.

Sir, next comes the reduction in the export duty on hides and on tea, which also does not afford any real relief to the poor tax-payers. Judged by all these facts, Sir, I again submit, Sir Basil has been a failure.

The only happy feature in the Budget, to my mind, Sir, is the provision of 29 lakhs for an educational programme and for other beneficial activities in places under the direct control of the Government of India.

Sir, let me now compare this figure with the additional expenditure that is likely to be incurred for military purposes. Only this year the actuals under this head are expected to exceed the estimates by 88 lakhs, i.e., more than double of the previous figure. Out of a total estimated expenditure of 125.26 crores the military services claim as much as 52.94 crores, i.e., about 45 per cent. Again, this figure is a stable recurring figure as the Honourable the Finance Member says:

"The present level of expenditure seems to be very nearly the minimum absolutely essential to maintain in a state of full efficiency an army of the strength at present authorised."

It is therefore apparent, Sir, that no attempt has been made to reduce the standing army in India to the pre-war level. The Retrenchment Committee which was appointed only a few years ago by the present Government recommends still further reduction of the military expenditure. Their recommendation reads as follows:

"Should a further fall in prices take place, we consider that it may be possible, after a few years, to reduce the military budget to a sum not exceeding Rs. 50 crores, although the Commander-in-Chief does not subscribe to this opinion. Even this is more, in our opinion, than the tax-payer in India should be called upon to pay, and, though revenue may increase through a revival of trade, there would, we think, still be justification for not keeping a strict eye on military expenditure with a view to its further reduction."

Sir, this recommendation comes from a committee appointed by the bureaucracy and the personnel of which was selected by them even in the teeth of the opposition of public opinion in India. Sir, even such a body recommended that the army expenditure should be brought down to Rs. 50 crores. They go further than this and say that this Rs. 50 crores is more than the tax-payers in India should be called upon to pay. Sir, in the face of all these facts, when the Honourable the Finance Member dares to make a statement like the one referred to, I think it is nothing but a broad hint given to India that, placed as she is under a foreign yoke, she must be kept under subjection at all costs by sheer brute force of armaments and the army. Sir, the vast standing army in India has always

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been used by Britain to fight her Imperial battles in all parts of the world. The Indian army has been increased to its present size by, what has been said, exploiting the bogey of Russian-Afghan invasions of India. Sir, it has cost India fabulously large sums of money for making her frontiers secure simply on the plea that the mountain passes on the frontiers serve as gateways to India and are the most vulnerable points through which have entered all the foreign conquerors of India. Of late the British Foreign Office has found out that a Royal Indian Navy might be of great help to Britain in protecting her interests in the Pacific and the Indian Oceans not to speak of the relief which will be given, by the by, to the British tax-payer. Sir, this reminds me of the views of the Goths and the Vandals, the Greeks and the Romans, the Russian Czars and the Australian Hapsburgs of the past. They in the zenith of their powers thought as much as the present bureaucracy in India is thinking, that with the huge army at their command ready for war against an un-armed and peaceful nation, the subject nation could be kept under subjection as long as the masters chose to do so. Sir, a Government based on righteousness can rule a nation of contented people, but a Government which deteriorates into autocracy imbued with love of power can never rule a nation of discontented people. I ask, Sir, is there any country in the world where the people are bled white for Imperial or foreign interests as is done here in India? Sir, had there been even a reasonable prospect of the British Government's relinquishing their sacred "trust" in India, the people would have gladly agreed to bear this heavy burden. But, Sir, we know that there is not the remotest chance. India, unlike Canada or other self-governing Dominions, is the pivot on which rests the foreign policy of Britain. Canada can refuse the demand for a navy or a huge standing army but India cannot. In the case of the former it will be a logical result of responsible government. And what is the case with us here in India? It has been truly said:

"It is the British Parliament which will decide whether we need a Navy or whether India should meet the present abnormal military expenditure."

I submit, Sir, that there cannot be anything more humiliating, more unnatural than the present arrangement. Sir, it goes deeper and saps the very foundation of national self-respect of any people in the world.

Sir, I cannot understand the disparity between the military expenditure of 1913-14 which was Rs. 29.70 crores and the military expenditure of 1927-28 estimated at about Rs. 55 crores. Sir, it is said that this huge standing army is even now maintained firstly to keep in readiness an army for protecting Imperial interests and secondly for killing in its infancy the political awakening in the country. Sir, so far as the first is concerned, it has been amply proved by the despatch of Indian troops to guard the British interests in China. Sir, it has been truly said:

"To-day the name of India stinks in the nostrils of the nations of the world for having become, however unwillingly, the instrument of British Imperialism for the purpose of destroying the liberty of the people of China."

Sir, I would ask and even appeal to the Government to consider the matter very seriously and to find out ways and means by which the military expenses can at least be reduced to that high figure recommended by the Retrenchment Committee. I need only mention here that the once famous Brussels Conference recommended the allocation of only, if I remember aright, 20 per cent. of the revenue of a country for its military expenditure.

Against this military expenditure what do we find in the case of beneficial services like that of sanitation, agriculture, cheap posts and telegraphs and cheap communications? All these services have been criminally neglected. Are not the administrators ashamed of their conduct that even after 150 years of British rule compulsory education could not be established in India? Are not the Government ashamed to increase the postal rates instead of reducing them? Are not they ashamed to have a most obnoxious duty like that on salt? Sir, the worst feature of the Budget becomes manifest when we find that, though the income of the people has considerably fallen and prices have diminished so rapidly and when also the amount of additional taxation since the War is estimated at 40 to 49 crores, still no serious effort has been made to give relief to the poor taxpayers. Sir, we all feel that the machinery of the Government has become too inelastic and too rigid to be able to move with the needs of the hour. Impervious to public demand, the authorities are proceeding along their narrow groove and there is absolutely no indication that there is any inclination or desire on their part to adopt any progressive policy.

Sir, in coming to the question of the salt tax, I may say that it is the most obnoxious and iniquitous tax ever imposed on a people. It is the highest in the world and is equivalent to several days' average income. Sir, we are really surprised to hear not a single word from the Government as to the steps to be taken by Government in the direction of abolishing this most obnoxious tax.

Then, Sir, in coming to the Posts and Telegraphs, we thought that the Honourable the Finance Member would come forward with a proposal at least for the reduction of the prices of postcards if not of envelopes. But nothing of the sort has been done. Sir, cheap postal communication was one of the greatest boons of the British administration in India. But even that boon has been taken away in the name of expediency for covering deficit budgets a few years hence. But what is most unfortunate is that once the tax is raised the Government never thinks of its reduction, even in normal times. Sir, there is another thing which I wish to observe here. It is known to every one that at least up to the current year the postal side is being run at a profit whereas the telegraph branch is running at a loss. But, Sir, Government, in order to keep the fact concealed, has brought out the Post and Telegraph Budget in a combined book showing the revenue and the expenses of the Post and Telegraph Department as a combined whole. Sir, I would request the Government henceforth to prepare separate volumes for the two sides of the Post and Telegraph Departments as they have done in the case of the Indo-European Telegraph Department.

Lastly, Sir, coming to the general administration we find the same bureaucratic tactics of repression in the name of law and order. What justification have the Government in curtailing the liberties of so many of our countrymen in the name of law and order without trying them in an open court of law? Sir, it violates an elementary principle not simply of British justice.

THE HONOURABLE SIR JOHN BELL: It has nothing to do with the Budget.

THE HONOURABLE SRIJIT LOKENATH MUKHERJEE: It has. It condemns a man unheard. And yet here in India under a Government which prides itself upon its civilisation and enlightenment we find a daily

perpetration of this scandal and offence. Further, Sir, in spite of the insistent demand of the public neither the repressive laws have been repealed nor the repressive policy of the Government abandoned. Sir, this repression will more and more embitter the feelings of the people and, in the words of Professor Sidgwick, will create that dangerous sympathy with criminals punished if the punishment inflicted is too severe. It is, exactly what is happening in India.

Then, Sir, coming to the question of Indianisation we find a sorry tale and the deliberate neglect of the question. Sir, by Indianisation, we do not mean that it should be from the bottom rank but from the top as well. Sir, I may ask the Honourable Member opposite how many Indians has he recruited in the Government of India as Secretaries, Joint Secretaries and so on? We find practically one Secretary and one or two Under Secretaries and one Deputy Secretary in the whole of the Government of India. Sir, on an average each Department has got four of these posts and there are nearly 13 or 14 Departments. How is it that only 3 or 4 Indians have up till now been recruited in these posts? Sir, it is an indirect slur on the Indian members of the Civil Service. It is a distrust of the Government of India of those officers. The object is to keep these posts a close preserve for our masters of the United Kingdom. Are we to believe that there are no Indians who would be equal in merit and intellect to any of our friends now occupying the Treasury Benches? In one word, Sir, even in the Government of India distrust of Indians and racial discrimination is rampant. Sir, I have already taken up a good deal of your time. Before I finish I shall say a few words on the question of the ratio.

THE HONOURABLE THE PRESIDENT: Order, order. I am sorry the Honourable Member should be the first to earn the reproach of taking advantage of the indulgence of the Chair in not fixing a time limit. In view of the fact that to-day is the only day allotted for this discussion, I think the Honourable Member will realize that he has already had more than his fair share of the time of the Council.

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

The Council re-assembled after Lunch at Fifteen Minutes to Three of the Clock, the Honourable the President in the Chair.

THE HONOURABLE THE PRESIDENT: Honourable Members have been informed that there will be a meeting for the disposal of Government business on Tuesday, the 8th of March, and that a group photograph of Members of the Council will be taken at 10-30 before that meeting. It has been represented to me that it might be more convenient if the business for Tuesday were taken up on Thursday, the 10th, instead of on the 8th, and therefore I am cancelling the meeting for Tuesday and the list of business issued for Tuesday will be understood by Honourable Members to be the list of business for Thursday; possibly an additional list will be issued. The photograph which was to have been at 10-30 A.M. on Tuesday will instead be at 10-30 A.M. on Thursday.

THE HONOURABLE SARDAR CHARANJIT SINGH (Punjab: Nominated Non-Official): Sir, I rise to join in the congratulations which have been offered to the Honourable the Finance Member. This is the fourth year

in succession that the Budget of the Government of India has shown a surplus. When one remembers the dark days followed by the salt tax and the agitation which it had aroused, one not only sees the futility of that agitation, but realises the truth of the saying that the darkest night is often the precursor of the brightest dawn. Who could have imagined four years ago, when one lean year had come on top of another and India's financial horizon was overcast with dark clouds, that within a short space of time this country was to enter upon a new era of prosperity? This happy change is in a large measure due to our Finance Member. Each Budget that Sir Basil Blackett has presented has shown his great genius and India owes him a deep debt of gratitude for the manner in which he has managed her finances and raised her credit. Under his able guidance, each year's expenditure has been met out of the annual revenues, such relief as was possible has been given, the Government of India have, since May 1923, avoided external borrowing and the next year's Budget promises to enable us to meet our requirements without having to raise a loan outside India. What is more, the prices at which the Government of India can borrow are satisfactory and the value of Indian securities in London and elsewhere conclusively establishes how high India's credit stands in the world.

To turn to next year's surplus it is as real a surplus as one can wish for. It has been brought about by definite improvements in the financial machinery and severe economies in the departments. In this connection we must not forget that our thanks are due to His Excellency the Commander-in-Chief also for the manner in which he has co-operated with the Finance Member.

The manner in which the Finance Member proposes to use this surplus leaves no room for doubt that he is using it in the way best calculated to benefit the Indian people directly. In remitting provincial contributions he is not only helping several provinces which are suffering from a deficit, but he is helping them as well as all other provinces as regards their nation-building departments. The importance of the Reforms is bound up with the successful working of the departments which are under popular control, and if the benefits of dyarchy have not been fully appreciated, it has been because of want of funds. Ministers have not been able to develop the nation-building departments in the manner in which they should have. With the relief the remission of provincial contributions would bring, they would be able to direct their attention to schemes with which are bound up the progress and development of the country. The economic as well as the political significance of this step cannot be exaggerated and I venture to hope that side by side with the progress of nation-building departments there would be a marked appreciation of the benefits of dyarchy and a corresponding discomfiture of those who have been condemning the Reforms as inadequate, unsatisfactory and disappointing. Under proper management, I have no doubt, the Transferred Departments will yet be able to prove before the Statutory Commission that the Reforms have been a success and that India is suited for a further constitutional advance, provided such an advance is based on a proper appreciation of her peculiar genius and her peculiar conditions.

Talking of remissions I must not forget that the removal of the duty on hides will prove of immense value to the industry in Southern India and that the reduction of the duty on the import of motor cars and

[Sardar Charanjit Singh.]

motor accessories would bring the use of this form of transport much nearer the travelling public. The solicitude the Finance Member has shown for the nation-building departments, Indian industry and the travelling public, entitles him to claim that the Budget would be a source of direct benefit to the Indian people. I may go further and say that the present Budget is not only a prosperity budget, but a peoples' budget.

And if it is the peoples' budget, may I ask what is to happen to the ratio on which the Budget is based. This is not the time to enter into the merits of the controversy which has been going on over the 16*d.* and the 18*d.* ratio, but two things are undeniable: A reduction in the existing rate of exchange will take away the remissions of provincial contributions and the other relief which is proposed. It will also lead to a great deal of dislocation all round for you cannot suddenly revert from the 18*d.* ratio, which has prevailed almost for the last three years, to the 16*d.* ratio. I venture to think that it would not be right to throw away all the good that this Budget offers and to run the risk of considerable financial dislocation by rejecting the Government's well considered proposal to continue the prevailing ratio.

THE HONOURABLE MR. RATANSI D. MORARJI (Bombay: Non-Muhammadan): Sir, let me at the outset congratulate the Honourable the Finance Member on the dexterity with which propaganda has been carried on in favour of the 18*d.* ratio. With the Railway Budget, which was presented in this House a few days ago, was circulated a note by the Financial Commissioner for Railways pointing out the advantages of the 18*d.* ratio and the disastrous consequences of fixing the rupee at 16*d.* On that occasion I observed that this House was not going to be threatened into acceptance of the ratio favoured by the Government by the creation of a bogey. Since then a flank attack has been made on the 16*d.* ratio by a remarkable series of deficits which have occurred in practically every one of the provincial budgets; and now we have been presented in this House with the General Budget which offers a bait to the provinces of Rs. 5.45 crores to enable them not only to balance their budgets but have appreciable surpluses for the forthcoming year. In concluding his speech yesterday in the other House, the Finance Member was candid enough to warn the House that by fixing the rupee at 16*d.* not only would the remission of provincial contributions be impossible, but the possibilities of reducing taxation would have to be put off for a year or two. He forgets, however, that this millstone round the necks of Provincial Governments he is not really proposing to drop but merely to transfer to the necks of the masses of the country. It is perhaps natural that under the present system of Government, the Finance Member should think only of the Provincial Governments and not of the people. It is to my mind specially significant that although the Report of the Tariff Board appointed to consider the position of the cotton textile industry has been in the hands of the Government for some time, it has not chosen to publish it in time for action to be taken in the Finance Bill for the forthcoming year. It is impossible to say even now when the Report will be published; but it is obvious that the Government of India has no immediate intention of coming to the rescue of the greatest industry in this country. One cannot but feel that the withholding of the Report is not unconnected with the anxiety of the Finance Member to make out as strong a case as is possible for him to do in favour of the 18*d.* rupee.

3 P.M.

Turning next to the expenditure on the Army, there is no room for consolation that any effort, however small, is being made towards bringing down military expenditure to the maximum prescribed by the Inchcape Committee, namely Rs. 50 crores. It is being conveniently overlooked that the Committee pointed out that even this figure imposes too heavy a burden on the Indian tax-payer. We have seen in England a steady decrease in army expenditure since the War, the effects of which are perceptible even in the forecasts for the forthcoming year. But here we have the statement of the Finance Member that "only the sternest economy and the strictest vigilance can now prevent our Military Budget from showing a tendency to rise rather than to fall, and the present level of expenditure seems to be very nearly the minimum absolutely essential to maintain in a state of full efficiency an army of the strength at present authorised". As though this statement were not enough to raise our apprehensions that military expenditure may rise in the coming year, His Excellency the Commander-in-Chief told us this morning that the cuts imposed by the Inchcape Committee, and accepted by his predecessor, were of a temporary character, and the army would go back to its old level of expenditure as soon as possible. We are familiar with the Bolshevik menace which is always a convenient last resort when other arguments fail. But even if this were true, I would remind the Government that a crushing military expenditure leading to widespread poverty and ignorance creates a fruitful soil for the propagation of destructive doctrines. A contented nation rather than a bloated army is the best insurance against Bolshevism. Even without reducing the number of fighting troops, by the mere replacement of British by Indian troops, a great economy can be effected. In this connection I wish to draw attention to the exceedingly small amount proposed to be spent on the Territorial Forces during the forthcoming year, Rs. 20 lakhs as against Rs. 63 lakhs for the Auxiliary Forces. Apart from the disparity involved in the expenditure on these two Forces, I wish to point out that the Territorial Force is getting actually 6 lakhs less than it did in the current year. This is not economy in the right direction.

On page 28 of the Explanatory Memorandum supplied to us by the Financial Secretary, we have an extraordinary confession. It is admitted that the totals of the demands as presented by the Military authorities are in excess of the figure provisionally fixed by the Government of India for the Military Budget. It is impossible to think that this provisional figure was fixed without the full knowledge of His Excellency the Commander-in-Chief. It is also said that the excess did not become apparent until the preparation of the Budget had reached a stage when it was too late to make reductions under detailed heads. In consequence, His Excellency the Commander-in-Chief has accepted a lump cut of Rs. 40 lakhs, to which the Finance Department has added a like sum for probable under-spending. A system of budgeting under which a department is given more than it is likely to spend is unknown in any country except India. One is compelled to come to the conclusion that there has been an interference with the Military Budget for the forthcoming year from an outside source. Since the inauguration of the Reforms, from the Esher Committee downwards, repeated complaints have been made in this country against the unwarranted interference by the Secretary of State and the War Office in the administration of the Indian Army. Only a few days ago, a statement was made in the other House that even for the publication of the Skeen Committee's Report, sanction had not yet been accorded by the Secretary of State. It would be truer, and certainly more honest, to make a plain declaration that the

[Mr. R. D. Morarji.]

Army in India exists for Imperial purposes and its administration is entirely under the control of the War Office and not under the Government of India.

THE HONOURABLE SIR BASIL BLACKETT: May I interrupt, Sir, to say that the suggestion of any interference in this Army Budget from outside sources is as untrue as the last statement.

THE HONOURABLE MR. RATANSI D. MORARJI: Well, it is known to every one that for the publication of the Skeen Committee's Report you want the sanction of the Secretary of State: you cannot do it without sanction.

The Finance Member waxed eloquent on the possibilities of 5.45 crores being converted into the promotion of human happiness, the prevention of disease and ignorance, the widening of the opportunities for a good life for many crores of the people of India. I may point out, as a commentary on this, that while the Medical Services of the Indian Army will cost India in the forthcoming year 144 lakhs, the Medical and Public Health Departments in Bombay will have only 78 lakhs during that period. In other words, the medical needs of the Indian Army will absorb nearly twice as much as the entire medical and sanitary requirements of the whole of the Bombay Presidency. To take another instance, while the Remount Depôts, Breeding Operations and the Veterinary Corps of the Indian Army will cost 32 lakhs, the amount at the disposal of the Bombay Government for agriculture is just over 28 lakhs. It is not necessary to multiply instances to show how the nation-building departments are being starved in order to keep the Indian Army on a war footing for Imperial purposes. If I understood the speech of His Excellency the Commander-in-Chief aright, he foreshadowed in his speech in the other House on Thursday the possibility of making the Indian Army more attractive to British youth. I do not know if it is to be inferred that this is the net result of the appointment of the Skeen Committee. The total expenditure on the Army in India is over 54 crores, while the total net expenditure of the Bombay Presidency for the forthcoming year is 14½ crores. In other words, the Indian Army takes every year practically 4 times the amount spent by the Bombay Presidency, taking both the Reserved and Transferred Departments into account.

The vision of the future to which the Finance Member made a reference in the introductory paragraph of his statement brings no joy to us. The Reforms when they were introduced in 1921, were robbed of whatever little possibility of development they contained by two factors: (1) the appointment of the Esher Committee which, in the name of the post-war reorganisation of the Army, increased our military expenditure by more than 200 per cent. over that of pre-war year, (2) the disastrous financial policy of the Government of India. Whatever may be the political concessions to be recommended by the Statutory Commission, of one thing we may be certain: our military expenditure is to increase. The Government of India is not the wiser for the financial muddles of the last 5 or 6 years, and one may add a new factor which was not present in 1921, the introduction of Imperial Preference as outlined in the Steel Protection Bill.

I cannot leave this subject without pointing out how hollow is the pretension that the result of the remission of provincial contributions in the

forthcoming year will be "a romance" of spending capacity in the hands of the Ministers in the provinces to the extent of 5.45 crores. Madras has a deficit of 70 lakhs, Bombay has a deficit of 50 lakhs and other provincial budgets show similar deficits. A great part of this remission must naturally go to balancing the budgets of the Provincial Governments. Of what little is left, the reserved half will take the lion's share. I doubt very much whether there would be any appreciable amount for the Ministers for "promoting the health and happiness of millions of the masses of India", as the Honourable the Finance Member puts it. Nothing can be more topsy turvy than the present financial arrangements; in paragraph 31 of the Budget speech, the Finance Member admits that it is the Provincial Governments "where expenditure is directly and obviously related to the advancement of the social well-being of the masses of the people"; and yet, when it comes to the question of allocating funds for this purpose, what do we find? The Secretary of State and the War Office in England first decide that over 54 crores of our money, of which we cannot touch even a single pice, is to be given to the Indian Army. Of the balance, the Government of India, which, according to the Finance Member himself in paragraph 14 of his speech, has transferred many of its important activities to Provincial Governments, takes the most remunerative sources of income. The result is that Ministers in the Provinces are given charge of subjects like Education, Medical Relief, Sanitation and Agriculture, with little money to expend in progressive schemes. And it is only this year that they are being offered freedom from provincial contribution in return for the far heavier price of an 18d. rupee!

THE HONOURABLE MR. KUMAR SANKAR ROY CHOUDHURI (East Bengal: Non-Muhammadan): Sir, so much praise has been lavished on the budget estimate for continued surplus that I feel called upon to point out some facts to which this is mainly due and to show how highly we are being taxed for it. The first and foremost among the causes are the high import duties. As has been pointed out by the Taxation Enquiry Committee, except on arms and liquors and a small duty on petroleum, the import of goods in India was made free before 1894. In 1894 custom duties were reimposed on account of the fall in the sterling value of the rupee and continued at the low figure of 5 per cent. except in certain cases. Since the outbreak of war the general rate has been raised thrice within 1921, once from 5½ to 7½, again from 7½ to 11 and then again from 11 to 15 per cent. with a large addition of higher rates in respect of more new goods. In 1921 the Indian Fiscal Commission was appointed and recommended a policy of discriminating protection and in accordance with the recommendations of that body the Tariff Board was set up according to whose reports further protective and heavy duties have been adopted in respect of steel, paper, matches and other articles. The import duty has on account of these enhancements within the last 11 years quadrupled in amount and, although the sterling value of the rupee has been higher so as to take away the main ground of enhancement advanced in 1894, the Government has not seen fit to make any reduction of taxes in any other respect whatsoever except the abolition of the most iniquitous cotton excise duty and the duty on sulphur, not to speak of any reduction of expenses. Our railway rates, the rates for postage and telegraph and the salt duty still continue higher than what they were before the war; the income-tax is gradually growing higher and higher.

[Mr. Kumar Sankar Roy Choudhuri.]

Whatever fluctuations have been made from time to time in the rates of these duties, "they tend," in the words of the Taxation Enquiry Committee (page 121), "to indicate a certain amount of shifting of the burden from the richer classes to the general population." The Committee accordingly recommended the reduction of duty on sugar and raising it on wine.

Without adopting any of these recommendations and without giving the Legislature any opportunity of dealing with the Report of that Committee and in spite of the above reflection cast on them, the Government is stealthily reducing the duty on motors in such a manner that even a gallant gentleman like Colonel Crawford had to observe in the other House that the duty might have been left as it was for motors for private use and the same feeling was echoed by even a Government Member from Madras; and this was done in spite of the fact that in the opinion of the Taxation Enquiry Committee import of motors has nearly recovered the level it attained in 1919-20.

Coming to the duty on tea, what the Taxation Enquiry Committee observed was that if there were no export duty the trade could be quite ready to bear an equivalent burden in the shape of State or local taxation provided they were assured that the money would be spent for the benefit of the locality: The Assam Government has already taken advantage of this suggestion and imposed an additional cess on tea lands, and the Government of India, in spite of this additional burden imposed on tea, now seeks not only to abolish the export duty on tea, but to impose a further burden on tea in the shape of additional income-tax. This change is sure to serve the interest of the British tea trade at the cost of the interests of the Indian consumer.

The surplus budget is also due to several windfalls during the last two years. One was derived from the enemy vessels and another due to the custom duty levied on railway materials, while a third was derived from the adjustment of war accounts with England.

By the manipulation of exchange also and artificially raising the value of the rupee the Government has of late been indirectly fleecing the people of a higher amount of taxes and this is apparent from the fact that on reversion to the 1s. 4d. ratio the Government will have, as they say, to ask for nearly 5 crores more to square up the Budget.

Another cause to which the surplus is due is the carelessness with which the Budget is prepared and the Honourable the Finance Member has been constrained to admit that "on the expenditure side nearly every head contributed to the improved net surplus".

Sir, the danger of preparing extravagant budgets is obvious and cannot but lead to extravagance. The word extravagance ought to be written large on the front-door of the Government Secretariat. The Military expenditure of the country, over which the people of the country have no control, has risen from 16 to 60 crores and yet the military authorities complain that it is hardly sufficient. No country in the world maintains such a huge army of foreign soldiers at such an extravagant cost, an army which is almost wholly officered by foreigners and in the artillery and air force and the engineering staff of which the Indians have no place except like the mules to draw the guns and carry the ammunition.

The Territorial and Auxiliary Forces Committee have submitted their report long ago, but it is still under the consideration of the Secretary of State; the Sandhurst Committee have submitted their report, but it has still not seen the light of day like a still-born child. The country has been insistent in her demand for military training so as to create a second line of defence and thus to reduce the size of the standing army; there is a paucity of recruits in England and yet the Government is not taking any steps to solve the problem of the extravagant military burden of India.

Even in the Railway and Telegraph Departments we find invidious distinction is being made between Indians and Anglo-Indians and the latter are being employed at an extravagant cost to the Indian exchequer.

In the Postal Department too we find rich countries like England do not employ whole-time men to run their smaller post offices, but in India they are kept on a whole-time basis at an extravagant cost to the country.

Sir, whenever we ask for a reduction of taxes the Government sets up the bogey of provincial contributions. Coming from Bengal, I cannot but call it by that name, for even the Finance Member of the Bengal Government has to complain that no expansion necessary to advance the general health and well-being of the province will be possible until her financial settlement is placed on a more satisfactory basis. Under the Meston Award the Government of India has grabbed all the productive sources of taxation leaving to the provinces sources which are bound gradually to dwindle and diminish, and, unless and until this vicious system is modified or changed, no amount of remission of the provincial contributions can be of any help to the provinces.

One more point, Sir, and I have finished. I want to draw the attention of this House to the attempt of the Government to curtail the power of the Legislature more and more by the transfer of voted items of expenditure to the non-voted side. No less than 16 lakhs of rupees have this year been transferred from the voted to the non-voted side of the Budget without giving this House any opportunity to discuss it.

THE HONOURABLE RAJA SIR RAMPAL SINGH (United Provinces Central: Non-Muhammadan): Sir, it is very gratifying to us that this is the fourth prosperity Budget in succession presented to the country by the Finance Department under the stewardship of the Honourable Sir Basil Blackett. It is a matter of common knowledge that before he assumed charge of the Department the finances of the Government of India were at a low ebb. Owing to several causes we had had to face deficit Budgets for a number of successive years. The credit of the country had gone down and it was in this deplorable condition that the Honourable Sir Basil Blackett was called upon to put matters right. Now, the credit of the Government of India has gone up and a bright future is before the country. It was perceived that nothing but retrenchment and economies could save the situation. The Incheape Committee was appointed and on its recommendation and through his own initiative he succeeded in improving the finances of the Central Government so much so that in the coming year his scheme is to wipe off wholly the annual contributions or I may call them tributes which the Provinces have been paying to the Government of India under the Meston Award. No doubt partial relief was given to them in former years as the surpluses of the Government of India

[Raja Sir Rampal Singh.]

permitted, but it was destined to this year that the full relief is to be accorded. I am aware of the fact that the Provinces will not yet have what I may call perfect surety of relief from the burden because it has been granted under two headings—recurring and non-recurring. They will have to remain in suspense for 2,58 lakhs of rupees which is non-recurring remission. This is due to the caution which the Honourable the Finance Member always exercised in preparing and presenting his Budgets. There is nothing unnatural in it when we consider the magnitude of the Government of India's activities in the Financial Department. In fact we consider that too much caution is brought into play in the presentation of the Budgets as a comparison between the estimated and revised figures with actuals in former years will show. Being sanguine of getting brighter results than what the Budget reveals we may rest assured and confident that the non-recurring remission of contributions to the Provinces will become a recurring remission for good and ever and that they will be free to apply their full energies to the nation-building departments. Let us hope that the remissions which the Government of India have been pleased to give to the Provinces will be ear-marked for nation-building departments and that the reserved halves of the Provincial Governments will not apportion a share from them.

Sir, side by side with the extinction of the provincial contributions the Honourable the Finance Member has been able to propose reductions in the import duty on motor cars and tyres and the abolition of the export duty on hides and tea and of the stamp duty on cheques and bills of exchange. Motor vehicles have a great part to play in rural reconstruction and agricultural and industrial development of the country and the reduction of the import duty is certainly in the right direction. I have my own doubts as to the justification for the abolition of the export duty on hides and tea. The export duty on hides was imposed in order to stimulate the tanning industry and even if it had not been successful in gaining its object I see no reason why it should be abolished if for nothing else than for the sake of revenue only. As for tea you on one hand abolish the export duty but on the other impose a tax which will bring in a revenue of about 5 lakhs less than what you were obtaining from the export duty. The change does not appeal to me at all. Sir, with all the economies and retrenchments that have been effected, the expenditure has not been brought down to the level suitable to India's economic conditions. It is still too high necessitating the continuance of the burden of high taxation which tells upon the poor and the rich alike in depriving the former of some of the bare necessities of life and the latter from extending their activities in the industrial and agricultural development of the country. From what I learn from the newspapers it appears to me that western countries, which had to bear the brunt of the Great War which necessitated the imposition of heavy taxation, have now afforded relief to their people to a great extent. It is unfortunate that India still labours under the legacy left by the War in taxation as well as in her expenditure.

Sir, the Benares Hindu University and the Aligarh Muslim University are the two national institutions in my Province and both of them cater to the educational wants of the whole of India. The latter University gets some financial assistance from the Provincial Government because when it was only a College the Local Government was supporting it, but the former institution is getting only a nominal financial support. The Provincial Government is not inclined to give them any more financial

assistance than what is required to the extent to which they serve the Provinces. Both the Universities have an all-India importance and are starving. It is the duty of the Central Government to help them financially in their respective needs. Sufficient provision ought to have been made for their financial assistance and I hope the Honourable the Finance Member will see his way to extend his sympathy to these two Universities as he has done to the Provinces under the direct charge of Government of India.

Sir, it is difficult for a layman ignorant of the most complicated question of exchange not to get prejudiced in favour of 1s. 6d. on reading the Budget. Who would like to deny the advantages which the budget proposes to confer on the Provinces if the rupee is stabilised at 1s. 6d., but there is a big volume of expert opinion on the other side which considers that the Government has only sugar-coated the bitter pill and has thrown a bait to the provincial representatives to go to their side. I do not desire to commit my vote to one ratio or the other until I have heard the arguments of both sides on this interesting but very complex and complicated question that at present baffles my understanding.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS (Punjab Non-Muhammadan): Sir, it is a matter of gratification that it has been the pleasure of the Honourable the Finance Member to give us surplus Budgets beginning from 1923-24. This is the fourth year in which the finances of the country have shown a realised surplus. As a matter of fact these surpluses were considerably larger than shown in each of these four years, but were diverted from their legitimate function of remission of taxation to the reduction of debt. Our annual provision for debt resumption has been relatively on a larger scale than that adopted in any other country I know. In England against a total outstanding debt of £7,700 millions the amount provided for debt redemption is only £50 millions a year. This works out to less than 2/3 of one per cent. although the major part of England's debt is unproductive. In contrast with this, our provision of Rs. 5 crores, which is equivalent to 2½ per cent., or four times the provision that England makes, on an unproductive debt of Rs. 203 crores as on 31st March, 1927, is clearly excessive. Besides this, adventitious receipts in any year have also gone towards the redemption of debt account. The amount of these windfalls has roughly been 6 crores in these four years. So, our revenues have contributed a substantial sum of 23½ crores in four years towards debt redemption. The Government contends that if we revert to 1s. 4d. the burden of the sterling debt of India will be increased by Rs. 56 crores. The table attached to paragraph 20 of the Finance Member's speech refers to this. This is misleading because the sterling debt has to be paid in gold whatever the ratio and will represent the same amount of Indian goods and services. The number of rupees required for this purpose is not a relevant factor at all. On the other hand I wish to point out that at 1s. 6d. the burden on the tax-payer of the rupee debt of the Government of India will be increased in terms of gold or goods and services. The total rupee debt on the 31st March, 1927, is given at Rs. 528 crores. This, in terms of gold at the pre-war ratio of 7.53 grains of gold to the rupee, would be equal to (528 crores by 7.53 grains of gold) 5988.19 crores of grains of gold. If the rupee is stabilised at 1s. 6d. this debt would be equal to (528 crores × 8.47 grains of gold) 4429.81 crores of grains of gold, a difference of 491.62 crores of grains of gold equivalent to 4.3 crores of sovereigns, there being the increase in the rupee debt of

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the Government of India in terms of gold. A corresponding annual increase in the burden of interest in terms of gold has been imposed on the tax-payer and will continue with 1s. 6d. until the loans are repaid. These facts should be considered an irrefutable argument against the appreciation of the value of the rupee. I view with grave apprehension the question of maintaining the ratio of 1s. 6d. Since the 1st April last, this has been maintained only at the expense of India's gold resources in the Paper Currency Reserve to the extent of £28 million sterling. Besides the corresponding deflation of currency against this depletion in India's gold resources, Rs. 7½ crores were deleted against reduction in rupee securities in the Paper Currency Reserve. During the last few weeks the Government of India found it necessary to refuse the issue of emergency currency and compelled the raising of the bank rate to 7 per cent. as a further effort to maintain the 18d. ratio. In spite of all this the exchange rate continues to rule under 1s. 6d. and quotations two months ahead have been very close to 1s. 5½d., the lower gold point of 1s. 6d. Unless something very unforeseen should happen I fail to see how the Government of India can maintain the 1s. 6d. ratio without further dissipation of India's gold resources. The balance of gold resources left is limited and should not be further risked. Any sale of silver being out of the question, the Government ought not to be driven to the expedient of borrowing in London to maintain the 1s. 6d. ratio, which policy I strongly oppose. This danger is avoidable and must be avoided. The one note underlying the Budget not only of the Central Government but of most of the Provincial Governments that I have seen is trade depression. The gross receipts of our railways reflect this unmistakably. Even in Delhi and Amritsar you hardly come across any merchant who is happy. This is the fourth normal monsoon for the whole of India, although in the north the rains have failed us, which has resulted in the crops, particularly cotton, being reduced by 38 to 40 per cent. Prices have gone down by 50 per cent. The question that strikes a merchant like me is, why is there this depression. I cannot help feeling that this depression is due to the adjustment which Government is trying to force on us of the 1s. 6d. ratio, which it is most difficult to force thus. I am not an economist and am unable to judge to what extent the higher ratio has yet been adjusted, but I fail to see why Government is thus forcing on an unwilling public an appreciated rupee which has no parallel in any country in the world. The Indian commercial community fail to understand why this promotion is being given to their currency, and as the effect of it is all this depression in trade and industry, why should the Government insist upon it? Sir, yesterday I heard in the other place the valued opinion of the Right Honourable Mr. M'Kenna, Chairman of the Midland Bank, to the effect that an inadequate expansion of currency in a country brings about heavy trade depression. Since the 1st April last, the Government of India have deflated more than Rs. 80 crores of currency. Mr. Kisch of the India Office has said in his evidence before the Royal Commission that the normal expansion of currency required for India before the War was 20 crores of rupees per year. This year what has happened, therefore, is that you have not only not expanded our currency by Rs. 22 crores as per pre-war normal, but have actually deflated our currency by Rs. 30 crores which means a total deflation of currency of Rs. 50 crores. The result of such an action can easily be imagined, and I put it to the Honourable the Finance Member whether any country can help having trade depression under such management of her currency. I therefore appeal to

the Government of India to stop such a policy and to adopt the normal policy for India's currency. This necessitates a reversion to the 1s. 4d. ratio, and I am sure that the Government, who are looked upon as the *ma bap* of the Indian cultivator, will still see the advisability of adopting this course. We are led to believe that the Honourable the Finance Member has reduced the expenditure of India, while as a matter of fact he has immensely increased it. This deception as to the real amount of Indian expenditure has only been possible because while the layman thinks that the rupee is a coin like the sovereign or the dollar, it is something quite different. As Sir Basil Blackett has himself said over and over again, it is now not a real coin but only a currency note printed on silver, and just as a paper currency note does not represent the value of the paper on which it has been printed, this silver currency note does not represent the value of the strip of silver on which it is printed. Both notes represent the value attached to them by law. This silver note formerly represented 16d. worth of gold. Government has for the last two years made it to represent 18d. worth of gold. Against every 1,600d. worth of taxation they used to collect 100 of these silver notes. To-day they go on collecting the same number of silver notes and pretend that they have not increased taxation, while as a matter of fact they have collected 200d. extra in terms of gold. It is as if they collected 4 ten-rupee notes instead of 4 five-rupee notes and claimed that they had not increased taxation because they were still collecting only 4 notes. This kind of deception can only be avoided if we constantly bear in mind that the rupee is in its nature really a currency note printed on silver, and to understand amounts expressed in rupees we must first convert them into the amount of gold that this silver note (the rupee) represents.

I am thankful to the Government of India for reducing the duty on motor cars, but the country would have been much pleased if the duty on motor lorries and commercial vehicles had been altogether removed. Those vehicles help the development of our rural areas much more than motor cars. I expected that the Honourable the Finance Member would take off the excise duty on kerosene oil. Sir, kerosene oil is a commodity which is used even by the poorest classes, and the Government ought to have seen their way to reduce that duty. The duty on hides has been abolished. I do not know on what grounds the Government took that action. The Indian hides merchants themselves never wanted it, and the Government's taking the initiative does not seem to me to be at all justified. As regards the consumption of artificial ghee in India, I drew the attention of the Government last year to the increasing imports of vegetable compound or *Vanaspati ghee*. The quantity, as far as I could then gather, came to about four lakhs of railway maunds, and I suppose this year the quantity must have very greatly increased. In the Punjab, in particular, we find that it is very difficult to procure pure ghee. Even in ghee-producing centres the vegetable compounds have found their way, and even the zamindars have begun to mix them in the ghee. (*The Honourable Sir Maneckji Dadabhoy*: "You are sure to have that increased, with the rupee at 1s. 4d.") I do not agree. But, Sir, in this connection the Honourable Sir Muhammad Habibullah promised this House last year that he would get the analysis before this House and move Provincial Governments in the matter so that adulterated ghee may not be sold as pure ghee.

As regards income-tax, Sir, I wish to point out that owing to trade depression, the merchants have been very badly hit. I would therefore

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recommend to the Government that the losses of one year be adjusted in the accounts of the following year. The Government accounts are compiled up to the 31st March while the business men do not compile their accounts ending that date. I wish that in this matter the Government might be generous. We expected, Sir, that, like the tax on tea, the super-tax would be abolished. As far as my memory goes, the super-tax was imposed as a war measure, and as the war had ended, the super-tax ought to have been taken off. (*The Honourable Sir Basil Blackett*: "It will be raised with the rupee at 1s. 4d.")

As regards the Indianization of the Indian Army, I represented to His Excellency the Commander-in-Chief last year that he may be so kind as to throw open commissions in the Royal Engineers, the Royal Artillery, the Royal Air Force and the Armoured Car Section to Indians. As far as my information goes, no admissions into these forces have so far been made. I beg His Excellency the Commander-in-Chief to reconsider this important decision. As regards the adjustment of war claims and war accounts, we have not yet been told what has been the result of the mission of the Honourable Sir Bhupendra Nath Mitra to England. We have been waiting for an announcement since the last few years, but we cannot understand why this information is being withheld so long from this House.

It is a matter of pleasure to us that the Royal Agricultural Commission is doing useful work, and in that connection I would suggest that as the zamindars on an average do not have big holdings, Government ought to place steam ploughs, thrashers and other agricultural machinery at the disposal of Provincial Governments to enable them to hire them to the zamindars.

The Honourable Sir Maneckji, while on the question of export duty on rice which the Honourable Mr. Gray raised, has told the House that as India meets half the world requirements of rice, an export duty is necessary.

THE HONOURABLE SIR MANECKJI DADABHOY: I never said anything of the sort.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS: What did you say then?

THE HONOURABLE SIR MANECKJI DADABHOY: I am sorry if you cannot understand.

THE HONOURABLE THE PRESIDENT: Order, order.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS: If I hold that principle I will be mistaken. On foreign shipping companies in India, Sir, the Income-tax Department does not assess income-tax on business done in India—why? To that I wish to draw the attention of the Government. With these remarks, Sir, I resume my seat, as I do not want to retreat the ground covered by Honourable Members who have preceded me.

THE HONOURABLE MR. V. RAMADAS PANTULU (Madras: Non-Muhammadan): Sir, two of my Honourable friends, Sir Arthur Froom and

Sir Maneckji Dadabhoy, have taken serious exception to a statement which I made to the Press that this Budget is a rich man's budget and not a poor man's budget. I am prepared, with a full sense of responsibility, as a Member of the Central Legislature, to repeat that statement to this House and I shall not travel beyond that one point in my speech to-night. I first wish to dispose of Sir Maneckji, because I can do so so easily. He has in the course of a very short speech indulged himself in a great many heresies regarding public finance. I agree with him in saying, that it is not the duty of the Finance Member to favour one section or one community in preference to another section or another community. Granted that that statement is correct, the rest of the whole of Sir Maneckji's speech is incorrect. If he says that the burden which was weighing down the riders of motor cars was so heavy as to require the attention of the Finance Member in preference to the burden which is placed upon the poor man by the imposition of the salt duty or the enhancement of the postal rates, I must take leave to differ from him with regard to his sense of social justice or with regard to his knowledge of public finance or even with regard to his acquaintance with the conditions of the people of this country. I shall leave him there. With regard to Sir Arthur Froom he has pointed out that this Budget does contain elements which go to establish that it is not a rich man's budget and I found that when my Honourable friend Mr. Mukherjee was speaking the Honourable the Finance Member interjected that there was relief to the extent of Rs. 5½ crores with regard to the burden on the poor man. I take it that he was referring mainly to the relaxation of the provincial contributions. Sir, I am here to acknowledge gratefully that the remission of these provincial contributions is a thing which will undoubtedly benefit the provinces. But that is not enough to substantiate the statement of the Finance Member that to that extent the Budget is a poor man's budget. Before I say how it is not going to benefit the poor, let me mention that this action in progressively relieving the provinces of the burden of the provincial contributions has not come with much grace or with much claim for gratitude. Each time the Finance Member has coupled this boon with an alternative of a very undesirable sort. The first year he linked it with the salt duty, the second year with the cotton excise, and the third year with the ratio, and now he takes credit for having done something for the provinces, which ought to have been done long, long ago. I am bound to point out that at the time when the Méston Award was made, there was no intention that the Government of India should use provincial resources either to improve its financial reserves or to employ any portion of it in the reduction or avoidance of debt. It was only when the Central Government could not meet unavoidable expenditure that the provinces were to be taxed, and provincial contributions were to be depended on only when the Government of India was unable to balance its Budget under normal conditions. But it was not for the purpose of improving their financial resources or reducing their financial liabilities. Therefore it was a long-delayed measure of justice and grudgingly given in slow dribblets. My friend claims great credit for it, but I regret I am unable to give him this credit.

Then, are his provincial contributions going to really benefit the poor people of the provinces? There again I beg to express my great hesitancy in accepting that claim. In the first place these contributions have got to trickle down to the Ministers who are in charge of nation-building departments through a very impervious layer. I know from experience that very little of it trickles down, and the last time when it was given, I know

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what use the Development Ministers made of it. By the time it goes to them the drops all dry up in the process of filtration.

I would also point out that as a result of the policy regarding the manipulation of exchange there was a great slump in the trade and it also resulted in deficit budgets in the provinces, and a good bit of the provincial contributions have to go to balance the budgets of the Provinces. Therefore the boon is a very illusory one. I assert that the provincial contributions have rarely helped the poor of the provinces and Sir Basil's claim is unsubstantiated for the present.

When I said that the Budget was a rich man's budget and not a poor man's budget, I meant this. We all know that a surplus budget is not necessarily a good budget; it is also not necessarily a bad budget either, but you must know how the surplus comes. It need not be a good budget, if the expenditure incurred by the Government of India is out of revenue got by excessive taxation. If the Government of India tax the people more than it ought to and makes a profit out of it, there is necessarily a surplus. Therefore all that is necessary on the part of the Finance Member is a little financial window dressing to show a surplus. The budgets of the Government of India when I have studied them disclosed nothing remarkable about them. They were ordinary routine documents in which they have under-estimated income and over-estimated expenditure so as to be able to show a surplus and to say that they have managed very well. I have not found any real inspiration in them. I am not looking at it from the politician's point of view, but I am looking at it from the point of view of the ordinary man. Give it to any agriculturist and explain what it is, and he will ask you where is the evidence of the Government of India's anxiety to relieve the poor people of their burden, to improve their economic condition. Is there any money set apart for educational expansion, health programme, improvement of industries? Is there anything to show that Government are anxious that these should be improved? In the year 1927 our agriculturist is in a pre-historic state as he was centuries ago. What have the Government of India done for him? Where is the evidence that they are going to improve agricultural conditions? Have they spent any appreciable sum of money on irrigation works? Our tanks are as old as the hills. In some parts of my province the tanks are absolutely unfit for irrigation purposes, there is no water at all. And is there any evidence that the development branches of the Provincial Governments or the Government of India have been helped by the State?

THE HONOURABLE SIR BASIL BLACKETT: What about the provincial contributions?

THE HONOURABLE MR. V. RAMADAS PANTULU: I have dealt with that fully.

The Finance Member, who is in possession of the facts and figures, will tell this House how much of these contributions have been handed to the Minister of Development in each province. I know something of it, and it is an insignificant sum. I hope some day he will lay on the table of this House the exact amount that has been used by Development Ministers for nation-building purposes. Then he will convince us that these contributions have gone to help agriculture and industries.

Therefore, when I look at this Budget, I see that it bears absolutely no evidence of any anxiety on the part of the Government of India to tackle the question of the "poor man". The mentality of the Government of India can be illustrated by reference to a small item. It is a small item, but it shows how the mind of the Government of India works. In the Tariff Act you find one item which deals with duties on certain articles imported which are necessary for the use of the hand-spinning and hand-weaving industry. At one time the materials imported for this purpose had to pay a tariff duty of 15 per cent. as against 2½ per cent. for the mill requisites. After a certain amount of agitation elsewhere that duty was also reduced to 2½ per cent. Supposing the Government of India wants to improve cottage industries, (spinning and weaving is the most important one which will create a subsidiary occupation for the agriculturist who is economically at a low state of efficiency), it would go a long way to help the spinner and weaver if the Government of India abolished this duty. Perhaps they would lose not more than 10 lakhs of rupees on this head. Is there any desire on the part of the Government of India to give up this Rs. 10 lakhs? It would give a real impetus to this subsidiary industry of the agriculturist. Instead of that, they go and reduce the duty on motor cars. Is it really a burden which is pressing on the motor car dealers which is to be relieved in preference to the burden on the poor man who weaves and spins in order to make a few rupees? That is one illustration. If I had the time at my disposal, I could analyse the Tariff Act and show that there are various ways, if the Government of India were so minded, in which they could come to the rescue of the poor man. The fact of the matter is that in the Budget and in previous Budgets, and I suppose it will be the case in succeeding Budgets for some time to come, the whole position of the Indian tax-payer is judged only from the standpoint of the capitalist and of the Government of India. The raw materials of India require protection. Is there any trace of that protection? On the other hand we are told that the removal of the export duty on hides is a particularly gracious act on the part of the Government of India. The hide industry is an industry of Southern India, of the province I come from, and I can say, Indian opinion there is against its removal, because it is against the interests of a large class of people, engaged in the tanning industry. The protective duty has helped these poor men there and Madras opinion is against its removal. There is no use multiplying illustrations, the whole Budget is conceived to help the rich and not the poor. When I read the Budget, the first thing that struck me was that the requests made by the Associated European Chambers of Commerce were more or less considered favourably, while the requests by the Indian community made at the recent Calcutta Commercial Congress have been completely ignored. When one reads the Budget and analyses it, what one finds is this. We export raw materials from this country and import manufactured articles. That is so far as commodities are concerned. My friend was speaking about services. In regard to services we import raw material in men into this country, train them here, and export them back as experts. Therefore we import raw men and export them as trained finished products so that their knowledge and their ability may be used by other countries; while, in regard to commodities, we export raw materials also to benefit other countries and bring back finished articles from those countries. That simply put is the *topsy turvy* policy of the Government of India.

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Sir, there is another reason why I say it is not "a poor man's budget" but a rich man's budget. It is impossible to believe that there is no means of retrenching expenditure. Unless you retrench expenditure you cannot really give any relief by way of reducing taxation; and His Excellency the Commander-in-Chief has told us that it is impossible to reduce military expenditure, while the Honourable the Finance Member in another place has used irreverent language towards the recommendations of the Retrenchment Committee. But the people of India are still unconvinced that retrenchment is not possible. The biggest slice is taken away by the military. In regard to military expenditure even if it is true that it cannot be reduced, may I ask, in all humility, why Britain, which derives large benefits from it, should not bear a decent proportion of the military expenditure. India has done a great deal for Britain also. We were told on another occasion that Britain had done a great deal for India; but has not India also done a great deal for Britain? If you examine the records you will find how the dead weight debt has been incurred by India owing to the wars in which she has had to engage in the days of the East India Company—wars with China in regard to opium and those in regard to a forward Frontier policy and so on—wars by which we subjected India to Britain. And these debts the Indian tax-payer has been paying for 40 years—£630,000 every year and in 1874 a sum of 4½ millions sterling was borrowed in order to wipe out the obligations the Government of India was under to the East India Company. Therefore what a large amount of liability has been incurred by India for these purposes! Has not the Government of Great Britain to be grateful to India, and should she not now shoulder a portion of this military expenditure? The military expenditure according to the present Budget is about £40 million; while countries like Germany, Italy and Japan, are content with an expenditure of £24 million and if you take the Colonies, Australia's expenditure is £7 million, Canada's £2 million, and South Africa's only £1 million. And yet you tell us that £40 million, India's military expenditure, is a rock-bottom level which we have reached and which cannot be reduced, that we must go on incurring this infamous expenditure and nothing can be done for the Indian tax-payer.

One word more, Sir, and I have done. The Finance Member has referred to the romance that lies behind the 5.45 crores. One Honourable Member of this House has already alluded to it. I would also like to ask the Finance Member to look at the romance that lies behind the 1s. 6d. ratio. I will give him that romance in two scenes. That romance is enacted in two scenes. First Scene. Enter the Indian debtor, the Indian producer and the Indian tax-payer. The Indian debtor says "My 800 crores of debt has gone up to 900 crores" and he weeps. The Indian producer laments, "The prices of articles produced by me have been cut down by 12½ per cent."; and the Indian tax-payer bemoans, "The Government of India takes 12½ per cent. more of taxes by means of this 1s. 6d. device". Exit all those three people weeping. Second Scene. Enter 3 other persons. They are the foreign creditor, the foreign purchaser and the Finance Member of the Government of India. The foreign purchaser says "I am jolly glad. I filch the Indian producer by 12½ per cent. of his due, because I pay Rs. 13½ instead of Rs. 15 for goods of the value of one pound." He laughs. The foreign creditor says "By mere manipulation of the exchange I have got 900 instead of

800 crores. What good luck for me to get these extra 100 crores by the grace of the Finance Member". He rejoices. Then comes the Government of India, embodied in the Finance Member sitting there. He enjoys the situation most, "Look at my good business. I do not tax the people of India visibly. I do it invisibly. I can by this means get 12½ per cent. more revenue. I have also helped my two companions". Exit all three hastily laughing. Thus, you have one set of people weeping over their tale of woe; and another set of people laughing and rejoicing over their good fortune. That is the romance. Whether it is a comedy or a tragedy I leave it to Sir Basil to say; but let him visualise the romance which lies behind his 1s. 6d. ratio. I therefore ask Members of this House not to be misled by the propaganda of the Finance Member. The agriculturist and the landholder who are represented fully in this House should know that they stand to lose by it. Therefore, I earnestly appeal to them to keep their minds open and vote upon this question in the best interests of the millions of people of this country. With these words, I repeat once more that I do not consider the Budget is a poor man's Budget; it is essentially one of a rich man whom the Government of India favours.

THE HONOURABLE SIR DINSHAW EDULJI WACHA (Bombay: Nominated Non-Official): Sir, we are an infant democracy, six years old; and it is but natural to expect that in an infant democracy of this character we should have a variety of criticisms; and of this variety of criticisms that we have heard in this Chamber to-day, from morn till now, there has been mature criticism and immature criticism, ignorant criticism and semi-ignorant criticism, ill-informed criticism and well-informed criticism. Being an infant democracy we may allow all these critics, wild and sober, innocent and sophisticated, sarcastic and cynical, to have their fling at the Government as much as they like. It will all pass off in an hour and we will all forget it. If, however, these criticisms were to be answered in the same serious spirit in which those gentlemen have spoken, then I think we should have to sit, not for one day, but for seven or eight days before we can finish the task. A variety of arguments altogether extraneous to our Budget have been introduced but which we have all heard with laudable patience. Then, of course, there are people who cannot get out of their mind this much agitated question of the ratio. It is obsessing them. They are like that old character in Dickens' novel who could never get King Charles' head out of his addled brain. Apparently Sir, with a majority of Honourable Members this mare's nest's ratio is on their brain, and everything else, however important, must be subordinated to it. I have no opinion on what is called the ratio of Indian Exchange. Indeed, whether there is a ratio or not is an unsolved problem. But never mind that mare's nest.

Next, Sir, there was a good deal of talk about the poor man's budget and the rich man's budget. I do not believe in either the one or the other. It is a budget only and a budget is not a miracle by whatever name you call it. Statesmen for the time being in charge of finance in any country present certain figures of revenue and expenditure and expound them in a certain way and declare "Here is the best statement we can present to you." From the days of Peel and Gladstone downwards there have been very many clever financiers, some of them exceedingly able financiers, who have earned a worldwide reputation and have made mistakes; mistakes are inevitable in

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human affairs. We all learn by experience and statesmen also, being after all human, like the rest of us, are liable to err. You may err, I may err and everybody may err; but nowadays I see that the temper of the majority of Central Legislature is very peculiar. They consider themselves infallibles. They only are right and everybody else is in the wrong! The poet Pope in his essay on criticism says "our judgments are like watches—no two go alike, but each believes in his own." That is really the case with the majority in the Central Legislature. Each one believes that he only is right and all the rest wrong! I have my own views on this feature in the two Houses. I dare say, they will laugh at me or look upon my views with scorn; I do not mind them as I have a broad back. Sir, being an infant democracy, we may tolerate such aberrations. But, in truth, we have to learn and unlearn many things, and in the process of learning and unlearning many things we must expect a lot of criticism in this House of the character I have referred to.

Now, Sir, coming to the Budget itself, I said last year when the Budget was introduced that that Budget was an epoch-making one. I am not going to use that adjective unnecessarily again; we say epoch-making in the ordinary sense, that whenever there is a new thing, a thing that people have not been accustomed to for perhaps fifty years or more and when such a thing happens we say, "Now we are entering upon a new epoch." Therefore, Sir, I do say this, and I say it with emphasis, that the Budget presented this year by the Finance Minister is an epoch-making Budget and for these reasons: he has introduced an entirely new system of finance. I have been, Sir, a very modest student of Indian finance for the last fifty years—when perhaps most of my friends here were not born. I do not pretend to be a financial "expert", but I say this that having read and studied many of the financial statements—I was not much impressed by them—they were more or less hunderd statements of superior book-keepers. But to be a superior book-keeper is one thing and to be a talented financier is another thing altogether.

What I say is this, that India is fortunate in having at this moment a person of the talent, I may say almost genius, of Sir Basil Blackett, who has looked very far into the future with a sagacity that excites our admiration. He has put Indian finance on an entirely new and broad footing, on a footing of soundness whereby the future prosperity of India will be assured. You will not believe me to-day,—I may be dying to-morrow,—I may not be here, I am 83 years of age,—but a day will come when all of you will say that Sir Basil Blackett has deserved well of India. (Applause.) Well, what has he done in framing the present Budget? Refer to the old budget statements of the last few years before he assumed charge of the Department and compare those with the one presented to us this year. You will see that in future external capital will be imported as little as possible. They have always been crying that India is burdened with an intolerable cost for exchange. Well, Sir Basil Blackett is doing everything he can for the good of this country by diminishing the burden of exchange which India has to pay for its sterling remittances annually. Why should he be accused for this laudable effort on his part? Why say that he has presented a rich man's budget and not a poor man's budget? It is all nonsense. (Laughter.) I repeat, it is all nonsense, the kind of reproach hurled at the Finance Member. He is also trying

to diminish the import of external capital in sterling. He is trying to see that India uses her own capital, and he is trying to put Indian finances on a sound footing whereby the burden of exchange may be considerably diminished and at the same time avoid debt, besides diminishing interest charges on old Rupee debt to induce greater prosperity and enable it to accumulate more capital in the country. All that capital will be utilised in the country itself for its own good. Why then accuse him of doing this and doing that? All that he is doing will go to enrich the country immensely. He is making an effort with a double object. He is trying to diminish the burden of the present annual sterling exchange and at the same time he is trying to diminish Indian unproductive debt. In fact, he has already diminished that debt to a certain extent, as any one who goes through the Financial statement can learn for himself. What more could he do in these directions so beneficial to India? We cannot of course jump at once and achieve all in a trice specially reducing our debts all at once. It is only a financier of the character and talents of Sir Basil Blackett who can succeed in making a beginning for the permanent benefit of India. By saying so I do not flatter him—I say it all from the bottom of my heart, and I am sincere in all that I say—that were it not for Sir Basil Blackett, the Niagara of deficits of 99 crores which we had had a few years ago would never have disappeared: and we would never have been able to see those surplus budgets which we are having to-day. The old decrepit state of affairs would have continued and Indian credit would never have risen so high as it is to-day. Therefore I say that we are all grateful, and India is grateful, to Lord Reading in the first place, because it was he who chose Sir Basil Blackett as our Finance Member. Lord Reading himself told me so. He secured the very best financial talent available to India for India's own good, no matter what cynics or satirists might say to the contrary. There is no reason to criticise in such a hostile and carping spirit what Sir Basil has done and is doing for India. They are talking nonsense. It is all a Sahara of words, words here, there and everywhere—words to be forgotten to-morrow. But what Sir Basil Blackett is doing to-day will never be forgotten, and I do repeat, Sir, that he will be remembered as having deserved well of the country. Looking at everything from the broadest point of view I should say he is very far-sighted, and to be greatly praised for making all possible efforts to place once for all Indian finances on such a sound and scientific basis that his successors will hardly have to change anything: they will merely have to carry on the routine work on the lines he has laid down. Sir Basil Blackett can truly be called the founder of the new system of beneficent Indian finance, and he is certainly to be congratulated on the success he has achieved. We are all grateful to him for it, and I am really sorry that not only in this House but in the other House all sorts of inanities are talked about him which must be strongly condemned. Lastly, I do say, Sir, this. They say that 1s. 6d. is going to ruin the country. I say it is *not* going to ruin the country. I am quite certain of that, and it is 1s. 4d. that will ruin the country. Let my colleagues of this Council bear my words firmly in mind. Sir, I am an old man, I cannot talk much, I feel quite exhausted, and resume my seat.

THE HONOURABLE SIR BASIL BLACKETT (Finance Member): Sir, this seems to me an appropriate moment for me to intervene after the whole-hearted congratulations and over-praise which my old friend, Sir Dinshaw

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Wacha, has showered upon me. I am indeed grateful to him because, in addition to the kind words that he has said, he has saved me the trouble of dealing fully with some of the speeches which we have heard to-day. I propose to take his advice with regard to what I may call the common form speeches and not take them too seriously. I will not repeat the exact description which he gave of them, because that might cause offence. I did hope, however, when coming to this House that I should not hear quite so many of those common form speeches. I think it was Mr. Ratanji Morarji who went furthest in that manner. He started by congratulating the Government on their propaganda work in favour of 1s. 6d. Other people have done propaganda work. I do not propose to comment on it or to congratulate them on it. I will now quote Mr. Ratanji Morarji. He spoke of the "disastrous financial policy of the Government of India", "the financial muddles of the last five years." "Nothing" he said, "can be more topsyturvy than the Government's financial policy in the last few years". If I were to use the word "topsyturvy" I would use it in regard to what some Honourable Members in this House have said about budgeting for a surplus. I have been told by the Honourable Mr. Pantulu that the Government have no right to take these surpluses to the reduction of debt, because the provincial contributions contributed towards them. Sir, in the years 1921-22 and 1922-23 there were deficits of 43½ crores in spite of provincial contributions. The whole of the provincial contributions since that date have not been sufficient to meet those deficits. In these circumstances I think that the suggestion of my friend that when we have turned the corner and begun to have surpluses we have no right to use any part of the Provincial Governments' contributions towards debt redemption only needs to be stated to be seen to be a very wild statement. I must say I was grateful after all this to Mr. Pantulu for the admission—somewhat grudging admission—that a surplus budget is not necessarily a bad budget. If a surplus budget is not necessarily a bad budget, I suppose he means that a deficit budget is probably a good budget

THE HONOURABLE MR. RAMADAS PANTULU: May be with the 1s. 4d. ratio.

THE HONOURABLE SIR BASIL BLACKETT: At 1s. 4d. of course. The advocates of 1s. 4d. would naturally like to proceed down and say that a 1s. 2d. budget and then a 1s. one and so on will result in a happy series of deficit budgets. I do wish to make a protest seriously against this sort of statement. Mr. Seth Govind Das talked about large deficits as financial boogies. Sir, he suggested that if the finances of India were in the hands of capable Indians and not of hopelessly incapable non-Indians, then there would be no nonsense about surpluses, Government would have nice deficits and everybody would be happy. He went on to say that he would proceed to reduce the whole of the provincial contributions, in fact he would not have exacted them, and at the same time he would have budgeted deficits—he would start on the basis of 1s. 4d. which would no doubt go even to 1d. in a short time and it would be difficult to maintain even that ratio. In general, he talked as if the only thing for any Finance Member to do was to spend far more money than he had got and do without taxation. It

would be a popular thing to do, but I confess that it has never occurred to me that I was paid by the Government of India for doing that.

I do not propose to answer those statements made by several Members to-day which were simply repetitions of what has been said in another place. Mr. Ram Saran Das, for example, repeated an argument about our debt as the result of 1s. 4d. which I answered fully yesterday. I do not know whether he observed that he was answered fully by Mr. Pantulu shortly afterwards when Mr. Pantulu entirely disagreed with his statement that it did not matter what was the rupee value of a given amount of sterling,—whether the exchange was 1s. 6d. or 1s. 4d. the effects would be the same. If he will square that with the other argument that the agriculturist is going to gain 12½ per cent. in value by a change in the ratio, he will square the circle.

Another argument, however, which has been somewhat in evidence to-day is the argument that though in appearance our expenditure has gone down in the last few years, in fact in terms of gold, in terms of commodities, it has not gone down. It is very dangerous to make comparisons simply between the figures given in the statements of the Government of India of the expenditure in one year and in another without going a little behind those figures and seeing what they represent. In another place I pointed out that the figures represent neither our gross nor our net expenditure. They are mixed up with our railway receipts and they are not entirely illuminating. I have attempted during the course of to-day to work out a true comparison between our expenditure in 1923-24 and to-day. I find that if we exclude Railways and Posts and Telegraphs, namely, the commercial departments, and exclude our provision for debt redemption, the expenditure of 1927-28 on the basis of 1914 prices is about Rs. 30½ crores. The expenditure of 1923-24 on the basis of 1914 prices was just about Rs. 60 crores, that is to say, our expenditure in 1927-28 on the basis of 1914 prices is something under a crore more than it was in 1923-24. That is a great deal more than accounted for by the fact that the military expenditure of 1923-24 had the assistance of Rs. 3·79 crores of special receipts from sales of stores and things of that sort, whereas the figure in the current year is only Rs. 25 lakhs. When you consider that a considerable part of our expenditure is not subject to immediate control with reference to changing prices and that whereas undoubtedly some of our lower paid employees in 1923-24 had reason for dissatisfaction when they compared their real wages with those they were getting before the war—they are getting something better now in the nature of wages—I think it is very satisfactory to find that even on a commodity basis and in spite of the very considerable additions amounting to something like Rs. 2 crores—I have not got the exact figures—of new expenditure on beneficial services which have been included in 1927-28 and did not exist in 1923-24—well, I think it is very satisfactory to find that our expenditure on a commodity basis has gone down and not gone up. So much for that argument.

I should like now to turn to some of the detailed points that were raised in the course of the discussion. The Honourable Sir John Bell asked about the cost of the India House in London. The actual estimate for the expenditure on that building is about 35 lakhs. The whole facts are contained in a report of the Standing Finance Committee of another place which had that matter before it and has recommended to the Assembly the expenditure of that sum. I agree with him that it is important that care should be taken to see that there is not a very large excess over the estimate

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when the actual building takes place. I agree with him also that other explanations besides the failure of the Government of India have to be taken into consideration in explaining the reduction from 6 per cent. free of tax to something like $4\frac{1}{2}$ per cent. subject to tax in the rate at which the Government of India can borrow in India. Undoubtedly one of the reasons for the fall in the rate is increased confidence in the credit of the Government of India and absence of an increase confidence in the credit of industrial concerns. I hope, however, that one important effect of the reduction in the rate of interest obtainable on Indian Government securities will be to make the more adventurous among those who have capital to invest turn with a little more sympathy towards suggestions that they should lend their money for industrial purposes in India. As the rate of interest for gilt edged securities falls, there must be a tendency for investors to look for other investments and to be more willing to be adventurous in industrial directions. If, therefore, there comes to be an increase in the demands of industry for capital in India it will be, I think, in part due to the success of the Government of India in reducing the rate of interest that they have to pay on what they borrow. That will also, though I do not propose to deal with that subject to-day, be one of the consequences which I look for from the final stabilisation of our exchange at the only rate at which it can be stabilised at present. The Honourable Sir Ebrahim Jaffer voiced Bombay's objections to the Meston Settlement and he also complained that the Government had confronted the House and the country with a dilemma in the matter of the ratio and the provincial contributions. Other speakers said the same thing and Mr. Pantulu said that we had done it for several years on end. It is a very unfortunate thing that you have to choose either to go to the left or to the right if you cannot go straight on. In this case, unless you go straight on, you cannot get the advantage of the provincial contributions as well as the ratio. If you insist that you must have both, then you will have to go to the left for one and to the right for the other. That is a physical fact of nature, and it is not right for you to say that the Government is putting you in a dilemma when it says that you must go to the right and to the left if you want both. It is really rather difficult I think to justify the accusation that the Government is facing the House with a dilemma when it says to them, "here are two incompatible things; you cannot both eat your cake and have it", and if the Government tells you so, the Government is not creating a dilemma for you. The thing to do is to want the right thing and then you will get both, namely, the right ratio and the provincial contributions. If you want one or the other, you can have it. It is no good complaining that you cannot have both or saying that the Government is placing you in a dilemma. That exists in the nature of the case. Just as last year or the year before the facts of the case were that you could not both reduce the salt tax and give an increased remission to the provinces, so this year it is perfectly obvious on the face of it that you cannot at one and the same time destroy the stability of the Budget and ask the Government of India to spare $5\frac{1}{2}$ crores of recurrent revenue for the purpose that we all have at heart.

I spoke only yesterday in another place about the unfairness of the charge that this Budget does nothing by way of reduction of taxation and that the Government have done nothing by way of reduction of taxation since the War. We have since 1923-24 reduced the salt-tax, the cotton excise duty and other minor taxes to the extent of over 6 crores, and we

have got rid of 9·83 crores of provincial contributions—a total reduction of our charge on the tax-payer of nearly 16 crores, between 15 and 16 crores. We are not charging the provincial tax-payer an anna in the Budget for 1926-27. We were charging them over 9 crores in the Budget for 1924-25. That is just as much a reduction of taxation from the point of view of the Central Government as would be a direct reduction of a charge on the central tax-payer such as the cotton excise duty, only it is obscured by the fact that all we do is to release to the provinces that amount of taxation at present collected and leave to them the decision whether they will continue to collect it and use it for the services that all the provinces are keen on subsidising and pushing forward or remit it to the tax-payer. But so far as the Central Government is concerned, we are in this Budget remitting taxation to the extent of 5½ crores, and we have in the last three years remitted taxation approaching a total of 16 crores. That really is not so bad for a Government so objectionable as we are or have been represented to be.

The Honourable Mr. Gray spoke about the export duty on rice. He argued that it was a charge on the producer in Burma. I venture, as I have ventured before, to differ with his economic doctrine in this matter. He pointed out that rice from Burma competes with rice exported from Indo-China and Siam. Now both in Indo-China and Siam there is a rice export duty either as high as or higher than the Indian rice export duty. So far therefore as its competitors are concerned, rice from Burma competes in the world's markets either on better terms or on as good terms as the rice which is exported from the countries with which it competes. Supposing the Government of India were to reduce or abolish the rice export duty, the result might be for the benefit of the producer in Burma provided that the Governments of Indo-China and Siam maintained their duties, but I think that they would be driven, almost inevitably, by the competition of Burma to reduce those duties if Burma reduced those duties. If so, the whole of the benefit will go directly to the consumer. I maintain that at present it is the consumer that pays the rice export duty, whether the rice comes from Burma or from Indo-China or from Siam; and that so long as the Indian export duty is not higher than the lowest export duty of Burma's competitors in this matter, the producer in Burma is not paying an anna. I am inclined to agree with Mr. Gray in disputing the likelihood of any gain to the Government of India in the produce of the rice export duty or the kerosene duty as a result of the reduction of the rupee from 1s. 6d. to 1s. 4d. This only goes to confirm the statement that I made in another place yesterday that the Memorandum issued by the Finance Department of the Government of India on the question of the effect of a 1s. 4d. Budget is a deliberate and intentional understatement of the probabilities of the case. I added, speaking in another place, that in my view the effect on the Budget of 1927-28 would be not less than 7½ crores and on the Budget of 1926-27 something approaching 10 crores.

Complaint has again been made that the Budget contains no proposals for reducing the charges for postcards and letters. It is perfectly clear that if the provincial contributions are to come first, we have no money this year for paying a subsidy for the reduction of postal rates. Whether such a subsidy is economical or desirable is a question which I need not go into to-day, because the prior point arises that we obviously have no money this year for affording a large reduction in our income, or rather an increase in our expenditure, as the result of the payment of a subsidy to the Postal and Telegraph Department. In fact the demand for reduced postal letter

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rates is really not a demand for reduction of taxation but a demand for increase of taxation by the central tax-payer in order to subsidise the user of postal facilities. I think it was Dr. Rama Rau who made the very interesting suggestion that, having still one crore of non-recurring surplus left in 1926-27, we should use it to effect a recurring reduction in the charge for postcards. That is another instance of the sort of finance that I was speaking of earlier to-day. Dr. Rama Rau also asked about the outstanding war claims. I regret that I am not in a position to make any statement in regard to the negotiations that have been proceeding with a view to the settlement of those claims, but I can assure Honourable Members that the matter has not been lost sight of, and I have every confidence that a settlement which may be regarded as satisfactory will be reached and announced at a fairly early date. Dr. Rama Rau wanted money for a herbarium. The only contribution towards that desideratum that I can offer in the current year's Budget is the abolition of the duty on rubber seeds and rubber stumps. 'Stamps' is a slip that has been made on more than one occasion; it has nothing to do with red tape or the other facilities of the Government Departments, but it is with a view to improving the rubber exports of the province of Burma that that reduction has been made. As regards the tea duty, there seems to be some tendency to look a gift horse in the mouth, which is not perhaps surprising as, although it is proposed to abolish the tea export duty, we propose to do it without cost to the tax-payer by increasing the charge for income-tax on the tea companies. That is a matter that will have to be dealt with in detail in connection with the Finance Bill, but I should like to point out that there is no proposal in the minds of the Government of India to tax agricultural profits. It is not connected with the very interesting question, which I do not touch to-day, whether agricultural profits should be subject to income-tax in India. What we propose to do is to tax nothing more than the non-agricultural profits. We are ourselves satisfied that 50 per cent. is not an over-estimate of the non-agricultural profits and that we shall still be erring on the right side if we do not assess tea companies at higher than 50 per cent. of their total profits. They will still as a matter of fact, in our opinion, have a margin of profit which is really not agricultural. Where there is a market for green tea we propose to adopt not the arbitrary round figure of 50 per cent., but the exact amount of the non-agricultural profits as ascertained with reference to the local market price of green tea. If the tea companies and those interested in the growth of tea have reason to think that 50 per cent. is an over-estimate of the non-agricultural profits, the Government are always only too ready and anxious to listen to any representations they may desire to make in that respect, and—I say it with a grain of salt—are open to conviction on the subject. My Honourable friend Raja Sir Rampal Singh spoke of the absence of provision for additional grants to the Aligarh and Benares Universities. A year ago, after very careful examination of both cases, the Government of India agreed to make certain special non-recurrent grants for the years 1926-27 and 1927-28 and certain small increases in the recurrent grants in both cases. It is clear that both those cases should come up again for consideration in the year 1928-29. If I shall not be accused of once again conducting a propaganda, I should like to point out to my friend, Raja Sir Rampal Singh, who was unwilling to commit himself on the ratio, that the prospects of these Universities will not be improved by the adoption of the 1s. 4d. ratio.

I think I have now dealt with most of the important points raised in the course of the discussion, except those concerning military expenditure which has been already dealt with by His Excellency the Commander-in-Chief. I should like to correct one statement which was made by at least one speaker in the course of the discussion that the total number of troops in India has not been reduced to the pre-war level. The exact figures that have been given to me are these:

Fighting Service, British troops, 1914	.	.	76,000
Ditto ditto 1927	.	.	58,000
Indian troops, 1914	.	.	154,000
Ditto 1927	.	.	189,000
			<hr/>
Total 1914	.	.	230,000
Total 1927	.	.	197,000
			<hr/>

It will be seen that a very considerable reduction has been made below the pre-war level. That, I think, was the main complaint that was made in regard to our military expenditure, though the complaint was also made that the expense of our defence force had increased out of proportion to the cost of living. There again the difficulty of making an exact comparison arises out of changes in the form of estimates and it is largely to the change in the form of the estimates that the provision for under-spending which was referred to by one speaker is due. That speaker gave voice to the suspicion that there had been some intervention from over the seas at a late stage in the preparation of our Budget. That suspicion had, as I said at the time, no more justification than certain other statements that he was making, and the fact is simply that we have tried to simplify our military accounts this year, getting rid of a good many of the complications of the cost accounting system, a subject which was fully explained before the Public Accounts Committee last summer. The result of the change is that we have reduced our military receipts by over 2 crores, I think it is over 2 crores, of receipts. They were only receipts on paper and never existed in fact. That has made comparison between the actual expenditure of 1926-27 and 1925-26, and the estimated expenditure of 1927-28 somewhat difficult. I am prepared to agree with the view that such a large provision for under-spending is not desirable in any form of estimating. It does strain somewhat considerably the estimate if you have figures approaching 80 lakhs for probable under-spending. I hope it will not occur in another year. We are satisfied that it is a figure we are entirely justified in assuming for the purposes of arriving at a probable total of our military expenditure for the year that is coming. I should like to return in that connection to the question of our realised surpluses. They are, it is said, due to over-estimating our expenditure and under-estimating our revenue. Our gross revenue and expenditure figures come to something over 200 crores and I think that, if we arrive each year at an estimate which is no more than 1½ per cent. out on the total, we are really not doing badly. The reason for the realised surplus for the last few years has been a different one in each case. It was windfalls of various kinds in certain years. In the year 1926-27 it was due to a combination of sweetness and strength, that is to say, to the sugar duties and the steel protection duties. In the

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year 1927-28 we are providing for covering a difference between ordinary revenue and ordinary expenditure to the extent of very nearly two crores, by utilization of the realised surplus of the current year. We are therefore more than amply protected against any serious risks of under-estimating our revenue or over-estimating our expenditure in the year 1927-28, for even if we have under-estimated our surplus by two crores, we still arrive at the end of the year with nothing in hand but what we started with. But the matter is not so simple as that. In the last three or four years, year after year we have done our best to arrive at accurate estimates. We have reduced our estimates by the means for which we were attacked to-day of a provision for probable under-spending. We have deliberately taken a rosy view of the revenue from this or that quarter, yet at the end of the year we have always had a realised surplus. It only needs a very small turn of fortune's wheel to convert that realised surplus into a realised deficit of a corresponding amount, and I will end as I began by saying that, whatever I am paid to do in the Government of India, I am not paid to budget for deficits. (Applause.)

The Council then adjourned till Eleven of the Clock on Monday, the 7th of March, 1927.

APPENDIX.*

Translation of an Urdu Speech delivered by the Honourable Nawab Sahibzada Saiyed Mohamad Mehr Shah in the Council of State on the 5th March, 1927.

Mr. President, before I say anything in regard to the Budget of this year I would like to tender my congratulations to the Government, and to offer my applause to Sir Basil Blackett in particular, who has exerted his reputed learning and labour to bring about a surplus in the Budget: that the surplus amount will be employed to reduce the debt of India is a matter of further gratification. If this surplus continues to be a permanent feature of the Budget for some years to come, no doubt the prosperity of India is assured. Besides by remitting the Provincial contributions, the internal affairs of the Provinces will have greater scope for development, which will lead to decisive advancement towards Self-Government.

I have the honour to represent the rural interests in this House. Bearing in mind the devoted sympathy of His Excellency the Viceroy with these interests, and the bright expectations that they have from His Excellency, along with these facts the knowledge of the useful but dumb rural community which is possessed by our beloved and learned Governor of the Punjab, I will specially draw their attention to the following facts.

Mr. President, the receipts of the country, in general, and of the Punjab, in particular, accrue from the rural communities. At present the land rent and the irrigation charges are crushing, they are rendered still more unbearable due to the lack of water supply in the canals and the prevailing rates of corn; in consequence it will be more just to reduce such charges and make up the deficiency by levying higher rates of taxes on the well-to-do non-agricultural sections.

The land settlement should be made permanent, in order to avoid the unnecessary provision in the Budget for the settlement staff, and the enhancement of the land-rental, which is usually enhanced simply to set off the services of the settlement officers, with the result that the rural community is being weighed down gradually. It will be most befitting if His Excellency the Viceroy will associate his name with a permanent settlement, and leave his memory to be cherished with gratitude for ever.

The District Boards should be allowed greater powers, so that the local self-Government may mature into a real self-Government; and they should necessarily be consulted by the Provincial Councils, particularly, in connection with the reduction and enhancement of taxation.

The major portion of the receipts of the Budget is realised from the rural communities, and it will be only just if a proportionately greater amount is expended on that section. No doubt, education has assumed a more popular aspect, and this section is deriving its due share of benefit; still due to the paucity of services and a general unemployment of the educated section, which includes a large portion of the offspring of the rural community, there prevails an atmosphere charged with distress; and until industrial, commercial and agricultural schools are not brought into existence in large numbers, this problem of unemployment cannot be solved, the consequences of which are presenting a most unwholesome prospect.

*Vide p. 435 of these Debates.

Mr. President, I consider it a necessity to spend large amounts on the Army, because it is responsible for the defence of the country; at the same time its enhancement indicates an avenue to reduce the present tension of unemployment. In view of the fact that adequate reduction has been effected in the Army and a large number of demobilised soldiers are roaming about unemployed, I will draw the attention of the Commander-in-Chief, whose generous and loving attitude towards matters of public interest and exceptional attainments are well established, with some emphasis to the following matters.

Special industrial schools should be opened for pensioned and retired soldiers, on behalf of the Army, to save them from unemployment.

The obstacles that exist to the enlistment of Saiyads, in certain regiments, a caste which is superior to all other Muhammadan castes as regards its descent, should be removed. Instructions should be issued to every commanding officer that no obstacle should be placed to their enlistment, so as not to deprive the Army of the services of this martial race.

During the Great War the Punjab, in general and the district of Jhelum, in particular, have rendered conspicuous military services; and the recruitment roll of the Jhelum District, to which I have the honour to belong, has been the highest. By way of recognition of its military services new canals should be constructed in the district, and new grants of land should be made. The narrow limits of the district area, and the scarcity of rains have tended to make the conditions more distressing. The last demobilisation has swelled the numbers of the unemployed, and the grant of land will thus procure a means for their livelihood.

Another matter that particularly deserves the attention of His Excellency the Commander-in-Chief is that the Remount Department is dealing very severely and strictly with the colonisers; the grievance is particularly most pressing in the district of Shahpur, where horse-breeders are subjected to harassing fresh conditions with unusual frequency; and I hope, if His Excellency takes the matter into consideration, the Remount Department will alter its policy.