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COUNCIL OF STATE.

Wednesday, the 7th March, 1923.

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

THE BUDGET.

The HONOURABLE THE PRESIDENT: Before we commence the debate on the Budget, I should like to remind the House of the fact that the total time available for the debate is limited. The President has power under Standing Order No. 74 to fix the time limit for speeches. Last year I did not fix any time limit and I left it to the good sense of the House and its considerate feelings for others to restrict speeches within reasonable limits. That was entirely satisfactory, and I propose to adopt the same practice on the present occasion. I only trust that if any Member is relying on the written word, he will remember that he has a special duty on him to restrict his speech within reasonable limits.

The Council will now proceed with the Budget debate.

The HONOURABLE COLONEL SIR UMAR HAYAT KHAN (West Punjab : Muhannmadan): Sir, this occasion is a reminiscence of the old Councils when we treated subjects in general and tackled large problems which one way or the other were connected with the budget.

At the outset I must congratulate our Finance Member who, the very first year of his arrival, has brought in a surplus budget after five years of heavy deficits. I for one welcome the salt tax which will be no extra burden to the public especially at a time when the prices of all the other food stuffs have gone down. There will be people who are accustomed to criticise Government in and out of season but I hope we will not lend an ear to them.

As a zamindar belonging to rural area, I want to put forward that all the classes of the country should equally shoulder their burden and when an agriculturist is paying to the exchequer for a yard of land in his possession, his wealthier neighbour is immune on his fairly large income of two or three thousand rupees. In the same way the inhabitants of the towns who did next to nothing in the way of sacrifices needed during the war, are considered to be the choicest sons of India. They have got colleges next to their homes, beautiful roads, arrangements for sanitation and hygiene and various other facilities. The consequence is that they have a walk over in the way of Services and when they are posted to rural areas they have not got much sympathy for those in such areas.

This brings in one of the items of discontent in the country. While on this point I will say a word about our communications which are also neglected as the money is always spent on productive schemes like Railways and Irrigation and we find difficulty in getting our products to the market and have to sell things cheap when Revenue at each Settlement is raised. In the same way when the water is halved or even further

[Colonel Sir Umar Hayat Khan.]

diminished, by different processes of irrigation we are threatened with increase of water-rate. I hope a line was drawn somewhere for the poor agriculturists and small holdings should be exempted from Revenue which are not sufficient to feed even one individual.

Time and again I have brought this question forward but this is my duty being a representative of the zamindars and I will go on knocking at the door till it is opened. The double set of the pests of Revenue and irrigation staff could be done away with to a very great extent and a great deal of retrenchment effected and the worries and troubles of the zamindars could be diminished.

I now turn towards the Army. The remarks I made the other day when the Resolution for the Indianisation of the Army was moved hold equally good to-day. To whittle down the expenditure in the Army is false economy when we are threatened by Bolshevism from within and without especially when the adjoining countries are resorting to conscription. The policy of having the double set of buffer States towards the Frontier has been a cause of constant expenditure on operations there. No half-way house is possible nor will any half-hearted measures suffice till the border land is annexed thus putting an end to constant friction.

While on the Army I may just say one word and that is, where would all the progress of the country be if it was invaded and conquered? I have seen with my own eyes beautiful Schools, Churches, Colleges and well-designed cities being levelled to the ground in no time by the invaders.

Turning towards the Civil departments I have always advocated the retention of the British element just as much as the British soldier in the Army, to settle the disputes between various castes and creeds and lead us to the right path during our progress. But I have always emphasized the paramount necessity of weeding out the weeds among them who contribute handsomely to the present troubles in the country.

I would not be true to my country if I did not touch on the political situation which owing to the mistakes the two parties are making, now prevails, and for which the poor tax-payer has to pay more and more every day. The first to blame is the Government. The policy pursued to reconcile the irreconcilables has brought chaos to the country. When the Government has been unable to make friends with their enemies, it has been rapidly losing their friends by their acts. The inconsistent policy of punishing the law-breakers one day and after exasperating them by sending them to Jails to let them loose again for further action, as happened the other day, has been responsible for the big movement where hooligans and others have learnt to have no fear of the Jails and if civil disobedience is ever resorted to they will be responsible for teaching the people to do so by their action. India was nearly lost to the Empire by its previous administrators in England and in India and we are thankful to His Majesty's Government who have sent our present Viceroy who may conquer the country back for the Empire as his policy has already stemmed the current to a very great extent. I would secondly accuse the professional politicians most of whom are such as do not pay much towards the exchequer and thus think that any revolution would be for their good as they have got nothing to lose and everything to gain. The more prisoners they can induce to go to jails the more the country has to pay. Those

who have got a stake in the land are naturally peace loving subjects of His Majesty and cannot be indifferent to the mistake or mischief done by their irresponsible countrymen as well as to the weak policy pursued by the Government which has been responsible for the present situation.

At the end I would like to add a word for my province. When Bengal gets off by having a Permanent Settlement, the Punjab which has got a deficit was assessed in connection with its contribution at a time when it had money which was realized by the sale of land. The land not being a crop which could be sown and reaped every six months, it is hard lines that it was so assessed and I only hope that consideration would be shown to it on this score.

Last but not the least, when every Member of the Legislature is doing his level best to effect economy, would it not be advisable for them to give up their travelling and daily allowances, etc., and diminish interpellations to answer which a great deal of staff is needed.

With these remarks I welcome the Budget.

The HONOURABLE MR. LALUBHAI SAMALDAS (Bombay: Non-Muhammudan): Sir, I believe this is the first time when the Honourable the Finance Member has come to this House and we on this side of the House welcome him. Although the Honourable the Finance Secretary said that he comes here to face the music, I hope the music will not be unpleasant to his ears and that he will not have to hear the same sort of strong criticism that he had to hear in the other place.

Sir, the Budget speech that was circulated to us, a summary of which was given by the Honourable the Finance Secretary, left on our minds one feeling and that was, if I may say so, one of some gratification, gratification in the sense that the intelligent non-official criticism of the past three years of financial record was endorsed by a fresh mind coming with a European reputation as regards finances. Whatever we said about the extravagance of the Government, whatever we said about the inflation policy of Government, whatever we said about Government carrying on by issuing Treasury Bills, or whatever we said about the exchange has met with the approval of my Honourable friend the Finance Member. That shows, Sir, that although we were amateurs, we gauged the situation much more correctly than the Finance Department did. In this connection, Sir, may I draw the attention of the Finance Member and of the House to one point. When he refers to the people wrapping up their money or savings in a napkin or investing them in unsound securities, he perhaps exaggerates the idea of the savings in the country. The country is not rich nor is the hoarded wealth so great as reports very often state. I want him, Sir, to find out for himself whether the country can afford to bear any further taxation without hindering the industrial and commercial activities in the country. It is up to him, Sir, to make these inquiries. But before he has quite made up his mind and satisfied himself that the country is really very rich he need not have said that the Indian people should be taught to invest their talents in reproductive enterprises rather than wrapping them up in a napkin. The people are getting more into the habit of investing whatever savings they have either in Government securities, in Post Office Cash Certificates, or in financing the co-operative movement. In this connection, Sir, I want to enlist the sympathy of the Finance Member in one matter. He says he would like to have as much money out of the savings of the poor through Postal

[Mr. Lalubhai Samaldas.]

Certificates as he could get so that he can carry on his work of financing the country's requirements. We want money for the co-operative movement, and very often the poor man, if he puts his money in the Post Office Savings Bank, he takes it or keeps it away from the co-operative movement which is in such great need of finances. If the rate of interest for Postal Certificates is raised, it is necessary, Sir, that part of that money should go to financing the co-operative movement.

Coming to the figures given of the revenue and expenditure of 1922-23, may I, Sir, say that the Finance Department overestimated the income by taking credit for a larger income in Railways and Posts and Telegraphs? We said at the time that very often a limit of income is reached whereafter any increase in the rates will, instead of helping the Government to realise larger revenue, lead to a decrease, and our prophecy has proved correct. The goods income has gone down, and while the passenger income has increased, it has increased very little and the actual number of passengers carried has decreased. So, the Finance Member must be very careful whenever he levies a new tax to see that the tax will bring him the income that he estimates and will not, on the contrary, lead to losses.

Coming to the expenditure side of 1922-23, may I, Sir, make a suggestion? I am referring to paragraph 11 on page 57, where it is said that owing to the rupee and sterling borrowings not having to pay a full half year's interest, that amount was not debited. I believe, Sir, the correct system of account keeping is to debit the interest due even if it is not paid. At least, in Joint Stock Companies that is the practice.

The HONOURABLE MR. E. M. COOK (Finance Secretary): It was not due.

The HONOURABLE MR. LALUBHAI SAMALDAS: The interest due up to that period—proportionate up to that date—although it is not paid. The Honourable the Finance Secretary says it was not due. The Finance Minister's speech however says "But a full half year's interest in respect of the greater part of these does not fall due till next year." I want the amount due up to that period—the amount proportionate to that period—to be debited. That is the system followed in Joint Stock Companies, and I think that is the correct system and ought to be followed by the Government of India.

Now, Sir, coming to the Budget figures of 1923-24, may I refer to what His Excellency the Commander-in-Chief said here in reply to a criticism last year? He told us that if he was satisfied that the internal commotion in the country had ceased and that peace with Afghanistan was assured and that the trouble on the Frontier Provinces had gone down, he would be the first to see that there was a reduction in expenditure. His Excellency Lord Rawlinson has been more than true to his promise, because it was he who enabled Lord Inchcape to make suggestions in reduction of expenditure on the military side. He has set his approval to the reduction of the number of units both in the British and the Indian Army. We know, Sir, that had it not been for His Excellency Lord Rawlinson's support, perhaps the Government of India, even backed by Lord Inchcape's Committee, could not have its recommendations accepted by the Secretary of State or the War Office. The greater is the

credit to the Commander-in-Chief for having, as he said in the other place, taken certain risks and agreed on financial grounds to a reduction both in the British and the Indian units, and I hope, Sir, that what good work he has now begun,—not as regards the reduction of units, because we do not want any further reduction, but in other directions—will be carried to its logical conclusion and that Lord Inchcape's recommendations will be carried to their fullest extent. While speaking on Lord Inchcape's Committee's work, may I, Sir, say that we here in this House, as well as the other House, and I believe the country at large, appreciate to the greatest extent the good work that has been done by Lord Inchcape's Committee? We may take reasonable pride, Sir, that two of the Members of the Committee belong to this House, and although unfortunately they are not present here, I think we may congratulate them on the good work they have done as Members of Lord Inchcape's Committee. Sir, there is only one recommendation in the Inchcape Committee's Report which I am sorry to say does not meet with the approval of myself and many of my friends. I refer to page 54 where the Committee recommends that the 4 crores of rupees that are put down for barracks for Indian troops should not be spent. I think that our sepoy require a really better treatment and that they should have good barracks. May I read that portion? On page 53 the Committee says:

“Formerly Indian troops constructed and maintained their own lines, regiments, receiving an annual hutting grant for the purpose.”

In the next page they ask:

“Whether the old system should not be reverted to, until the future distribution of the army and strength of units have been definitely decided.”

I think that our sepoy should be well housed and that His Excellency the Commander-in-Chief will bear this in mind when he has to redistribute or reappropriate the expenditure sanctioned in the budget.

Then, Sir, there is another appeal which I should like to make to His Excellency. My Honourable friend Sir Dinshaw Wacha when he moved his Resolution about the army amalgamation scheme laid stress on the heavy expenditure of recruiting in England. That Resolution was thrown out, but I think that His Excellency the Commander-in-Chief can use his influence to have the capitation grants reduced as far as possible. While I am speaking of this, may I congratulate His Excellency the Commander-in-Chief on his having begun the Indianisation of the Army by having eight Indian units officered by Indians only. That system has its advantage and disadvantage—disadvantage in one way that they will not be able to come in contact with British officers as they would have done if they and the British officers were put in the same unit. I hope that when His Excellency the Commander-in-Chief said that he would have eight Indian units officered by Indian officers he did not mean that there would not be Indian officers in the other units of the Indian Army or in the ancillary services. I hope that they will have the same opportunities of comradeship with the British officers as they have had till now and that they will be given opportunities of serving in the ancillary services also.

Coming now to the civil side of the budget, I refer to a remark made by the Honourable the Finance Member in his speech. He said that he would not be able to carry out fully the recommendations of the Inchcape Committee on account of two causes—he used two technical words, “lags” and “terminal charges.” Those phrases may mean anything.

[Mr. Lalubhai Samaldas.]

It may mean acceptance within a year, it may mean acceptance within a month. The Honourable the Finance Member says:

“The difference between these two figures, amounting to less than 2 crores, represents the allowance which it is thought necessary to make for the fact that many of the recommendations, even if accepted, cannot be in full operation during 1923-24.”

This allowance, the Honourable the Finance Member says, is not a large one. It is very difficult for us laymen who are not in the secrets of the Finance Department to say whether it is a large one or a small one, and we would like the Finance Department to give a comparative statement as early as possible of the recommendations of the Inchcape Committee in one column and in another column the time and date when they are likely to be introduced and the extent to which they will be introduced. Then we will be able to judge whether the Finance Department has accepted the Inchcape Committee's recommendations whole-heartedly or not. Unless we have a statement of that kind, we will go on nagging at the Finance Department.

Sir, there is one remark in the Report of the Retrenchment Committee to which I want to draw the attention of the Finance Member and the Railway Authorities. That is about the large stocks held by the Railway and also by the Army. It will surprise many, it came to me as a surprise, that 58 crores of rupees, or rather 59 crores because it is 58.96 crores, have for reasons which we do not know been locked up in stocks which may not be used for years. With interest at 6 per cent. it means a charge of 3.60 crores. I do not say that there should be no stocks, but even if the stocks had been only 20 crores, there would be a saving of 39 crores which at 6 per cent. would have meant a saving of about 2.40 crores. Not only that, but there would have been a saving in the cost of accommodation for the stores and management charges. In a private company this would have been called criminal negligence. I am sorry to use strong words, but it is practically criminal negligence on the part of the Government either in the Railway Department or in the Military Department that such large stores have been kept up.

Now, I come to the last portion of the Finance Member's speech, that is, about balancing the budget. The Budget ought to be balanced. There is no doubt about it. Those of us who have anything to do with commercial concerns realise that unless the budget is balanced, neither the country nor the Government can have any credit with the outside world. India has its credit very well established, but she wants to improve it. Time was when we had to borrow in England for our sterling loan at 7 per cent. I see the Honourable Mr. Cook smiles. I know it was a blunder, but I do not now want to refer to it. It was a blunder on the part of the Secretary of State, but I am not going to rub it in. What I wish to say is that our credit has improved thereafter, and we have been able to borrow at a much lower rate, and I hope that when the Honourable the Finance Member next goes in to the market for a rupee loan he will be able to raise it at a much lower rate than what he paid for the last loan. I hope the country's credit has improved to that extent and that he will be able to get the loan successfully raised at a lower rate, for, if the Honourable the Finance Member is able to reduce the rate it means also an all-round reduction in the expectations of investors in industrial concerns. I hope he realises that if he raises the rate to get more money

he indirectly hits the industrial progress of the country, for the lower the rate the greater is the assistance to the industrial concerns and to trade and commerce in this country.

Naturally, I will be asked, how I am going to balance the budget? The Honourable the Finance Member has his own way. He says, tax the salt. I am not going to repeat the arguments which have been repeated everywhere that it is no use taxing the food of the poor man. That argument has been repeated so many times that I am not going to repeat it. Nor can the Honourable the Finance Member say to us in this House that we are objecting to it on political grounds. Sir, we have not got to seek re-election at the end of this year. We have five years' life, and two years more yet to run before we go to the country for re-election. It is not because if we go back to our constituencies with the addition of salt tax we shall run the danger of being thrown out in re-election that I say we should not tax the salt of the poor. We do not want it because there is sentiment behind it. The Honourable the Finance Member recognises it, but he thinks that sentiment ought not to count. It is a mistake to do so. In India sentiment does count. In oriental countries it is sentiment that counts and not material profit that counts. However, as a businessman I cannot say that for the sake of sentiment salt duty should be given up without finding out an alternative. I am therefore suggesting some alternatives which the Finance Member may consider and then accept them or not as he thinks best. Before I come to methods of taxation I would refer to probable reduction in expenditure. I think that if the Finance Department and the other departments earnestly make efforts to carry out the recommendations of the Retrenchment Committee they will be able to reduce the expenditure by a crore or a crore and a half. The Finance Member says 'No.' I am sorry I am not in the other House. If I were there I could reduce the grants.

THE HONOURABLE THE PRESIDENT: I would remind the Honourable Member that if he were in the other House he would have terminated his speech some minutes ago. He must remember that there are other Members to speak.

THE HONOURABLE MR. LALUBHAI SAMALDAS: I would have been able to show to the Finance Member that the estimated expenditure can be reduced by cuts in the grants. Even now, if he is prepared to give me time, I shall be glad to suggest cuts without in any way reducing the efficiency of the commercial departments or the work of the administrative departments. As that is not perhaps possible, I shall confine my remarks only to two or three items and I shall be as brief as possible. The first point to which I want to refer is what may be called the hardy annual of railway annuities. That is an item about which we fought last year. Had I not been quite confident of the justice of my case, I would not have pressed it, but I believe that from the purely accounting point of view the real method would be that the annuities payable against the purchase price and which this year amount to 1 crore 21 lakhs, should be debited to capital account and not to revenue. May I ask the Finance Member what would be the result when all payments of annuities are made? The amount against capital will be reduced to the price which was paid in cash. Is that fair? Should the block account be reduced so much below the intrinsic value of the Railway? No company does it. Depreciation there is but not annuity. I agree to depreciation but not to annuity. However it is a question of book-keeping. In 1907, this matter went up

[Mr. Lalubhai Samaldas.]

to the Secretary of State and from 1907 no attempt had been made to bring the Secretary of State down to this point of view. I have tried to see the correspondence which was laid on the table of the other House and I find that the only argument used in support of this practice is that the Act says that the annuities shall be paid from revenue. If the Act is changed, the Finance Member's deficit will be reduced by 1 crore 21 lakhs. I believe that is a correct figure. Then the other item which can be reduced is the item of service charges mentioned on page 33 in the Demands for Grants for 1923-24. It is rather difficult to understand in the first place what service grants mean. At first I took it as most of my friends on this side of the House would do, that it was something like brokerage or under-writing commission. My Honourable friend the Finance Secretary was good enough to explain to me that it was nothing of the kind and that it was merely the interest that would be payable for the period intervening between the date of the flotation of the loan and the dates fixed for the first payment of six-monthly interest. I want to draw the attention of the Council to the fact that the provision for services in Budget estimates for 1922-23 was 1 crore 25 lakhs. Not a single pie of it has been spent. That means that Government have not spent it this year. In spite of that, provision of 80 lakhs is made in the next year's Budget. In the same way, as regards the sterling loan in England, the item put forward in 1922-23 Budget was 53 lakhs pounds, and nothing was spent therefrom, as seen in the revised estimate column, and yet provision is made for £4,750,000, which means about 71 lakhs of rupees. If you omit these two items, there will be a saving of about one crore 50 lakhs. If the Finance Department exercise their discretion well at the time of raising the new loan, and they ought to because they are paid for it, we will be able to save 1 crore 50 lakhs there. This amount added to 1 crore 21 lakhs of Railway annuities, makes 2 crores 71 lakhs which leaves a balance of about 1 crore 50 lakhs to be raised. I propose to meet this deficit by levying a higher duty on iron and steel. I hope the Finance Member will not reject it. We all expected that when the Finance Minister will present his Budget he will take into consideration the recommendations of the Fiscal Commission. I believe I am right in saying, and my Honourable friend Sir Maneckji will correct me if I am wrong, that the unanimous recommendation of the Fiscal Commission was that iron and steel should be looked upon as a basic industry and should be the first to get protection from Government. I do not want this protection just now, because the industry can get this protection when the tariff Board is established, but before doing so, if the Finance Member had taken up the work of examining the fiscal powers of the Government he could easily have found at least 1 crore 50 thousand by doubling the duty from 10 to 20 per cent. The income this year is 2 crores. It could easily be raised to 4 crores but I have underestimated it and put it down at 3 crores 50 lakhs, that is, an increase of 1 crore 50 lakhs. I desire to suggest one other mode of raising money, and that is to levy a tax on the gross freight income of ships as is done in other parts of the Empire. My Honourable friend the Commerce Member smiles. I have in my hand some papers about this, and I will make a present of them to the Honourable the Commerce Member and the Finance Member as I have very little time at my disposal to read them. They show that the other parts of the British Empire are levying such a surcharge. If the other parts of the Empire can do it, why should we be prevented from doing it? Here is an indirect method of raising revenue, a method which

is most suited to this country. I shall now refer to a telegram from the Indian Merchants' Chamber and Bureau, which I daresay the Finance Department have received also. The Chamber strongly protests against the levy of salt duty and recommends that there should be a gold standard with open gold mint. I do not want to read it as Government have got it. With these words I welcome the Finance Member's lucid exposition of the defects in the financial administration of past years, but I regret that he has not taken his courage in both his hands and gone in for reform on the lines on which we should have liked him to go.

The HONOURABLE MAJOR NAWAB MOHAMED AKBAR KHAN (North-West Frontier Province: Nominated Non-Official): Sir, I am not unduly pessimistic to view the present budget with any feelings of alarm or dissatisfaction. This budget on the whole is a good budget and I congratulate the Honourable the Finance Member on his success. The first thing that strikes as outstanding to a non-financial expert is the disparity between the budget estimates and the actual receipts of our revenue. Our revenue has fallen short of the budgeted figure by 13.84 crores of rupees and this has ultimately swelled the last year's deficit to 17.50 crores.

Thus there seems a general tendency on the part of the Government to over-estimate the revenue, and this ultimately goes to swell the deficit to an unusual high figure.

The Honourable the Finance Member in his speech has drawn a very accurate sketch of the perilous state of India's finances. He has rightly observed that the recurrence of deficits in the Central Budgets for the last five years coupled with the deficits in the Provincial budgets is likely to impair India's credit in the eyes of foreign creditors.

Coming to the report of the Retrenchment Committee, I fully realise the difficulty experienced by the Government in incorporating the recommendations of this Committee in the present budget. It is evident that full benefit of all the retrenchments proposed by the Committee cannot be realised during the first year of their operation. The gross deductions recommended of 8½ crores in Civil Administration and 10½ crores in Military expenditure are highly gratifying. Altogether when all the retrenchments are fully realised our expenditure will be reduced by 19½ crores of rupees. Notwithstanding the difficulty of introducing the retrenchment proposals in the present budget, the estimated expenditure for the year 1923-24 has been reduced by over 11 crores. The reduction of 6½ crores in the Civil expenditure and 5½ crores in the Military budget is a very reasonable reduction during the first year of the enforcement of retrenchments.

The military expenditure as shown by this budget now stands at 62 crores as compared with 67.75 crores as the last year's estimated figure. I admit that the Military figure is still high but I hope as promised by His Excellency the Commander-in-Chief every endeavour will be made to reduce it to 57.75 crores which seems to me a very reasonable figure. I cannot leave the subject of Military expenditure without a passing reference to the operations in Waziristan. I personally advocate a close Border Policy as all the people acquainted with the frontier condition will do. But I should not be understood to under-estimate the marvellous success achieved by the present Military policy. There is every reason to hope that within a few months the situation in Waziristan will considerably improve when it will be handed over to the Political Department and then there will be sufficient reduction in the Military budget. I do not intend to detain

[Major Nawab Mohamed Akbar Khan.]
 the House with any detailed examination of the various heads of revenue but I cannot help making a few observations about Railways. As shown by the Honourable the Finance Member in his speech, there has been last year a net loss of about a crore in the Railway budget. Now, Sir, the Railways being essentially a commercial enterprise, they should be run entirely on business grounds. Their administration should be conducted purely on business considerations and they must pay their way. I hope the Railway authorities are giving their serious consideration to this fact. The perusal of the memorandum accompanying the statement of receipts and demands for grants for 1923-24 shows that next year the Railways will not only meet their expenditure but will also yield a net profit. I hope these expectations will be realised.

I come in the end to the much vexed question of the proposals to meet the present deficit of 5.86 crores. Out of this it is proposed to wipe off 1.59 crore by crediting the interest on the securities of the Gold Standard Reserve to the revenues of the country. Thus under the existing taxation there remains a deficit of 4.26 crores uncovered. The imperative necessity of getting rid of this and to balance the budget cannot be exaggerated. It is not safe to add every year to the appalling figure of 100 crores of the accumulated deficit. But the question is how to meet this deficit. There are only two ways of doing this—(a) either by reducing the expenditure or (b) increasing the revenue by fresh taxation. So far as the former method is concerned, a considerable reduction of over 11 crores have already been incorporated in the existing budget estimates and it would not be possible at least this year to make further reductions without a danger of impairing the efficiency of our administration. On the other hand fresh taxation is the least desirable thing. We are already over-taxed and there is hardly any possibility of increasing any other form of tax since both land-owners and business communities have already been heavily taxed and there is no further room to fleece anything more out of them. I therefore welcome the proposal of the Honourable the Finance Member to increase the salt duty to Rs. 2-8 per maund. This is not going to press so heavily upon the poorer sections of the community. As shown last year by the Finance Member in his speech, this enhancement will add only one anna per seer. One anna per seer is a very insignificant burden. Besides as this is a general tax, it will press equally upon all and will prove very remunerative. It will bring in something like 5 crores into the Exchequer and the burden will be very insignificant and equally distributed. I strongly advocate the enhancement of the salt duty in order to terminate the era of budget deficits and to embark upon the road of brighter prospects of surpluses in the coming year.

After all besides the land-owner and commercial classes all other communities equally enjoy the protection of the benign Government and should therefore bear at least a part of the burden of light taxation. If further taxation is required, it would perhaps be desirable to increase the duty on liquor and other excisable commodities including snuff, because it will both be a financial gain and a moral advantage. With these words I strenuously support the introduction of this Budget.

The HONOURABLE SIR MANECKJI DADABHOY (Central Provinces : General): Sir, I have heard it said that the debate in this Council is often infructuous after a full and exhaustive debate in the Assembly and has no material value. To my mind the debate in this Council has a special value in the sense that it enables Government correctly to know the opinions of

the landed aristocracy of India, the representatives of the zamindars and large landholders and the representatives of the commercial interests which principally aid, influence and guide the financial policy of the country. Viewed from that aspect, the budget needs our special consideration. Various epithets have been applied to this year's budget and compliments have been paid to Sir Basil Blackett for the clear and lucid presentation to the Legislature of the financial position of the country. Sir, I do not propose to join in the conventional compliments, not because Sir Basil Blackett does not deserve them, but because I propose to put him at ease by telling him that he has presented to the country this year what may be termed a practical and common-sense Budget. The Budget has its special features. I do not propose to quarrel with the minor aspects of this year's Financial Statement, to cavil with certain figures either on the side of expenditure or on the side of revenue; I do not propose to enter into a discussion whether the expenditure is over-estimated and the receipts under-estimated but I propose to attack the Budget from certain broad points of view as somewhat offending those canons of prudent taxation, a fair and equitable taxation which should be the acknowledged policy of Government. Sir, I am aware, the last three years have been strenuous times with the Finance Department, they have been times of great anxiety and much trouble. Sir Malcolm Hailey, we all know, had the misfortune to confront sorrowful days when a general trade depression dwindled our revenues and made the prospects of the financial condition almost hopeless. When we realize that in the last three years the gross deficits of the Government of India have amounted to 100 crores, of which 81 per cent. have been covered by paper money issued by the Government of India and the rest, 69 per cent. by borrowings, when we consider the disheartening past, we have received this Budget with mixed feeling of relief as well as of hope. I say, Sir, relief, because, to be frank, we anticipated a much larger deficit. I say that I welcome this Budget with a feeling of hope because it gives hope and indications of the future policy of the Government of India, a policy which is to be framed and based on well-recognized canons of taxation and in absolute compliance with the economies recommended by Lord Inchcape's Committee. Sir, the stupendous taxation of the last three years has told heavily alike on the poor and rich, and I do not find in this Budget, to my sorrow, any allusion from the Finance Minister, any expression of sympathy and consolation, or any hope held out for general reduction of taxation. Sir, I shall not at any great length allude to these matters. My friend Sir Basil Blackett has justified the abnormally high 30 per cent. duties on luxuries by the statement that these duties have not killed the trade, that the figures indicate that motor cars, watches and other things have come into this country in larger numbers and quantities, and that the duties have justified themselves. Sir, there is also another aspect of the case. My Honourable friend, with his financial knowledge, and his versatile experience in the domain of finance, ought to know that heavy duties, excessive duties, have their tale of sorrow to tell in the long run. These duties you may continue for a little time, you may continue them for a year or two, you may continue them with impunity for a brief space of time, but the eventual retribution must follow, the eventual result will be disastrous to the revenues of the country. Sir, in the same way I find, to my utter disappointment, that in alluding to the postal charges my friend Sir Basil says :

“ The effect of the new postal rates during the first few months of the financial year was to reduce correspondence, but there have since been signs of recovery and the public are now gradually getting used to higher postal charges.”

[Sir Maneckji Dadabhoy.]

I read, with great discomfort, this statement. I never knew before that the postal service was an avenue or channel for any Government to make money out of it. I understood that the postal department was a service for the country; the postal service is the foundation of all trade, of all commerce, of all business, and if the people have taken to it and are gradually getting used to the higher postal charges, they are doing so not of their own liking but out of sheer necessity. These high postal charges might have been justified at one time, but I think that the Government of India ought to seriously consider the desirability of reducing the postal charges and restoring the old cheap service. The Government, in the end, will get a larger revenue by resorting back to the half and quarter anna service. In a country like India where there is a great deal of illiteracy, where every encouragement possible should be given for the promotion of education and internal communication and correspondence, I view with disappointment and dismay this feature of policy propounded by the Honourable Finance Member. Sir, likewise the commercial community in this country view with dismay the absence of all allusion, the absence of all sympathy in the matter of excessive income-tax and super-tax. It was not left to a democratic Assembly to cavil at this form of taxation, but it is certainly open to the representatives of commerce and industry to make their voice audible in this House so that the Government may in the near future shape their policy in consonance with public opinion and in consonance with its former traditions to encourage the commercial growth of the country. Sir, what is the result of this excessive taxation? My friend has rightly alluded to the fact that there has been a fall in the income-tax that Government has not been able to realize in Calcutta much on account of the refunds given, and that in Bombay, on account of the decline in the cotton industry, the amount has not come up to their expectation. Sir, just consider what has been the policy in this country. It is diametrically opposed to the policy in England from which my Honourable friend comes afresh. In England, Sir, during the war, no doubt, heavy income-tax and super-tax were levied; in India they went in for a high, excessive income-tax and an exorbitant super-tax policy three years after the war had ended. In England when the Chancellor of the Exchequer is doing his best to reduce the income-tax in order that the commercial enterprise and the industrial progress of the country may be developed, our financiers in this country are sitting tight and not heeding the popular view but endeavouring to keep the tax as it stands at present. Sir, the present killing super-tax is destructive of all enterprise, is destructive of all serious progress, in trade and industry, and I trust the Government will see their way to give a substantial measure of relief in this matter as early as possible. In England last year they reduced the income-tax. There is already fresh talk of another shilling reduction. They are seriously contemplating in what way relief could be given in the matter of the super-tax. I say—and say with great respect to Sir Basil Blackett—that as the Government has accepted the other day in the Assembly a recommendation of the Fiscal Commission promising all encouragement to trade and commerce and the development of new industries in this country, I hope Government will see at an early date the desirability of giving a substantial measure of relief in these two matters.

Sir, I entirely endorse what my Honourable friend the Finance Member has said in the matter of the currency and exchange policy in this country. I am glad that my friend has not given way to the tempting proposals of men who do not really understand the importance of the question. I

quite agree that you cannot by any artificial measures manipulate your currency policy. The currency policy must work in conformity with the world factors, with the price of wages, with the prices of food and materials. You cannot give an artificial stimulant one way or the other. You cannot resort to temporary measures by fixing and stabilising exchange, because the result will be more disastrous than what we have already experienced. The sad experience of the past is quite ample to guide us in this matter. Three years ago we came to know what was the result of a policy of interference. I therefore welcome the policy propounded by Sir Basil Blackett that the right and proper policy is the waiting policy, a policy of allowing matters to adjust themselves naturally in conformity with trade conditions and world factors.

Sir, these are the few remarks that I have ventured to offer on the special features of this Budget. Now, it is no use our quarrelling with the past. We must see as to the future. I am very glad that this Budget incorporates the valuable recommendations of the Inchcape Committee. The Inchcape Committee have recommended a total reduction of 19½ crores, of which 10 crores are in the matter of the Army estimates and 9 in the matter of Civil estimates. I quite understand the difficulty of Government in giving effect to all the proposals made by the Inchcape Committee. I have no doubt that in the next few months the Government will see their way to incorporate all the proposals and effect as much economy as it is possible consistently with efficiency in the administration of Government. Sir, there is one matter to which I must allude, and that is the subject of our military expenditure. I must tender the gratitude of this Council to His Excellency the Commander-in-Chief for the whole-hearted support which he gave to the Inchcape Committee and for consenting to have the axe applied to many of his departments and to many of the services which he so honourably controls. Sir, I have heard, however, His Excellency's speech yesterday with a feeling of disappointment. His Excellency has stated and given every assurance possible that economy will be effected, but His Excellency, as I understood him yesterday, has however subscribed to the proposition that the military expenditure of the country could not be brought to the eventual figure of 50 crores as recommended by the Inchcape Committee. His Excellency has endeavoured in the coming year to fix the military expenditure at 62 crores and an appreciable reduction of 5 crores is welcome. But, I appeal to His Excellency in view of the conditions now prevailing, in view of the policy of Government as declared by Mr. Bray in the other House, I impress upon him the necessity of drastic curtailments and enforcement of further economy in the military expenditure of the country. Sir, I feel certain that if His Excellency again applies his mind to the details of this problem. His Excellency will succeed and before he retires he will leave a monument of his sympathy and industry, of his solicitude for the welfare and the interests of India.

Sir, the question which is now confronting us is the question of how to meet the deficit. I endorse all what Sir Basil Blackett has said as regards the necessity of a balanced Budget and of covering the deficit. It would be impolitic, it would be unwise, it would not be in consonance with a well-regulated policy, to leave the deficit uncovered, and some means must be found to attain that object. Sir Basil Blackett in concluding his speech stated:

"That the Government of India will receive the credit which I claim is their due for courageously shouldering their burden and boldly coming forward with a budget which, at one and the same time, effects drastic reductions in expenditure and calls for a further sacrifice in the form of new taxation."

[Sir Maneckji Dadabhoy.]

The House does give credit to Government for these reductions. We also feel we ought to carry out his suggestion about the further sacrifice in the form of further taxation. I, Sir, and my Honourable colleagues would give every support to Government in the matter of making a sacrifice if that sacrifice could be made consistently with our principles, if it can be made consistently with the interests of the country and with the declared policy of the Government as stated in the past. Sir, my Honourable friend the Finance Member seeks to cover this deficit by a salt tax. My friend yesterday declared the policy of the Government and he said that the Government have carefully considered and come to the conclusion that there is no other avenue which can be explored in the matter of fresh taxation, and the only course left to Government was to impose a salt tax, which my friend said was both economically and socially sound, if I remember his words aright. Sir, with great respect, I venture to point out that there has been a change in the policy. The Honourable Sir Malcolm Hailey when he presented his lucid budget last year said that the salt duty had always been regarded as Government's ultimate reserve and another Member, my friend the Honourable Mr. Innes, said, defending the salt duty last March, that the tax was raised from Rs. 2 to Rs. 2-8-0 in 1888, and it remained at that figure until 1903 when a reduction was made because Government recognized that it was theoretically a bad tax and because it was thought that there should be a reserve of taxation to be drawn on in case of emergency. Within 12 months the angle of vision has been considerably changed. Sir, the ultimate reserve for which the salt tax should be kept, the theoretically bad tax has now become a sound one. When the Salt tax was raised in Lord Dufferin's Viceroyalty, a promise was given that it would be reduced at an early date, and if possible the whole of that form of obnoxious taxation would be done away with as early as possible. Now, Sir, I do feel that this form of taxation at the present time is objectionable. I am prepared to accept Sir Basil Blackett's statement that the incidence of the taxation will not fall materially and heavily on families. But, Sir, in my humble opinion, if this tax is to be ever raised in the country, it should be kept up the sleeve of Government to meet some unavoidable crisis or extraordinary emergency when such a tax would be necessary. Could it be honestly said that the present is a suitable opportunity for introducing this tax? Could it be legitimately urged that the ultimate reserve should be called upon at this juncture when drastic economies have been recommended, and when Government themselves have willingly and readily adopted those economies in their budget? Sir, I therefore venture to say that the time has not yet come for the imposition of this increased duty. My friend has stated that it has been objected to on political grounds only. It is true that it has been objected to on political grounds, and could any reasonable Government, especially the Government of India, afford to ignore political considerations at this stage in the history of the country? Sir, I say with great emphasis that, apart from the incidence of taxation, this is a time when the Government is not right in introducing this enhanced taxation. I will not say, as was said in the other House, that this tax is a messenger of revolution. I disagree with that statement, but I do contend that this tax is a messenger of widespread discontent in the country, and why should the Government, when it can adopt other methods, resort to a form of taxation which from a political as well as sentimental standpoint has been abhorred and objected to in the country. Sir, political considerations are of great importance at this juncture. Sir, this Council has two years longer

The HONOURABLE THE PRESIDENT: I must draw the Honourable Member's attention to the fact that he has not two years longer, and that other Members of the House desire to speak.

The HONOURABLE SIR MANECKJI DADABHOY: Sir, a part of our Legislature is on the eve of dissolution. The peoples' representatives in this country have in very difficult and anxious times helped and endeavoured to help the Government in the matter of Reforms, they have supported Government in many measures that were brought before them. Sir, is it right that Government should not give these men who have now to seek the suffrage of the electors, the right to say that they have done their best, that they have opposed what was not proper, what was not expedient, what was not just?

The HONOURABLE THE PRESIDENT: The Honourable Member must address his remarks to the Chair.

The HONOURABLE SIR MANECKJI DADABHOY: I ask the Finance Minister to give his consideration to this matter. Further, this Council cannot ignore the wide public opinion outside this Legislature. The whole country, the entire press with the two solitary exceptions that I have seen, have condemned this taxation at the present stage. Government cannot ignore that large volume of public opinion. Sir, we must therefore find out some other method of covering the deficit. My Honourable friend Sir Basil Blackett yesterday quoted a metaphor from a cartoon and remarked that the soldier said "If you can find a better hole, take me to it." I wish we could suggest a better hole to him, but I think he will find a better hole if he will readjust entirely the present policy of taxation. It is not for us to suggest methods. It is for Government who are in possession of all the details, facts and circumstances to find out a method that will be acceptable. In this connection I must say that the entire policy of taxation needs revision and thorough revision.

The HONOURABLE THE PRESIDENT: I really think the Honourable Member has had more than his fair share of the time of the House.

The HONOURABLE SIR MANECKJI DADABHOY: If you wish me to sit down I shall obey your ruling. In view of what has fallen from the Chair I shall not prolong the debate. This is an occasion on which a great deal has to be said, but I must submit to the ruling of the Chair. I shall only say, Sir, that the Government may find some way of getting out of this difficulty. As they now have time for a few days I hope they will reconsider the matter and will not insist on raising an impost which is not only of a dubious character, but which has met with considerable opposition. I shall say only one word more and that is that this budget on the whole has been a satisfactory one. We hope, Sir, it will be given to the Finance Minister to fulfil the dream of his life and to serve his country of birth and when the time to quit his office comes he will have the satisfaction to leave an imperishable record of success in the domain of finance and strict economies in the administration of this country.

The HONOURABLE SIR ARTHUR FROOM (Bombay Chamber of Commerce): Sir, at the outset I should like to associate myself with the expression of welcome uttered by my friend the Honourable Mr. Lalubhai Samaldas, to the Honourable Sir Basil Blackett on his first appearance in this House which has been described as the House of Elder Statesmen. Elder, yes; statesmen, we hope.

The HONOURABLE SIR DINSHAW WACHA: We are all statesmen here.

The HONOURABLE SIR ARTHUR FROM: Sir, when I first received the budget, it at once occurred to me that one important thing arising out of it would be that it presented but little material for discussion. I do not know that my impression has since been altogether justified here. The Budget seemed to me to be rather in the light of a colourless one. In so describing it, I do not mean to adversely criticise it; I think it has come up to the expectations of the people of this country, although perhaps it has not exceeded them. I am in entire agreement with the Honourable the Finance Member in his emphatic views of the necessity of providing for the estimated deficit, a deficit of 4½ crores. Not to provide for this deficit would not only be unstatesmanlike, but it would be unbusinesslike, and it is unthinkable that the Legislature should add in any way to the regrettable total of 100 crores, which represents the deficits ranging over a period of 5 years.

The expenditure side of the Budget should not, I think, be discussed in detail. I regard it as being *sub judice* until the recommendations of the Incheape Committee can be tried or given full effect to. We shall see probably next year the result of those recommendations as applied to the expenditure throughout the country and I have every hope that the result will be gratifying to the full to both Houses.

We now come to the revenue side or rather to the task which presented itself to the Honourable the Finance Member of providing extra revenue to meet the estimated deficit of 4½ crores, and, as was, I think, anticipated throughout the country, he has turned again to the salt tax. Well, Sir, I gave my opinion on this salt tax just about a year ago. I have reflected on it since, and I must at once say that I see no reason to change the opinion I then expressed. I have never met anybody in this Council who has been able to convince me that an extra Rs. 1-4 per maund excise on salt would be oppressive to anybody in this country. It should be viewed, I consider, side by side with figures, and I understand that if you apply figures to the proposed advance in the salt tax, the result is an increase of not more than four annas per person per annum. I am unable to believe that that can be oppressive. One Honourable gentleman this morning more or less admitted that it was not oppressive; he said it was sentimental. Sentimental! I ask him, is not the country of India being educated and is it not time now to neglect sentiment when you want to obtain revenue? The Honourable Mr. Lalubhai Samaldas opposed the salt tax and then very rightly made various suggestions as to how the salt tax should be replaced. I much admire him for this, because I do think that, when any Honourable Member wishes to have withdrawn a tax proposed by the Finance Department, it is up to him to make some constructive proposal in its place. Amongst the proposals made by the Honourable Mr. Lalubhai Samaldas was one that I did not quite understand. It was a tax on the gross freight income of ships. I have not the foggiest notion of what that means. Ships pay income-tax in India now and what other tax does the Honourable Member mean? It is quite true that upto a few years ago ships not registered in India did not pay income-tax, but they do now, and the tax that they pay is a very appreciable increase to the revenue of this country.

Well, Sir, I do not propose to speak very long. I have already expressed my opinion of the salt tax and, therefore, I have no other suggestion to make of any other increased tax.

A few days ago I received a telegram from the Western India Motor Trade Association; I have no doubt others, and possibly the Finance Department, have received similar telegrams. I should not refer to it, Sir, except that I am in entire sympathy with the views of that Association. To describe motors in these enlightened and progressive days as a luxury is, I say, entirely wrong. (*The Honourable Mr. E. M. Cook*: "Who describes them as a luxury?") It is included under the luxury tax of 30 per cent. (*The Honourable Mr. E. M. Cook*: "It is not a luxury.") I say the tax of 30 per cent. ought to be reduced and materially reduced. The deductions arrived at and given by the Honourable the Finance Member that the imports this year, or as far as we have gone this year, 1922-23, are in excess of the imports of motor cars in the previous year are, no doubt, entirely correct, but they give an entirely false impression. There was a post-war boom in motors and some few years previous to the year 1921-22 there was a tremendous import of motors into this country. Those who have met anybody connected with the motor trade know how very badly bitten some of the motor traders were. In 1921-22 the import of motor cars was reduced enormously as it comprised a period when the traders tried to get rid of the cars that they had imported during the boom. Therefore, 1921-22 is not a fair year to compare with the present year. I feel sure that this outcry from this trade would not have been so bitter if there was not full justification for it. I repeat that motor cars, motor transport, the accessories of motor cars, tyres and so on are not in these days a luxury. We should remember that not so many years ago travelling by railway train was considered a luxury, and look at railway travelling now. We have got to be progressive in this matter, and I do hope that the Finance Department will reconsider this duty of 30 per cent. on motor cars and their accessories. The amount involved is a mere fleabite in the finances of the Central Government, but it is a real thing to the motor industry.

I have listened with interest to the remarks of my Honourable friend Sir Maneckji Dadabhoy. Naturally we should all like the super-tax and the income-tax reduced, but I am not quite sure that I feel justified in pressing for this this year.

THE HONOURABLE SIR MANECKJI DADABHOY: I did not press for it this year.

THE HONOURABLE SIR ARTHUR FROMM: Next year we hope

THE HONOURABLE SIR MANECKJI DADABHOY: I did not say next year either. I said as early as possible:

THE HONOURABLE SIR ARTHUR FROMM: Personally, I hope as early as possible will be next year.

With these few remarks, Sir, I have nothing to say against the Budget. I support the Salt tax this year as I did last year. I am entirely unconvinced that it is an oppressive tax. With the Salt Tax the Honourable the Finance Member will be able to budget for the estimated deficit, and I sincerely hope that the business-like instincts of Honourable Members of this House will not allow sentiment to outweigh their commonsense.

THE HONOURABLE RAI BAHADUR LALA RAM SARAN DAS (Punjab: Non-Muhammadian). Sir, I congratulate the Honourable the Finance Member on the Budget which he has presented to us this year, which

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Budget I must say is decidedly a far better Budget than we have been getting for the past few years. I also take this opportunity of recording our thanks to Lord Incheape and his colleagues for the retrenchment proposals that they have put before the Government of India at great personal sacrifice of time and money.

Our new Finance Member has in the Budget only proposed an additional duty of Rs. 1-4 on salt, which works out to about half an anna per seer, which in my opinion is not so much as to be worth consideration. But as sentiment is against it and as I personally feel that any tax which directly affects the poorer classes is not proper, I do not welcome this proposal.

My Honourable friend Sir Arthur Froom said that when we oppose any taxation we must also suggest some other method of raising income. In that connection, Sir, I should like to propose that an additional export duty of four annas per maund be levied on jute. Of course, people say that it would affect our exports and lead to substitutes being employed. But as far as my information goes, substitutes have hitherto proved to be useless. In this connection I may also say that the bulk of our jute exports do go, besides England, to America and Germany. We find that in the United States of America, the Government is levying an import duty on manufactured jute but not on raw jute, which means that they want to encourage the jute industry in their own country at the expense of India. Germany as our next largest customer having found their substitute to be useless have had to fall back on jute from India. If I rightly understand, India is the only country which has a monopoly of jute. This extra taxation that I propose will bring us, Sir, about 3½ crores of rupees.

The Honourable the Finance Member suggests that the export duty on hides and skins be reduced from 15 to 5 per cent. In my opinion, Sir, this is not proper and we ought not to make any reduction in this duty, which would cause loss of 19 lakhs to the country. An export duty on petrol and motor-spirit will be quite welcome. As this matter has been already debated on in this Council, I do not like to go into details again on the subject; but I cannot refrain from saying that kerosene oil, the "Victoria" brand, which is considered as the ruling factor in the price of cheap burning oil in India, is such an inferior oil that it will be simply thrown away if placed for sale in Europe or America. This kerosene gives a great deal of smoke and particularly in the case of our reading public it is injurious to their eye-sight and injurious to their lungs. In the old days when inferior kerosene oil was not in use and the country burnt vegetable oil, our eye-sight was much better. When I was in college myself early in the nineties I saw very few students who used glasses, but now if we visit any college or even a school we find that 75 per cent. of the students wear glasses. I think that inferior kerosene oil is chiefly to blame for that.

Of course, the question of sentiment weighs a great deal with us. The other day the Honourable Mr. Chadwick, whilst laying great stress on the importance of cheap kerosene for the poor, was rather inconsistent as he did not secure any reduction in the excise or import duty on kerosene oil. As I have already proposed other taxation, I wish that the excise duty and import duty on kerosene oil should be removed. It will mean sacrificing 90 lakhs, but as the other two items which I have proposed are likely to bring in more than 5 crores, the loss of 90 lakhs will not matter.

Another thing, Sir, I find in the Budget is that on the Kabul Legation we are spending a lot of money. Afghanistan has now secured a Sovereign status and as such her Embassies have been established in chief countries of the world; so I think India ought not to bear any expense in connection with this Legation. For the information of this House I might mention that in 1913-14 the cost to India of this Kabul Legation was only Rs. 40,000; in 1922-23 it rose to Rs. 5,26,000, and in this Budget we find it at Rs. 4,80,000.

Similarly, Sir, I find that in Persia and the Persian Gulf we are spending something like 22½ lakhs, which I think ought to be borne either by the Iraq Government or by the British Exchequer, as these places cannot be considered to be a part and parcel of India. Then in the Persian Gulf alone, Sir, out of this expenditure which I have already enumerated, about 6 lakhs go for lighting and buoing in the Persian Gulf itself. I find that no tax is levied on steamers which do ply in that gulf. However, as I do not wish that this charge should fall on India, I do not like to go into details as to whether these lighting and buoing charges be borne by the steamers or by the Government concerned.

My friend the Honourable Sir Arthur Froom questioned what the Honourable Mr. Lalubhai Samaldas said about the Shipping Tax. As far as I understand, my Honourable friend Mr. Lalubhai meant that this tax should be levied on the total freight money. We find that in Australia a similar tax is levied which amounts to about 1½ per cent. (£700 in freight of £46,000); also we find a similar tax levied in the Union of South Africa where it, roughly speaking, amounts to 1 per cent. (£60 in freight of £8,000). I think, Sir, that if we levy such a tax in India at 1 per cent., we shall make about Rs. 50 lakhs from foreign trade and about 10 lakhs from the coastal trade.

As far as the Military Budget is concerned, I thank His Excellency the Commander-in-Chief for the reduction which he has already effected in the military expenditure. I hope that in the years to come he will be able to make much larger retrenchment. - As far as the Military Works Services are concerned, as my Honourable friend has already pointed out, the saving of expenditure on military barracks and on works of sanitation should not be made; for the Indian troops in particular, the present barracks are all *kutchas* and are not as sanitary as they ought to be, and so in such directions reduction is not proper.

As far as the Waziristan expeditionary expenditure is concerned, since India is an asset to the whole of the British Empire, in my opinion the British Exchequer should bear at least a portion of the cost of such expeditions.

In India, Sir, since the last few years the ruling rate of interest has been very high and one of the reasons, I think, is paucity of money; and as my friend Sir Maneckji Dadabhoy has already referred to the matter of income-tax and super-tax, I just want to say how in my opinion this heavy taxation reflects or falls upon the poor. Big bankers and big banks have to pay something like 7½ annas in the rupee in income and super-taxes which certainly reduces their own income by 50 per cent. and they naturally try to make that up by asking much higher rate of interest from the commercial public or the agricultural people who borrow money. So this taxation which presumably seems to fall upon the rich does fall on the poor in that way, and so, Sir, I would suggest that when the time comes a reduction in super-tax and income-tax should be made. India is

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a poor country and the present rate of taxation in unbearable. In this connection, Sir, I might also say that in years gone by the Imperial Bank, or the then Presidency Banks, were given better facilities in crop times. Now, as far as my information goes, accommodation up to the extent of five crores only is allowed against securities, or secured commercial drafts. I would suggest that in crop times this limit ought to be raised to 10 or 15 crores, that will also cheapen the money.

Then I come to Exchange. The condition of exchange has been a great factor in depressing trade and in dislocating all business. Merchants and dealers do not feel inclined to order any goods on a large scale because they do not at all know when the goods actually land at the Indian ports what their cost will be in rupees. That is limiting the British imports into this country as well as other imports, and does affect our trade balances.

In the military budget, as far as I understood, the Honourable the Finance Secretary told us that in future under the heading of Railways the strategic lines capital expenditure and maintenance charges would be separately shown. I am sorry, Sir, that even in this budget which is put before us—I refer to Appendix III, page 22 of Explanatory Memorandum on Railway Budget—commercial lines and military lines are bracketted together. That is not right because this does not give us any idea as to how much we are losing on military or strategic lines. It is simply a matter of accounting; but all the same, I think the House would like to be in a position to know what that particular expenditure on the military side has been in the Railway accounts.

Another way, Sir, of increasing our income, would be the location of currency reserves in India instead of in England. This will bring more money in India, and at times of financial stringency in the money market it will be a great relief to the Imperial Bank and the other big bankers of good status and standing. In addition, we shall be getting much higher rate of interest, certainly more than double of what we are getting in England. If I mistake not, that would mean according to my calculation an income of over two crores of rupees.

Then I find, Sir, that in presses and other industrial concerns, Government is beginning to interfere a good deal. Private enterprise ought to be encouraged, but I find that a great deal of money has been in this and in the past year provided for new machinery in Government Printing Presses. Sir, I would suggest that every effort should be made to encourage private enterprise. I presume, Sir, that the Government is going to appoint a Tariff Board and we shall all welcome that Board. In this connection I must say that India needs protection very badly. We see that our great industries as well as small industries are not doing as well as they ought to do. My friend the Honourable Mr. Lalubhai Samaldas has already put before the House that the greatest of our Indian enterprises, the Tata Iron and Steel Company, is in need of protection. Before the Ruhr trouble began the prices of imported continental steel were much cheaper than the Tata Company's Steel; and in those days the difference sometimes ranged between Rs. 20 and Rs. 25 a ton. Then take the case of the Scindia Steam Navigation Company or other shipping companies in which India's capital, as far as I understand, is over Rs. 10 crores. What do we find? We find that these Indian companies are being driven into liquidation by the British India Steam Navigation Company. In

September 1921 when the Scindia Steam Navigation Company took up the Burma trade and when the British India Steam Navigation Company's ruling rate of freight was Rs. 20 per ton from Rangoon to Bombay, competition was started with the result that freights from Rangoon to Bombay were reduced to Rs. 6 per ton by European shipping companies, a rate which was far below the cost of working. Even the rate from Rangoon to Colombo was Rs. 9 a ton, while the rate of freight from Rangoon to Bombay was Rs. 6 a ton. In this connection I may point out that if our indigenous industries are not encouraged and supported, they will be driven into liquidation, and for another half a century or so nobody in India will be enterprising enough to float again such concerns.

The HONOURABLE THE PRESIDENT: I would remind the Honourable Member that he is taking up more than his share of the time of the House.

The HONOURABLE RAI BAHADUR LALA RAM SARAN DAS: Then again, I find that Lord Inchcape's Committee is proposing a reduction in agriculture, industry and in public health. In this connection I must say that India is mostly an agricultural country, therefore expenditure required for the development of this most important industry should not be curtailed. Public health is not in a satisfactory state, and medical and sanitary relief in this country is very much behind time. We have many districts in the Punjab, where a single dispensary serves a radius of 20 or 30 miles, which cannot be considered adequate for the needs of a civilized country. Therefore, medical relief ought to be extended as much as possible, and no retrenchment made therein.

As regards the post office, Sir, I must say that this department ought not to be considered like the Railways a money-earning department. What do we find, Sir? In the Retrenchment Report we see the figures

The HONOURABLE THE PRESIDENT: I would ask the Honourable Member to attend to my suggestion. There are other Members who are anxious to speak, and I would therefore ask the Honourable Member to bring his remarks to a close as soon as possible.

The HONOURABLE RAI BAHADUR LALA RAM SARAN DAS: Very well, Sir. In this important matter, Sir, I find that 2 per cent. of the *personnel* of the sorters in the Railway Mail Service is being reduced notwithstanding much heavy mails. That is not in the interests of the sound working of the R. M. S. post office which has lost a great deal in its efficiency, and I should like to draw the attention of the authorities to the fact that instead of reducing the number of sorters who are already overworked they should reduce two of the three Deputy Inspectors-General.

The HONOURABLE MR. V. G. KALE (Bombay: Non-Muhammadan): Sir, the outstanding feature of the Budget is a very intense desire on the part of the Honourable the Finance Member to balance the Budget. I am, Sir, reminded of the similar position in which India stood when the first Finance Member of the Government of India came out to this country in 1859. The Finance Member on that occasion had to face similarly persistent deficits; and the Public Debt was mounting up from year to year. He was confronted with the after-math of the Sepoy Mutiny as we are confronted with the after-effects of the war. Naturally, therefore, he felt keen anxiety to place the finances of the country upon a sound footing. My Honourable friend the Finance Member finds himself in a somewhat

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similar situation to-day. No doubt he has had an advantage over his distinguished predecessor in this that a Retrenchment Committee has already sat and recommended considerable reduction of expenditure. He has also had the advantage of very largely extended resources of the country and of the wider financial possibilities of the trade and industries of India. However, what is common to the two positions is the imperative necessity of immediately balancing the Budget. Now, Sir, this can be achieved either by additional taxation or by retrenchment or in both ways simultaneously. I want to point out that taxation for the last 6 or 7 years has had its innings and I wish that retrenchment were given its turn at the wicket and a fair chance. From 50 to 60 crores of additional taxation have been imposed during the last 7 years, and I think the position has been reached when further taxation even for equilibrating the finances will be undesirable. We are all thankful to the Retrenchment Committee for the cuts which it has proposed, and I feel that if it had more time to go into details, perhaps deeper cuts would have been recommended. I regret, Sir, that the Honourable the Finance Member does not appear to have been informed that this House pressed very strongly for the appointment of a Retrenchment Committee last year. I expected the Honourable the Finance Secretary to have referred, the other day, to what this House did in initiating the question of the Retrenchment Committee. What did he do, last year, Sir? In reply to suggestions, he read out to us a list of items of expenditure, took them up one by one and said, "Item A—Is retrenchment practicable? No. Impracticable. Item B—Retrenchment undesirable. Item C—Retrenchment unthinkable." He went on in this manner to the end of the Chapter with the conclusion that though the Government was very anxious for retrenchment, though it was going to do everything possible to explore the possibilities of retrenchment, it was no use an outside body being appointed to pry into the expenditure of Government. And, after all, what has happened? It is an outside body which has now exerted its pressure upon the Government of India and the hands of Government have been forced to adopt immediately certain of its recommendations. No doubt, my Honourable friend pointed out the other day that the Government itself had introduced certain economies and certain items of retrenchment in anticipation of the recommendations of the Retrenchment Committee. But I doubt very seriously, Sir, if any substantial retrenchments would have been made by the Government of India if the Government had been left to itself. This has been the attitude of the Government of India

1 P.M. towards the question of retrenchment. I do not, therefore, suppose that retrenchment has been given a fair chance, and though we have been told that in the course of the next year it is impracticable that further reductions in expenditure could be made, the Government is not justified, even for the purposes of balancing the budget, to ask us to support additional taxation to the tune of 4 crores and a quarter.

What is the position of Government? It says, "We have tried our level best to equilibrate the income and expenditure. Nothing further is practicable. And there is a deficit. We are all anxious, as much as the Legislature must be anxious, to fill up the gap and to open a new era of balanced budgets and financial prosperity", and therefore the Honourable the Finance Member suggests that after having exhausted, to his own satisfaction, the possibilities of other taxes he proposes an additional salt tax. I do not propose to notice the various arguments which have been already adduced against the salt tax,—the argument of sentiment and

the political argument. Even a Finance Member taking only a narrow view of his budget, has oftentimes to take into serious consideration the political effects of any measure he may propose, because in the long run it is calculated to react unfavourably upon his own finances. But apart from that, I would not support a salt tax on other grounds. •

I maintain that the limits of taxation have been reached. There are so many taxing authorities in this country—I referred to this point of view last year and I reiterate it—there are three or four different taxing authorities in this country. They all go to the tax-payer and say, “Well, the tax I am proposing to exact from you is so insignificant.” But the Government of India forgets that it is the pocket of the same tax-payer into which so many hands are put, and after all, that pocket is not over full with cash. You put together so many different taxes the people have to pay, and the burden, it will be seen, becomes heavy. Especially in these times when we have provincial autonomy and when provinces have a very limited sphere of provincial taxation, whatever margin of taxable capacity there may still be in citizens, ought to be left to be exploited by the provincial Governments themselves, and the Central Government or the Federal Government ought to restrict itself severely to the resources that it already possesses and must try to make its both ends meet by the reduction of expenditure.

Some of my Honourable friends have already suggested certain ways of meeting the deficit. I shall not go into the various suggestions and justify them because I am prepared to go to the length of saying that I would rather have an unbalanced budget than give the Government of India 5 crores through the salt tax. As population has always a tendency to grow to the level of subsistence, Government expenditure has an un-failing tendency to grow to the level of taxation, and the only stimulus that the Government has to-day for bringing about retrenchment will be removed if we support the increase of salt duty. I feel certain that if the Government puts its mind seriously to the problem of making further retrenchment, it will be possible for it to bring about the equilibrium between revenue and expenditure which all of us so much desire. My Honourable friend Sir Arthur Froom said that he was consistent in supporting the salt tax. May I say that I am equally consistent in opposing it? There is one further matter, Sir, to which I would refer and it is the question concerning railway finance. So much has been already said about railway management, railway finance and the separation of the railway budget from the general budget of the country. I wish only to point out on this occasion that the most careful scrutiny will have to be exercised in connection with our railway finance. I am afraid it was in a fit of generosity that the Assembly allowed 150 crores to be spent in the course of five years on Railways. We have in this House my Right Honourable friend who was a Member of the Railway Committee. I wish to say nothing against the recommendations made by that committee but the criticisms of the railway policy of the Government of India have now come from the Retrenchment Committee itself, one member of which committee at any rate was also a Member of the Railway Committee, and this Retrenchment Committee states that there are certain items of expenditure with regard to which we have to be very cautious. It appears to me, Sir, that we are going headlong with our Railway working expenses. Twelve crores are being spent upon renewals and the Committee points out that very great care has to be taken in spending these large amounts. I am also doubtful whether it will be practicable for the Railways usefully to spend

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the 30 crores which are allotted to them from year to year. I wish it were possible to have a sort of a financial committee to look into these matters. I appreciate the desire of many of my Honourable friends who do not like the interference of the Finance Department in the affairs of railways. They do not want the control of the Finance Department but I do not think they ought to object to financial control, though they may not like the control of the Finance Department. Some sort of financial control of this nature is essential if our railway property is really to yield us the revenue that we want. On behalf of the tax-payers, I strongly urge that unless the Government of India take timely measures to see to it that our railways are worked economically and yield to the public what the Retrenchment Committee proposes the railways ought to yield, I think there is no hope for the improvement of the finances of India in the near future. One word, Sir, about what has already been said concerning the annuities and sinking fund. I do not understand how this sinking fund and these annuities can in any way be compared to the ordinary sinking funds which are set aside by Governments and are so very desirable. My Honourable friend opposite knows as much as I do the story of the sinking fund in England of over 100 years ago. He knows what absurdities were practised in the name of that sinking fund when in times of huge deficits money was borrowed to be put into sinking fund; money was borrowed at high rates of interest in order that the sinking fund might grow, the idea entertained being that there was some sort of magic in a sinking fund which automatically increased from year to year and would wipe out the whole public debt. Something of that nature, Sir, is happening in connection with these annuities and sinking funds. Now, these sinking funds and annuities are provided for paying off the railway capital. We have an asset in the railways against the liabilities. I do not see then, why it is necessary to liquidate the capital in this fashion and why money should be taken out of revenue for the purpose. I can understand an ordinary sinking fund set aside from year to year in our budget; but to take away even in times of deficits 2½ crores of rupees a year in order to liquidate capital invested in such a business as the railways, is a curious procedure and it really passes my understanding why the Government should be opposed to taking that money in times of deficit to revenue, a measure which has been very strongly recommended.

I will close, Sir, with only one observation and it is this. This proposed increase in the salt duty is a kind of apple of discord which has been thrown by the Government of India in the midst of the Members of the Legislature. A vague sort of assurance has been given that if by means of this increased salt duty the Government of India is able to balance its budget, then it will be possible for it to take into its favourable consideration the question of reducing and remitting the provincial contributions. I hope that Honourable Members in this House will understand that no remission of contributions is going to be made in any case in the next year, and that this increased salt duty is not in any way going to relieve the stringency that is felt at the present moment by the provinces. I hope also that the representatives of the various classes in this House and elsewhere will not nullify their criticisms of the Government budget by some proposing a reduction in the income-tax or the customs and by others supporting or opposing any addition to the salt duty. But I think we must all be united in asking the Government to

see to it that the fullest scope is given to retrenchment before we are asked to support a duty like that on salt.

The HONOURABLE RAJA PRAMADA NATH RAY OF DIGHAPATIA (East Bengal: Non-Muhammadan): Sir, the Finance Department is to be congratulated for being able to present what may be called in many ways a far more cheerful budget than those of the last few years, and it is admittedly a budget in accordance with the present financial position of the country, and not dictated solely by the policy of the Government as has hitherto been the case; yet with an expert financier at the head of the Department one would have naturally expected that this year's budget would be fully balanced. That unfortunately has not been the case, and a new taxation had to be proposed. While heartily endorsing the principle that balancing the budget is the first consideration in a time of peace, it is difficult to agree with the method suggested for that purpose, *viz.*, that of further taxation on an already overburdened people. A tax on salt—one of the prime necessities of life—cannot but be very repugnant as it will affect even the poorest in the land, who, as it is, find it difficult to keep body and soul together. I venture to say that to impose such a tax would be nothing short of spreading discontent amongst the masses and thus giving facilities for Bolshevie propaganda, with the result that it will help a certain section of people to get into the Councils more easily at the next election. At the same time India cannot afford to have a deficit budget any longer—that is obvious—especially as her total deficits have gone up to something like 100 crores (almost calling her credit into question). It is necessary, therefore, that some method other than taxation should be resorted to for wiping off this deficit, and the only other method that suggests itself is further retrenchment than is already proposed by the Finance Minister. Since it is not possible to give effect to all the recommendations of the Incheape Committee at once on account of the shortness of time, the best way would be to reduce the expenditure gradually say in 3 or 6 months, and bring it down to the level that would cover the present deficit. After all, it is not difficult to cut down two per cent. of the expenditure and it is much better doing so than incurring the opprobrium of a fresh taxation. Besides, a portion, however small, of the deficit can be easily covered by imposing an export duty of 6 annas per gallon on petrol, which, in spite of the scepticism of the Government, may yet bring in a substantial customs revenue to its coffers.

The creation of Territorial Forces will, it is hoped, to a certain extent enable His Excellency the Commander-in-Chief to reduce the number of regular troops (both Indian and British) and bring them down to the peace level, as has been suggested by the Incheape Committee; and if His Excellency keeps a tight grip over the Waziristan expenses, it will not be difficult to make further effective retrenchments on the military side of the Budget in 3 or 6 months at the latest.

Sir, with these words, I beg to say that it would be very impolitic on the part of Government to impose any further taxation on the people, who are already groaning under the burden of high taxation.

The HONOURABLE THE PRESIDENT: I think this will be a convenient moment for the Council to adjourn.

The Council then adjourned for Lunch till Half past Two of the Clock.

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

The HONOURABLE LALA SUKHBIR SINHA (United Provinces Northern Non-Muhammadan): Sir, the Budget placed before this House to-day is more satisfactory than what it was last year as the deficit last year was about 9 crores, while this year it does not go beyond 4½ crores. Why is it so? I should say it is the result of the attacks that were made on the budget last year in this House as well as in the other House on the policy of Government that was adopted for several years past in framing the budget. The policy was to realise as much revenue as possible to meet the expenditure. No attempt was ever made to reduce the expenditure. It was only last year, when this point was raised in both Houses and the Government's attention was drawn to the fact that a substantial reduction ought to be made in the expenditure. The result of that discussion and debate was the appointment of Lord Inchcape's Committee. That Committee has made a report for the reduction of 19½ crores of rupees in the expenditure, about 10 crores in the Military Department and about 9½ crores in the other departments. I think we are very grateful to His Excellency the Commander-in-Chief for the assistance he gave to the Inchcape Committee by making a reduction in his Department. Last year I believe many attacks were made on his Department in regard to military expenditure, and he was pleased to make a promise to reduce the expenditure as much as possible looking to the efficiency of the Army. I think he has kept his promise and has carried it out very creditably in allowing a reduction of 10 crores in his Department. I may still suggest that there is further scope for retrenchment in his Department. For instance there are two items to which I should specially refer. The first is about the administrative services. What I find from the Inchcape Report is that from 1914 to 1922 the fighting services have been reduced by 16,000 but the administrative services have been increased by about 22,000. So I think there is much scope for reduction on the administrative side of the military expenditure. The second point is one which was raised by my revered friend, Sir Dinshaw Wacha, in this House some time ago, that the Army Amalgamation scheme should be remodelled. If that could be done the war policy will be much improved and we shall have to spend only as much money as is absolutely necessary for this country, and we shall not have to depend so much on the War Office. The expenditure at present incurred in England on the training of recruits for military service is very high and, if possible, some reduction can be made in that direction also. I think, if His Excellency the Commander-in-Chief will give a little more attention to these items, a further reduction can be made in the Military Expenditure.

Sir, the new Finance Member is perfectly right when he said in his speech that having deficit budgets in this country is a very bad policy because the credit of the country is being lost in the whole world. Therefore, his attempt in the first year of his coming to India to balance the budget is most praiseworthy. I think it is the right policy and it is the right principle that should be adopted in framing the budget that the expenditure should not exceed the revenue. This year the deficit will amount to about 4½ crores and, in order to meet this deficit, an increase in the salt tax is proposed. I am strongly opposed to this proposal, first on the ground that last year this question was raised and was most vehemently opposed in both Houses. From that time till now nothing new has happened that will

justify an increase in the rate of the salt tax. Sir, I think all the Members of this House will agree with me that salt is one of the prime necessities of life. Not only do people want salt but the cattle also require it, and as it is such a necessary of life which cannot be dispensed with, it should be as lightly taxed as possible. If this salt tax were to be raised, I think there will be an outcry in the whole country against the Government and against the Legislature. Therefore, I think it is not advisable or appropriate to increase the salt tax which has been in force for so many years past. No attempt was ever made except last year to increase the salt tax, and, when we remember the opposition that was raised against it last year, I think no case has been made out this year to increase the salt tax from Rs. 1-4 to Rs. 2-8. I think the budget can be left as it is. Last year the deficit was 9 crores. This year it is only 4½ crores and it is likely that we may have more revenues from Customs, income-tax and other sources and that this deficit may be made up from these growing sources of revenue. (*The Honourable Sir Arthur Froom*: "No, not from Customs.") How can you say the revenues will not grow? If they do grow, there will be no deficit; if they do not grow, there will be a deficit. (Laughter.) Nobody can say what the result of this will be, but, so far as I can judge, I think there is every likelihood of our having growing revenues, because trade and commerce are looking up bright and there is no reason why we should not have more income from so many different sources. Therefore, my suggestion will be to leave the budget as it is without seeking for any fresh taxation. A deficit of 4½ crores is not so big as to require the imposition of fresh taxation or a further increase in the present taxation, but, if it does, then I would suggest that the duty on foreign sugar may be increased by 10 per cent. At present it is 25 per cent. and our markets are flooded now with Mauritius and Java sugar. The price of imported sugar is now much cheaper than country made sugar, and if the duty is raised, I think there will be protection for the Home industry and home-made sugar may improve. My second suggestion will be that if it is possible, the customs duty on cotton piecegoods may be raised from 11 to 15 per cent. It may be said that it will fall on the consumer, but it is the case in all taxes. In every case the tax falls on the consumers, whether it is piecegoods or salt. On salt also it will fall on the consumers. My third suggestion will be to increase the tax on cigarettes by at least 10 per cent. And my fourth proposal will be, as we proposed here a few days ago, to put an export duty on petrol going out to other countries from Burma. There is no reason why India should pay a tax of six annas per gallon on their own produce and other countries pay nothing. I do not find any reason or justification for this policy. If there is any tax it ought to be put on all consumers alike, whether Indians or outsiders. Therefore, if the Finance Member thinks that to leave the deficit uncovered is not right and desirable, I would suggest that instead of having recourse to an increase in the duty on salt, he may consider over the three or four items that I have suggested.

Now, Sir, I have to make a few observations on a few other items of the budget. For instance, the Railway. What I find is that at present there is no saving to the Government. The total income from railways is about 95½ crores. The working expenses are 66½ crores. Surplus profits paid to companies are about 1 crore. The net income that remains with the Government is only 28 crores; out of that they pay 28 crores towards Railway Revenue account, that is, towards interest and so on. Practically, therefore, there is no profit. I would suggest that some steps should be taken to make these railways a paying concern either by making

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them State-managed or some other measures should be taken to make them pay.

Sir, the Honourable Sir Arthur Froom said that the objection to the increased salt duty is sentimental. I may point out to him that it is not sentimental; it is a fact that any increase will be felt by the people from the top to the bottom. Everybody, rich or poor, requires salt. Even cattle require salt. It is not a question of sentiment. It is a question of necessity. I do not know why my Honourable friends Colonel Umar Hayat Khan and Nawab Mahomed Akbar Khan have supported this proposal. Last year, so far as I remember, they opposed it and nothing new has happened since then.

THE HONOURABLE COLONEL SIR. UMAR HAYAT KHAN: No.

THE HONOURABLE MAJOR NAWAB MAHOMED AKBAR KHAN: No, I did not.

THE HONOURABLE LALA SUKHBIR SINHA: The whole House opposed this tax and therefore Government were obliged not to raise that taxation. But I do not know why some Members support this proposal this year.

Sir, I find that in the postal department, no reductions have been proposed in the postcards and letters. Last year there was a great deal of opposition to this increase. From the figures, we find that the income has been less than what was anticipated or estimated. I find from a statement before me that the number of paid unregistered letters is reduced from 271,157,926 to 216,538,339 this year in the half year ending September 1922, and similar is the case with post cards. They have been reduced from 3,188 to 2,500 lakhs. That shows that the number is going down, that is to say, correspondence is being reduced by the people, while the income is also going down. So I think Government should take into consideration this question that the postal service in this country is very useful to the people generally and to the commercial people specially and therefore, if they could find their way to do it, the postage may be reduced to what it was before, namely, $\frac{1}{2}$ anna and $\frac{1}{4}$ anna. I find that there is a similar result owing to the increase in fares for passengers and goods in railways. I find that the income is not up to the estimate, and that the number of passengers carried and the amount of goods carried is going down. That also is a very big commercial question and I wish that the Government might give it its full consideration whether it is possible or not to reduce the passenger fares and the goods rates.

Then, Sir, there is a proposal made in the Incheape Committee's Report to reduce the expenditure on Agriculture. I am very much opposed to this reduction because agriculture is the most important profession in this country, and instead of giving more money to it I do not see any reason why it should be reduced. I was going to suggest to Government that more money should be spent on research work in agriculture so that the produce per acre in this country may increase; now the produce per acre is one-fourth of what it is in other countries. Therefore I think it is most desirable that in order to produce more food-stuffs from the land more research work should be done in the Agricultural Department, and more money should be spent.

There is one more point and that is about the provincial contributions. I think Government admits that provincial contributions should be reduced or abolished as soon as may be possible. But the time has not

yet come for that reduction or abolition because when we have a deficit budget how can we suggest to Government that the contribution should be remitted or abolished? But this question is a very important one as almost all the provincial Governments are in deficit; they are doing their best to raise their revenues by new taxation; for instance, in the United Provinces the deficit will be about Rs. 1½ crores and they want to increase the stamp and court-fees duties and to levy a tax on motors at about Rs. 180 a motor. Therefore until and unless the provincial Governments are relieved of these contributions, I think they will not be in a position to run their Government on proper financial basis. But I hope that after this retrenchment we shall have a balanced budget very soon, if not next year, the year after the next, and I hope that our new Financial Member who has a very good and distinguished financial history at his back will be able to make our budget a balanced budget and not a deficit budget, which he has so much at heart.

With these few remarks, Sir, I welcome the budget and I strongly again protest against any increase in the salt duty, and would suggest to the Financial Member to think of some other duty if he thinks it necessary to cover the deficit; otherwise he may leave the budget as it is for future improvement in the revenues.

The HONOURABLE SIR DINSHAW WACHA (Bombay: Nominated Non-Official): Sir, I think it is some source of satisfaction to the country that the financial barque of the State has weathered the storm and the stress of the heavy seas that overtook her for the last few years and is now in sight of a safe harbour. I do hope, and sincerely hope—as it is also the hope of the country—that next year may see the barque in a haven of safety, and not only a haven of safety, but one of such safety as would gladden the hearts of the tax-payers. Having said so much, Sir, I must, of course, pay my tribute of praise to the very talented mariners who navigated this barque through the troublous times, particularly the Retrenchment Committee and the Departmental Committee at the head of which was our Financial Secretary. I think we must not forget that, in the first place, it is the labours of the Departmental Committee that facilitated the work of the Retrenchment Committee. It is also a source of considerable satisfaction that the Retrenchment Committee had a distinguished Chairman in Lord Inchcape, who was also a distinguished member of the Geddes Committee, and also other business men of experience as members, who have been able to produce a total retrenchment of 18½ crores. Next, I have to pay my tribute of praise, as others have done in this place, to our excellent Commander-in-Chief. I must say that he has, after all, climbed down from his lofty attitude of *non possumus* and done some good. Sincerely do I say that the Commander-in-Chief has rendered a service albeit that after all he is a War Office man. He fought strong against us as long as his force of resistance could go and stood out till he could no longer stand.

Lastly, Sir, I think the House ought to thank my Honourable friend Mr. Kale for having been the first to suggest a Committee of retrenchment last year. Members on the front benches often seem to think that we are all babies and they are all talented people who know everything. They seem to think that we non-officials are nobodies, and that we are incapable of suggesting anything. Sir, I assure you that we can make any number of valuable suggestions if time, leisure, and other necessary information were given to us—information which the departments themselves have got before them. Practically speaking, Sir, on a budget day,

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we can speak for hours and never finish; but somehow or other the reformed constitution is such that we cannot speak for more than thirty minutes save on sufferance. How can you expect on a heavy budget of this character, that each should finish his speech in thirty minutes only? How can we enlighten the Government and indicate to them the divers directions in which further curtailment of expenditure might be effected if we are not given that adequate time to express our opinions and sentiments on the subject? However, this is a matter quite apart from the main question, but I do think that it is necessary that the Government should consider well whether in future fairly reasonable time should not be given to Members of both the Houses to speak fairly on the Budget and to express their sentiments in such a way so as to impress upon Government Members the necessity of taking action in the direction indicated by the non-official Members.

Having said so much, Sir, I may say that I am not going to elaborate all the points but, I think I should congratulate the Honourable the Finance Member, Sir Basil Blackett, for the very lucid Financial Statement that he has put before us. It is not only lucid, but I would go further and say that it is an admirable effort at what you call crystallization and compression of facts and figures. We have had before very many able Finance Ministers, but owing to other circumstances their facts and figures were a little diffused. But I am glad to say that our present Finance Minister has put forward a Financial Statement in the form of Liebig's Extract of Meat—I think we have all drunk Liebig's Extract and fully digested it.

Now, Sir, as far as the question of military expenditure is concerned, I shall say nothing more than this from my fifty years' experience, namely, that military expenditure, however, reduced for a time has subsequently increased by leaps and bounds. Somehow or other no brake has ever been applied to the Military Pake. No strong brake has ever been put upon military expenditure. That is the reason why year after year it jumps up and mounts and mounts; and that is the reason why it has now gone up to 67 crores. Now, Sir, in order to control the military expenditure in future, even if we come to a certain limit, we must have a strong controlling authority, an independent authority, like the Parliamentary Control Committees in England. Honourable Members who have read the papers will have known what these Parliamentary Control Committees have done. There have been a number of leakages which the Auditors have revealed to the public gaze. There have been enormous leakages—where have they come from? I am quite sure that, if there be any big leakages in the future, a Control Committee would find out at once and stop them. Therefore, Sir, one of the important administrative reforms which the Government of India should initiate is the appointment of a strong Controlling Committee of a permanent character which should control expenditure, both civil and military, so that any leakages and mistakes may be found out betimes and corrected. As a matter of fact, in my letter addressed to the Inchcape Committee, I have referred to the strict control which is necessary in order to prevent expenditure outrunning revenue. It is an unsound system of finance to allow expenditure to outrun revenue. No civilized country which considers its finances as the backbone of its prosperity should allow expenditure to run
 3 P.M. ^{space as the Indian expenditure has been for years. But that}
 is exactly the thing that has been going on in the Government

of India for several years and I regret to have to say it, notwithstanding that very able Finance Ministers have been in charge of the Department before—such as my friend the late Sir William Meyer, Lord Meston and others. What is wanted in that respect is that the Government of India should apply a very tight brake; and I repeat that that brake can only be put by an independent committee of control who should see that the expenditure was not allowed to over-run the income. There is also one other observation that I want to make about military expenditure. As my friend Mr. Sukhbir Sinha pointed out, I spoke the other day on the amalgamation scheme. I do say again, and most emphatically and vigorously, that the amalgamation scheme of 1859 is the root cause of the larger and larger military expenditure for years together. The scheme is there; the Amalgamation Act is there. It may be that our present Commander-in-Chief might do us a great deal of good. But a new Commander-in-Chief might come and the War Office may command him to do this, that and the other. It may direct him to adopt an organisation which may not be within the capacity of India. What should be done then? As I observed the other day to His Excellency the Commander-in-Chief, that although I may be defeated here once, although I may be defeated here twice, when the third time comes I will succeed and see that the amalgamation scheme is repealed, because that is at the root of the whole of the present burdensome military expenditure. Otherwise you will find yourself faced with even a bigger deficit within the next few years. A single large item may be insisted upon, say further addition to the soldier's pay or something else demanding half a million pounds *plus* exchange. Where shall we be? The revenue is inelastic. I am afraid our revenue will remain even more inelastic in the future, if you have rank protection, or a high protective tariff. I condemn this new fangled protection which is sought to be introduced and the recommendations of the Fiscal Commission in this public place. I am a free trader. I am a convinced free trader and I say that the recommendations of the Fiscal Commission will do much more harm than good to the country, and the country will never prosper. The country greatly prospered while there was free trade between 1882 and 1896. After that year the country has become slowly protective. Therefore, Sir, all these other administrative precautions have to be taken in order to see that in future our expenditure does not overrun the income. What is now wanted is a Committee for examining the existing taxes and revenue. There are varieties of taxes prevailing and the time has come when a Minister like Sir Basil Blackett, who has been connected with English finances for a long time, and who has made his mark, ought to enforce clear principles of taxation on the basis of which India should be taxed in the future. What we want is fewer items of taxation but of a productive character, that is, of such a character that it may go on expanding and expanding. What is the use of having 15 per cent. on this and 30 per cent. on that? Really what happens is this. As far as customs duties are concerned, what has happened is that instead of having a larger revenue from a larger duty, we have got practically next to nothing by way of additional grist. The law of diminishing returns should be taken into account. The higher you mount up duty the lower will be its yield. And if your revenue falls off, where are you? Therefore, Sir, I consider that the duties should be reduced with a view of stimulating and encouraging trade. If owing to a heavier income-tax and other burdensome duties trade is crippled, where will you get the needed funds for carrying on the administration. Let the whole House remember this,

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that it is the trades, industries and manufactures which bring grists to the State mills and the Treasury. Therefore, I say, develop your trades and develop your industries. But how are you to develop these? If you impose heavy taxes, capital is crippled, and with little or no capital nothing can be done. If trade declines, the revenue declines and the Finance Minister of the future will be at his wit's end what to do and they will all go wool-gathering. (Laughter.) I am sure of it. You may laugh if you please. I am an old man verging on eighty. I may die to-morrow, but you will remember my words. If we want that trade, commerce and industry should flourish we should reduce our taxes and duties so much that the country may go forward with larger savings as capital. But there should be no protection. I think Indian prosperity in the future will lie more and more in free trade rather than in protection.

The only other remark that remains for me to make is in reference to the proposed enhancement of the salt duty—I do not want to take up the time of the House, and shall therefore be brief. Everything has gone right and I do hope and sincerely hope—though I am not sanguine—that, possibly, Sir Basil Blackett will be in a position next year to bring about a surplus. There are many reductions still to be made, there are many recommendations of the Retrenchment Committee still to be adopted, and if they are adopted during the course of the year, that may bring us financial prosperity provided we have a good monsoon and our harvests turn out good. Indian finances will then be in a sound and healthy condition. But in the meantime we have got this deficit to cover of 4½ crores. The Honourable the Finance Member says that he has considered and considered what may be the possible source of taxation to meet it. I can understand his solicitude to balance expenditure. He is perfectly right there. We have to take two things into consideration, the ability of the tax-payer and what should be our further sources of taxation. The salt tax is no doubt a good tax, but I will ask the House to recall the words of that very wise Finance Member who flourished some 40 years ago, I mean Sir Evelyn Behring, afterwards Lord Cromer. It was he who, really speaking, established free trade in India. It was he who actually reduced the salt duty from Rs. 2-8-0 to Rs. 2 per maund. At that time it was only a difference of half a rupee, but there were already people who objected to that modest reduction such as the Bengal Chamber of Commerce and others who are rather a very selfish class, a class I should say who looked more to their own interests than to the interests of the country. (*The Honourable Sir Arthur Froom*: "I am not from Bengal.") You are from Bombay Chamber of Commerce, six of the one and half a dozen of the other. Well, Sir, I do say that Lord Cromer when he was criticised for having foregone that half a rupee, he gave a very good reply which I think is equally pertinent to-day. He said that half a rupee for a poor man with an income of Rs. 27 or 30 a year was a great thing. He could buy a piece of cloth or a loti. Now, Sir, half a rupee saving is a great thing to the poorest. But when Rs. 1-4-0 duty is put on salt what happens? Look at the effect on the poorest class of people. They may be better off now, but you must remember that although their wages have increased, the cost of living has also increased, and if you take the one with the other you will find that a poor man is not so very well off as some people imagine. I say, if we are to increase the duty on salt let us anticipate what will be its effects? In the first place, there will be a diminution in the consumption of salt. That has been the experience every time the salt duty has been increased.

The Honourable the Finance Member will look into the old records and will find it for himself how far my statement is correct. What happens? Consumption goes down from 12½ to 10 lbs. a year for a family of four. The family suffers. The vitality of the family becomes lower. After all, salt is a necessary of life, and if such a heavy duty as Rs. 2½ on salt is imposed the poor really economise even in their daily pinch of salt. It means in the end that their vitality is lowered. Do you expect that with the vitality so low the poor man will live long? Look at the vital statistics. What do they show? Even to-day the mortality is somewhere about 35 per thousand. Not only does humanity suffer, but even the cattle suffer. Every time that the salt duty has been increased, various people, collectors and others, have said that our cattle are dying, and dying for what? For want of the necessary salt. That is the position. Are you going to allow the cattle to die by thousands and thousands as they did before? That will be a very serious affair to the whole of the human society in India and I ask the Finance Minister to pause and consider what may be the effect of this duty on salt on the poorest classes of the population. Remember also that this additional duty of Rs. 1-4-0 a maund means this. Between the profits of the producer and the profits of the retailer there are the profits of the intermediaries and when the last retailer sells his salt to the consumer, the consumer will have to pay very much more than annas three. Remember also that although the rich and the well-to-do can afford it the poor cannot. There are besides what are called Imperial taxation, provincial taxation and local taxation. Consider the combined burdens of this triangular taxation on the poor people. There are not yet sufficient hospitals and dispensaries in the country and there are not doctors enough and thus the poor die like flies. Are you going to bring about this deteriorated condition of health to the poor by increasing the salt duty. Please mark my word. I speak from experience of similar evils that have resulted in the past from the effects of a heavy salt duty and I say that this will be the result once more and it will not redound to the credit of the Government. Therefore, Sir, I do say that it may be wrong in principle to leave the deficit unbalanced, yet in the circumstances it is better to leave the deficits unbalanced. But it can be balanced by other ways and means. For instance, the Civil Works are there. There are a large number of civil and military works costing crores of rupees which are all debited to revenue. Now, I have been fighting against this sort of book keeping for years and years and only the other day in the letter on retrenchment I addressed to the Inchcape Committee I observed that military and civil works beyond Rs. 10,000 ought never to be debited to revenue. They ought to be debited to capital account. Irrigation, Railways, all these are public works in the same way as military works. They are meant not only for the present generation but also for posterity. Why should we be penalised and posterity allowed to escape their just burden? Every year crores and crores of rupees are debited to revenue account for military works and civil works. That ought not to be. I wish to draw the attention of the Finance Member to this subject with a view to eliminating these items from the revenue budget. For instance, in the Budget before the House I find that at least 1-96 crore rupees are included on account of military works which ought to go to capital. I challenge the best twelve economists in London to say whether I am right or wrong in my contention. It is wrong, I repeat, to debit this 1-96 crores to revenue and burden the tax-payer. Why should you do so. In the same way if civil works to the extent of nearly a crore are debited, which should properly go to capital account, 3 crores will thus

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disappear. The revenue will be relieved to that extent. Then we can, of course, leave the one crore alone and I am quite sure that with the movements of a better foreign and inland trade the revenue accounts for the current official year will show no deficit even of this unbalanced one crore. Then I say that it is a comfort to know that this Budget is a vast improvement on the old and, given good times and a good harvest next year, we may see our accounts balanced and even there may be perhaps a surplus. Still the one thing that remains to be done for which the Government of India ought to take full responsibility is to control expenditure. In the first instance put your book keeping on a sounder basis. The present form of presenting the Budget and the method of preparing the estimates are vicious. The method has gone on for years and I do not know how long it may still be continued. Here we have got a new broom. I hope it will sweep well and sweep away all old and obsolete methods so that the next year's Budget may be a radical improvement on the present one. Having said so much, I do believe that all will congratulate the Government on having responded to the call of public opinion, anyhow enlightened and well informed, not ignorant and ill-informed public opinion, while the tax-payers will be gratified and the future financial barque of the State will sail smoothly. I earnestly trust and hope that the suggestions I have presently made will be firmly borne in mind. With these remarks, Sir, I beg to take my seat and I congratulate the Finance Minister and the Finance Secretary both on their very good budget under the present circumstances of finance.

HIS EXCELLENCY THE COMMANDER-IN-CHIEF: Sir, before referring to the military expenditure as envisaged in the budget, there are one or two points that have been raised by Honourable Members here to-day to which I should like to reply. The military expenditure has not been subjected this year to the same virulence in attack that it suffered from last year. But at the same time I have observed both in this House and in another place that there has been a certain amount of sniping, and I should like to refer at once to the points which have been singled out for attack. The point that was made by one Honourable Member, as in another place, is the remark in the Inchcape Committee's report with regard to the economy which they recommend in reference to the building of barracks for Indian troops. It is one, I need scarcely say, which has my entire sympathy. I may perhaps mention that I only accepted it with the very greatest reluctance. At the same time, Honourable Members will notice that in one paragraph of the Committee's report I am given a certain latitude for adjusting the savings that may possibly accrue from force of circumstances during the year as I may think fit. That particular item in reference to barracks for Indian soldiers will receive my very sincere and favourable attention.

Another point raised by Mr. Lalubhai Samaldas had reference to Indianization and the appointment of Indian officers with King's Commissions to the Indian Army. I thought I had made it clear in the statement which I made to the House on the subject, but to prevent there being any misunderstanding let me make it quite clear now that the Indianization of the eight units which will take place gradually by the appointment of junior officers to those eight units will in no way interfere with the progress of young Indians passing through Dehra Dun and Sandhurst for appointments to other units of the Indian Army besides those eight units.

Another Honourable Member has referred to the eventual reduction of military expenditure to 50 crores. He will have observed no doubt in reading the report of the Inchcape Committee that that particular item did not receive the approval of the Commander-in-Chief, and perhaps he did not observe at the same time that that reduction to 50 crores was dependent upon a fall in prices. Now, a fall in prices must be such a fall that it is almost inconceivable that it can attain a magnitude of something like 10 crores of rupees. Therefore I could not give my consent or approval to any such very large reduction as that particularly as it would inevitably effect further reduction in fighting troops, for a reduction of such magnitude could not be effected by a fall in prices alone.

Another Honourable Member has referred to the administrative services and to the increase that has taken place at the present time in the expenses of those services compared to what they were in 1913-14. That increase I must admit. It is consequent upon,—well, I would almost say—the higher standard of living which is demanded by all of us since the war. It was one of the increases that the war has brought about, and particularly in the soldier; it is just the same in all countries in the world. Since the war, it has been necessary to provide the soldiers practically of all countries with a higher standard both in the shape of comfort, in food, in clothing, in arms, in everything else than was the case before the war, and it is largely owing to that that there is an increase in the military expenditure of all countries since the Armistice. Two Honourable Members referred to what was discussed in this House not very long ago in connection with the Army Amalgamation scheme of 1919. Well, I do not know that I have anything further to say on the subject, but I would point out that the suggestion which had been made by two Honourable Members in this House, namely, that that scheme is going to bring to us the benefits which they think it will, and which I have myself always disputed, was similarly disputed by an Honourable Member in another place only yesterday—an Honourable Member who had probably better facilities of knowing and studying the real and true facts of the case, than any other non-official Member for he has been a member of the Military Requirements Committee which sat at Simla 18 months ago. Now the tale of the military estimates this year is a simple one; it is written plainly on the pages of Lord Inchcape's Retrenchment Committee's Report on which the estimates are really based and with the contents of which no doubt Honourable Members of this Council are already fully acquainted. Perhaps, however, the Council will permit me to give at the outset of these remarks a short retrospect of the outstanding events in the administration of the Army in India during the past two years. The internal situation, when I came to India, was far from satisfactory. While active hostilities were in progress in Waziristan, the internal situation also continued to give the Government and their military advisers cause for anxiety. At the same time on the domestic side of the army administration the active re-organization of the Indian Army in the light of the lessons of the Great War was in full progress. The Report of Lord Esher's Committee had been published, and many important issues arising out of the recommendations of that Committee had to be considered and adjudicated on by the Government. The difficulties of the situation did not disappear for some time. In fact our troubles were augmented in 1921 by the outbreak of the Moplah rebellion and by the threat of serious internal disturbances in various parts of India. While I was sensible from the beginning that the cost of the military services in India was disproportionate when viewed with reference to the revenues of the country, it was impossible for me, while these

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adverse conditions prevailed, to advise any substantial reduction in that military expenditure. Certain minor economies were of course feasible, and I had no hesitation in pruning the military estimates where this could be done without prejudicing the safety of India. The Council will recollect, however, that I have always made it plain that no large reduction could be effected unless the actual number of fighting troops were reduced. On previous occasions when the matter was at issue I have stated frankly and openly my opinion, that we were not then justified in making any reductions in fighting troops. Since that time, I am glad to say, the skies have cleared and the brighter outlook has enabled me to adopt an attitude which permits of larger economies. The past year has on the whole been a year of greater peace, a year too in which the re-organization of the Indian Army has been further consolidated and the reorganised Indian Army has recovered from the inroads of war and made substantial progress towards the restoration of that high standard of efficiency which for years has been one of the proudest traditions of the military forces of the Indian Empire. In these more favourable conditions it has been possible for myself and my Staff Officers to turn our thoughts towards the possibility of effecting economies and retrenchment of a kind which would relieve the very serious financial situation into which the country has drifted. We had domestic inquiries of our own into these matters and the inquiries culminated in the investigation of the military expenditure concluding by Lord Inchaape in his Retrenchment Committee, with whose efforts in the field of military retrenchment I have associated myself throughout. As Honourable Members of this Council are aware, it has been found possible as a result to frame a programme of reduction in military expenditure to which I have been able to give my concurrence. The retrenchments are real and substantial. They extend practically to every department of the defence services. In the forefront of the recommendations will be found a very considerable reduction in the fighting troops, both British and Indian. It will be realised that the reductions in the fighting troops are large and very much more than I could have contemplated with equanimity a year ago. I cannot assure this Council even now that if these reductions are given effect, we shall not be incurring some degree of risk, but as I said yesterday in another place, the time comes when risks must be taken and the risk which is involved in accepting the proposals the Retrenchment Committee have recommended and which I myself have approved is one which, I think, the Government will be justified in accepting in view of the financial disaster which in the opinion of all would ensue if this Budget is not balanced. I will not take the Council into the details of the various reductions which it is proposed to make, but I may say that His Majesty's Government have already agreed to the reduction of the strength of the British Infantry. The case of the other British personnel is still under consideration. I have always been glad to be able to co-operate in relieving the difficulties of the administration of India, when I do so without failing in the first duty which I owe to the Government and to the people of India, the duty of ensuring that adequate military provision is made for the maintenance of law and order in India and for the protection of India against external aggression.

There is one other point which in conclusion I should like to bring to the notice of the Council, and it is this. In advising the Retrenchment Committee and in advising Government, I have had one main object in view, namely, to direct the reductions in such a way as to secure the

maximum of economy consistent with preserving unimpaired the essential features of the organization of the Indian Army. I believe myself that if and when the reductions contemplated are carried out, the capacity of the Army in India will necessarily be more limited than it is at present, but will still remain an efficient and scientifically organised fighting machine. In my attempts to achieve this object, I must acknowledge that I have received the fullest sympathy, consideration and assistance from Lord Inchcape and his Committee, who, if I may be permitted to say so, tempered their desire for retrenchment with a just sense of the paramount necessity of preserving the safety of India.

There is only one other major problem of the year concerning the military administration to which I desire to refer, that is the settlement of our relations with the Frontier Tribes of Waziristan. And here, again, I am glad to say, the policy which the Government have been pursuing, in the face of which much adverse criticism has been made, shows signs before long of achieving success. The recent military operations have been admirably carried out and the test of what I say is to be found in the fact that most of the hostile tribes have recently made overtures for peace. This is satisfactory as far as it goes, but we shall continue to prosecute our policy with vigour and determination, and unless some untoward or wholly unforeseen development should occur, we shall be able to withdraw our military forces during the coming autumn. Our aim is to consolidate the military result of the operations of the past three years and to leave the control of the country in the hands of our frontier political officers, and thus effect a very considerable reduction in the financial commitments in Waziristan.

The HONOURABLE SIR ZULFIQAR ALI KHAN (East Punjab: Muhammadan): I rise to add my voice to the chorus of congratulation which has greeted the Finance Member on the lucidity of his budget. But, Sir, at the same time I find some bitter criticism of his proposals, especially of the salt tax. To my mind, Sir, this is a most enigmatical opposition which has been offered to the salt tax. The situation appears to me like this. A series of bad years entailed heavy deficits and consequently fresh taxation, and in this way the taxation which was levied had to meet the exigencies of the State's requirements. All possible sources of taxation were tapped by Government and I may say that all the big camels are carrying full loads and there is no room even for the last straw; and the Finance Member, in his search this year again for some kind of El Dorado, finds that the salt tax has remained immune from increase for some years and he therefore raises the tax from Rs. 1-4 to Rs. 2-8. Now, Sir, even this doubling of the duty on salt is not so crushing as to justify the big howl which has been raised in the Assembly as well as in the Council of State. After all this fresh increase in taxation means about three annas only per head in India, which means perhaps one quarter of an anna per month per head. Well, to meet this little rise, the wages have gone up so enormously, that I think even the poorest man in India can afford to pay this little bit. We find in the Punjab that the cheap rates of grain due to very good harvests have made living comparatively cheaper than before, and in spite of this cheapening of living, we find the wages have increased. In spite of this cheapening of living, we find that the wages have not fallen. The labourer in the Punjab gets Rs. 1-8 per head *per diem*. Well, I do not think that an average labourer cannot pay even one quarter of an anna per month per head. I cannot therefore understand why this sentimental

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tenderness is shown for this little rise. I find that even some of the capitalists who were not disposed to give the poor man the benefit of some compensation for injuries which he may have received during his working hours in the factory have shown such a generous attitude on this occasion that they are disposed to empty the pockets of Government to recoup the loss on this account. Now, Sir, this is about the salt tax.

I wish to make a few observations about the military expenditure. I wish I had spoken before His Excellency the Commander-in-Chief delivered his speech, but I think I may be able to offer some observations which he may find relevant to his position. Now, Sir, our military strength in India must be in accordance with the strength of the neighbouring States. Travelling from China right to the extreme west of India, that is, Baluchistan, we find a series of States which are not well organised. China is in a condition of utter chaos and perhaps on the point of breaking up into fragments. Next comes Tibet, which is full of Lamas and has no disposition to fight at all. Then comes Nepal which is bound by treaty to India and is actually receiving a subsidy from us, and we cannot imagine that Nepal is so strong as to attack India. Then comes Afghanistan. Well, Afghanistan may have started on a path of organisation and the Amir may be introducing the principle of conscription and he may have the idea of training the whole Afghan nation to arms; but that is not all for a big aggressive policy. If Afghanistan is so disposed, it is not men only who are required, but it is money. Afghanistan cannot afford to indulge in the expensive luxury of aggression.

The HONOURABLE MR. V. G. KALE: Why not levy a salt duty there?

The HONOURABLE SIR ZULFIQAR ALI KHAN: I have finished with the salt duty. I wish you had spoken then. Afghanistan has no money, and even if the Army were organised or the whole nation were organised, it could not afford to wage a war of aggression even for a month. Besides that, Afghanistan is bound by treaty to us.

Well, Sir, then comes Persia. We all know the state of Persia. Persia possesses perhaps a few inefficient regiments and that is all. She is not able even to keep peace within her borders. Therefore, I fail to see, Sir, where the menace comes in. There is a cry that Bolshevism is the menace. Well, let us see what there is in this cry of Bolshevism. All those countries south of the Russian Empire are affected more by Bolshevism than India is likely to be at present; and what do we see there? Those countries, chiefly inhabited by Muhammadans, have a thorough dislike for the principles of Bolshevism. Therefore I think before Bolshevism advances on India, those countries will have to be reckoned with by the Soviet Government.

Now, Sir, military strength is maintained either for meeting internal commotion or for repelling external aggression. Well, I have explained the situation with regard to external aggression. But what are the possibilities of internal commotion? I think the worst times are over and India is again settling down to peace and tranquillity and normal times are rapidly coming back. Therefore I do not think that we are justified in maintaining such an expensive force as is now maintained by the Government of India. I should like to know how many or what number of forces were employed even during the worst period of the disturbances in India. If the number of forces employed was insignificant and not so large as are kept to meet foreign aggression, then why, I again ask, is such a big force maintained?

Sir, the whole policy of taxation in India is influenced by the military expenditure, and I would again appeal to the Government of India to reconsider that policy which is approved by the apostles of a forward policy. His Excellency the Commander-in-Chief deserves our best thanks for having initiated a policy of retrenchment in his Department, and this year he has actually cut down his Budget to the tune of something like 5 crores. Well, I hope it will be a progressive ratio and I do hope that in time to come he will meet the demands of the people which are based on the actual situation and condition of the people of this country. This much in regard to the military.

One word more, Sir, with regard to the policy to be pursued towards railways and canals. I think the Government of India should give more scope for constructing more canals and more feeder railways because the prosperity of the country depends on these two things, especially as we find that India is *par excellence* an agricultural country. With these few remarks, Sir, I wish to congratulate the Honourable Finance Member on his good budget.

The HONOURABLE RAJA VASUDEVA RAJA OF KOLLENGODE (Madras : Nominated Non-Official): Mr. President, in making a few general observations on the Budget, I should like to express in the first place my admiration for the quick and comprehensive manner in which the Finance Member has mastered the problems connected with the financial position of India, and I congratulate him on the very able and instructive review that he has made, affording much matter for study and thought. His review and the policy that he proposes to take tully justify the high reputation that preceded his arrival and create in us anticipations of greatly improved financial conditions in the future.

Next, Sir, I should like to say how very thankful we are to Sir Malcolm Hailey and the Government of India for securing the appointment of so strong and able a Retrenchment Committee as the Inchcape Committee to go into the financial position of India and to suggest retrenchments and improvements. The results of the labours of this Committee are embodied in the valuable report that has been placed in our hands and I must express the country's great indebtedness to that Committee for the most valuable services they have rendered in suggesting appropriate measures for pulling the country out of the financial straits in which it is placed.

(At this stage the Honourable the President left the Chair which the Honourable Sir Zulfiqar Ali Khan took.)

It is the good fortune of the Financial Member that he has in his hand, just at the threshold of his stewardship, an X-ray photograph as it were, which reveals not only our financial conditions but the seat and cause of the malady from which we are suffering. With a firm determination to avoid the mistakes of the past both on the side of the Government and of the people's representatives, it ought to be a comparatively easy task to attain a solvent position. The diseases are now known, the atmosphere is favourable and both the Doctor and the patient seem to be agreed as to the remedies to be prescribed. I have no doubt this Council will heartily co-operate with Government in carrying out all the valuable suggestions made by the Retrenchment Committee.

Now Sir, coming to definite proposals the Honourable the Finance Member says that the balancing of the budget is his first consideration.* It is impossible for any one to question the soundness of this proposition and I readily agree that every effort should be made to balance the budget.

[Baja Vasudeva Raja.]

this year. When we turn to the ways and means proposed to attain this object, there can be no doubt that there is a strong feeling against additional taxation and that the form which the additional taxation proposed has taken is one regarding which there is genuine misgiving. That feeling may seem partly sentimental but it has always been hoped that recourse to an increase of the salt tax would never again have to be made. In this country as elsewhere there is a feeling against taxing the breakfast table of the poor and although the incidents of the additional taxation proposed may seem negligible in view of the comparatively small amount per head of the population, that sentiment at least is founded on a sound and intelligible instinct. While, therefore, conceding as I do that we are bound to seek a balance budget, for I cannot ignore the serious effect which failure to secure one may have upon our credit, I should like before deciding my attitude, to have fuller assurances that every possible alternative has been explored. I sincerely hope, in his reply the Honourable the Finance Member will be able to deal with this very important question. It is one, not merely of imposing additional taxation, but of the proper selection of the articles to be taxed and of the selections of the community on which the additional burden may fitly be placed. Coming as I do from a Province, of which the financial prospects are perhaps more intimately bound up than those of any other with the solvency of the Government of India, I cannot overlook the fact that a wrong decision on the part of the representatives of that Province may react most seriously to its prejudice. The longer the period of recurring deficits continue the longer must a settlement of the claims of my Province be deferred and the more serious will its financial position become. Further I recognise that delay is dangerous and may encourage those who are opposed to our claims to continue and extend their campaign to question and ensure the ultimate negation of those claims. In this connection I will suggest to the Honourable the Finance Member that if he has taken the bold course and proposed financial measures which would have enabled an immediate reduction to be made in the contributions which my own and certain other provinces have to make to the Imperial Exchequer, he would have made it much easier for us, their representatives, to accept his proposals. At present we are in the unfortunate position of either having to reject additional taxation and thereby, as I recognise, postpone the day of relief or incur the odium of accepting taxation of an unpopular character without being able to point to any immediate benefit to the provinces which we represent. I would ask the Honourable the Finance Member whether it is yet too late to recast his financial proposals so as to enable us to say that by accepting them we have secured for our Provinces the first instalment of that relief to which we have so long and persistently urged our claims. This is of such paramount importance to my Province that I have thought it right to lay these considerations before the Finance Member. It may be possible that on a further review of the financial prospects for the coming year, he may see his way to combine with the additional taxation he has proposed some measure of relief to these provinces. It seems to me that he has been certainly cautious in his estimate of such improvement in trade or revenue as may be expected. I do not complain of that in view of the experience of recent years but if on further consideration he came to the conclusion that he had been overcautious and could accede to my suggestion no one would welcome a declaration to that effect more heartily than I would. In any case I hope that he will be able in his reply to throw further light on this very important issue. As for my part I shall give anything he may have to say

the most careful and anxious consideration before I come to any decision as to the attitude to be adopted in the difficult position in which, I think he will realise, that others as well as myself are placed. Already you have heard this morning from a Member hailing from Bombay saying that the Provincial contributions are not going to be released next year whatever may happen. You will be giving a lie to that statement if you adopt the suggestion I have made.

Before closing, I should like to say one word more. The Honourable the Finance Member has made a remark to the effect that he was told that Provincial Governments were deliberately showing deficits in their budgets to get a charity from the Central Government. I am surprised to hear such a statement but so far as Madras is concerned that Province pleads not guilty to the charge. Economy has been the watchword and probably the sin of that Province all along and at the present time under the guiding influence of our distinguished Governor, our Finance Member is ruthlessly cutting down all expenses with a vengeance in view of our financial embarrassments. The Ministers also are working in harmony with them in that direction and have cut down even their own salaries to achieve still further retrenchment. With these proofs before him I hope the Finance Member will not believe his informant's ingenious fiction if he had included Madras also.

THE HONOURABLE LIEUTENANT RAO BAHADUR CHAUDHRI LAL CHAND (Punjab: Nominated Non-Official): Sir, I do not claim to have studied the Budget as minutely as some of my Honourable colleagues seem to have done, and therefore I will merely content myself with a few observations of a general nature. I do not know whether I should sympathise with the Honourable the Finance Member or admire him most. I sympathise with him as most of the criticisms that I have read and heard during the last six days are unjust and based on prejudice. I admire him for his ability in producing a lucid Budget in exceptionally hard times. If ever there was a time for congratulating Government on an occasion like this, I think it is to-day. The cutting down of the expenditure in all departments including the military must fill our hearts with gratitude. The fact that over 5,000 men will be reduced from the British infantry and that 3 regiments will also be reduced from the British cavalries should mark an era in the history of the Indian army. However, I will not deal with these points now and will only content myself with saying that Government have shown a degree of solicitude and regard to the wishes of the people and deserve nothing but congratulations. Sir, by this I do not mean that the Budget presented is without its defects and that Government's proposals are perfect in every respect. There are several very objectionable omissions as well as commissions and I do not at all propose to minimise them.

(At this stage the Honourable Sir Zulfiqar Ali Khan vacated and the Honourable the President resumed the Chair.)

There is, in the first instance, the salt tax. I will not say that this tax will break the camel's back. I do not even say that this will create very great discontent and disaffection in the country. I object to it on the ground that it is a tax on a sleeping population. The Honourable Mr. Cook told us the other day that all other schemes for taxation were examined and had to be rejected. I have thought over this and come to the conclusion that the Government of India is under the influence of capitalists and big landlords and they thought they should impose a tax which

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should tell on a community which has no representatives practically in the two Houses. For, is it not inconsistent, Sir, that the minimum taxable income should be raised from Rs. 1,000 to Rs. 2,000, as was done a couple of years ago, and the salt tax be doubled? Here, in India, our chief complaint is not that we are over-taxed, but that our taxes are not evenly distributed. The land revenue policy of the Government, for instance, is most objectionable. There are grades of income for the assessment of income-tax but there are no such grades so far as land revenue is concerned. A man who is in possession of only one acre has to pay at the same rate per acre with one who possesses 50,000 acres. But that is a vast subject and I do not propose to deal with it to-day. My point was that where one class is not touched before they can be shown to possess an annual minimum income of Rs. 2,000, the very bread of the other class is taxed. Equity and justice demand that the poor peasant proprietor also should have a minimum income fixed before he can be asked to pay land revenue for his land. Several of my other Honourable friends also take objection to the salt tax. I am not in favour of altering the Budget proposals so long as a substitute for this tax is not put forward. But this differential treatment brings home the truth of the maxim that, "To him that hath shall be given, from him that hath not shall be taken away even the little which he hath." What an irony of fate that when this poor agriculturist asks for his share in the public services, he is told that he is not fit for it. When he asks for representation according to taxation and population, he is told, "No, you are not organised and the stake of your individual members in the country is not enough for a vote." He pays the tax, yet he has no voice in the administration. The hands of his wealthy brethren and influential brethren are in his pockets.

I now turn to the military expenditure. I am glad a change in the old policy has come in, but I cannot congratulate His Excellency the Commander-in-Chief as well as I should. I feel, and Government will feel ten years hence, that the pay of the Indian soldiers is not such as to attract men of the required standard. I do not mean any slur 4 P.M. to our Indian army when I say that the old stuff which built up the reputation of the Indian Army and which played such a gallant part during the Great War in order to maintain that reputation is fast disappearing and unless early steps are taken to give him better pay and higher opportunities the Indian Army will deteriorate in value and Government will only realise when it will be too late for the old soldier to be called back to colours. Many a family of old military traditions are taking to agriculture and trade as they realise that they can make better living in those professions than in the Army. The Great War has broadened the Indian soldier's outlook and he is not content with eight annas a day which Government is giving him. Reduction in expenditure is welcome to us all, but there is a general feeling that the present pay of the Indian soldier needs revision if maximum of efficiency is to be aimed at. I come in daily contact with Indian soldiers and my impression is that they are over-worked and under-paid. A further decrease in the strength of the Indian Army will therefore seriously affect their efficiency and Government ought to take note of this warning.

I cannot leave the subject without paying a tribute to the magnificent and generous spirit of His Excellency the Commander-in-Chief in Indianising eight units of the Indian Army. The announcement which His Excellency made the other day in the Assembly has not been received

with the sense of gratitude it deserves. Although this was an epoch-making announcement and ought to have been acknowledged with feelings of obligation and gratitude to His Excellency, yet the Press and the platform have both failed in their duty of expressing the real sentiments of the people. The reason is not far to seek, and I assure His Excellency the Commander-in-Chief that the classes affected have neither a hold on the Press nor are they organised for the platform, but their hearts are filled with joy and the future generations will remember the name of Lord Rawlinson as one of the greatest and most generous of our Commanders-in-Chief. This departure will in the long run prove economical and I am sure the experiment will be a great success.

Under head "General Administration" I would only attempt to show that Government again is guilty of gross negligence in ignoring the claims of rural classes. Most of the subjects in which these classes are interested are provincial and transferred. This is not the place for lamenting over those complaints and all I wish to show is that even in places where the administration of these departments, that is, agriculture, co-operation and allied departments, is under the direct control of the Government of India,—there too these communities are not better off. The other day I put a few questions to the Honourable Mr. Sarma asking him some information about agriculture and co-operation, and his reply was that the subjects are transferred and he has nothing to do with them. I was looking forward to an opportunity to find out what the Government of India was doing where these subjects were directly under their control when the blue book entitled "Estimates for demands for grants" was handed over to me. I have studied the figures for the Delhi Province rather closely and my impression is that the rural communities there in that province are under the same disabilities as in other provinces. I refer to page 209 of the book referred to and I find that the grants for agriculture have been reduced from 30,184 for the year 1921-22 to 10,122 in 1923-24. This is not all. If we look to the details of these Rs. 10,000 we find that Rs. 5,970 represents the portion of pay of the Superintendent of Gardens which is not agriculture proper and these gardens are within municipal limits. So, if Honourable Members will see page 209 they will find that only Rs. 1,500 have been set apart for agriculture within the Delhi province. There is no provision for an agricultural school. There is no provision for stipends for boys of agriculturists to go to Lyallpur or Pusa. We look in vain for demonstration and experimental farms.

Now I pass on to the Veterinary Charges. There too the same tale is repeated. There are no itinerant veterinary dispensaries for the improvement of cattle. The Veterinary Department is to content itself in that province with Rs. 1,600 in 1923-24 as against Rs. 3,500 in 1922-23 but the Delhi agriculturists have one consolation and it is this. While they get Rs. 1,500, the bigger Province of Ajmer-Merwara gets only Rs. 450. The more one goes into details of income and expenditure the more one is convinced that the rural classes are called upon to fill the coffers of the State without getting due return. *Begar* is said to have been abolished but I doubt it very much. To put burden upon a rural population without guaranteeing a proportionate return is nothing short of *Begar*. We are passing Resolutions about Kenya and other Colonies and do not care about the rural population in India itself. The other day the Honourable Sir Zulfiqar Ali Khan mentioned the unholy alliance of big zamindars and capitalists and I think with Government they make a triple alliance, whether holy or unholy, to exploit the small farmers.

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and labourers. If another instance of this alliance were needed I would refer to the Indianisation of the services. The Indianisation of the services under the present conditions is only substituting the urban bureaucracy for the British bureaucracy. Indianisation is in fact another name for urbanisation. Whether this is for good or for worse is a matter for future generations to judge when there may be a new war. The rural classes shed their precious blood in the defence of the Empire and it is unjust that they should be denied a proper share on the concessions that are being given daily by the Government as a result of those very sacrifices. We do not want any special favours. We rural people only wish that in the matter of the services we should be treated as human beings, that is, a villager should count as equal to a townsman. Fix minimum qualifications by all means for each post and give us our due share without sacrificing the efficiency of the services.

I have only one more observation to make, Sir. The Currency and the big Gold Reserve should be invested in the country itself. The co-operative movement which was started to benefit the agriculturists has not touched even one per cent. of the population. The big funds to which reference has been made by me just now should be invested in this movement, and I am sure it would be for the benefit both of the people and the Government.

I congratulate the Honourable the Finance Member for a balanced budget and have every hope that when he budgets a second time he will have the claims of the rural population in mind and that Government will not forget the services of the Saviours of the Empire, that is, the military classes, in times of peace.

The HONOURABLE SIR BASIL BLACKETT (Finance Member): Sir, I came up to-day to this House with a sense that it was a great privilege to be allowed thus to come among the elder statesmen. At the same time I came up with a certain amount of trepidation as I was warned, even before Mr. Lalubhai Samaldas spoke, that I was expected to face the music. But, Sir, although the poet says that heard melodies are sweet and those unheard are sweeter, I have faced the music to-day and I confess I have enjoyed it. There has been nothing but kindness for me personally and there has been a great deal more support for the little addition to taxation which appears as one of the budget proposals than there seemed at any rate to be in another place. I have not got the score totalled up exactly, but of those who have spoken, certainly not more than one-half have opposed the tax in its entirety. Some have said that they are still waiting in hopes either of being convinced of its absolute necessity or of some promise that will make it a little more palatable; and everybody, I think, with the exception of my friend Professor Kale, has done, as in the other House, at any rate tip service to the necessity of balancing the budget. Professor Kale enjoys the distinction, or perhaps I should say is the sole one who is marked with the mark of the beast, of having boldly suggested that the deficit should be left uncovered rather than that a salt tax should be imposed.

The position this year is really not the same as it was last year. Last year the House opposed to the proposals of the Government a firm demand for reduction of expenditure. They did not say that the budget ought not to be balanced, but they said that the country could not afford the expenditure and they refused to vote some of the taxes that were proposed in

order to put pressure upon the Government to reduce expenditure. I do not wish to say that it was possible for the Government to reduce expenditure last year. The position is different from what it is to-day. As His Excellency the Commander-in-Chief has said, there were considerations which made it easier for him to agree to reduction of the army this year than last year. But this year the position is different. We have made very drastic reductions in expenditure. I think that it is recognized on all sides that the Government has made an honest and in some respects an heroic effort to reduce expenditure.

The HONOURABLE MR. LALUBHAI SAMALDAS: Not heroic.

The HONOURABLE SIR BASIL BLACKETT: Judging by some of the criticisms that were levelled against particular recommendations for reduction made by the Retrenchment Committee, it is impossible for us to feel quite sure that all the reductions which we propose and which are assumed to be in force in the estimates will actually take effect. If they do not, what becomes of the charge that our estimates of expenditure are capable of reduction? The position is not therefore the same as it was a year ago, and this is I think the answer to more than one Member who said that he had voted against the salt tax last year and must vote against it this year because there was no real change in the situation. Consistency is not always a very great virtue, but I would claim that the consistent thing to do this year for those who voted against the salt tax last year, in order to secure a reduction of expenditure, is to vote for it this year, in order to complete a very good work. Full reductions of expenditure have been made; the estimates assume all possible reduction. It was said, 'why should we not go on for another six months and then reach the position where we could see whether we could effect our reductions in full'? If we wanted to get our figures for 1923-24 lower than at present, we should have to make additional cuts over and above the cuts made by the Retrenchment Committee, that is, if we want to secure that, our estimates of expenditure for 1923-24 should be reduced. Those estimates assume that all the reductions proposed by the Retrenchment Committee, or other reductions equivalent thereto, will be put into effect with the least possible delay. I know the House would like to have details of figures. Now that is obviously one of the difficulties under which we are all labouring this year. It was a difficult thing for the Government to prepare and present this Budget on the 1st of March; it is a little difficult for the Legislature on the 5th, 6th and 7th of March to be engaged in a general discussion of the Budget when they have scarcely had time even to read through the voluminous volumes which were put into their hands for a week-end amusement. We have not yet circulated the Demand Grants in their final form, and we have not yet distributed over the various heads one crore out of the four crores special cut which is to be found by cuts in the civil expenditure other than the railways. But I can give the House just a few figures which will give an inkling of the position. When we received the first report of the Retrenchment Committee, the total reductions recommended by that Committee as compared with the 1922-23 Budget, amounted to—I may be out by a lakh or two—230 lakhs under these particular heads. We examined the estimates carefully and we found that 126 lakhs of those reductions were already included in our Budget estimates as they stood at that moment. That left 104 lakhs of the special reductions recommended by the Retrenchment Committee. We went through each item and considered what would be the earliest

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date—assuming a decision had been taken then and there—on which those reductions would come into force, and we came to the conclusion that something between 60 and 70 lakhs was the maximum that we could secure during 1928-24,—and our estimates were based on the assumption that we would secure something between 60 and 70 lakhs out of those particular heads. That will show the House that we have taken—as I said, speaking in another place—we have taken some risks in presenting our Budget figures on the basis of those hopes which are not yet realized. I can assure the House that the Government of India has every intention that they shall be realised if it is physically possible to do so, but at the same time that is the position. We have assumed for purposes of our budget figures next year, the lowest possible figures on the expenditure side. If, therefore, the deficit of 4½ crores is to be covered, it must be covered by other means than reduction of expenditure during 1923-24. A wag told me the other day that some of the reductions were reductions *à l'absurdum*, and of course it is perfectly true if you go too far, that is what happens. But I am not prepared to endorse that view or to say that all the reductions that are possible for all time have been made or that the figures for 1924-25 expenditure will not show further reductions. Wherever it is possible to find any expenditure which I can induce the majority of those responsible to regard as unnecessary, it will not occur in the estimates; but for 1923-24 we have reduced expenditure to the minimum. The alternatives, therefore, for covering the deficit of 4½ crores are faking the figures and increase of taxation. Those are the two alternatives, faking the figures of expenditure or revenue and increase of taxation. I was very sorry to hear both Professor Kale and Sir Dinshaw Wacha lend the support of their great authority to a suggestion for what I honestly regard as faking the figures in regard to our expenditure. It is very easy to say that this is Capital expenditure, and therefore is not chargeable to Revenue. If you charge it to Capital, what is the difference between that and a deficit? If you spend a crore on a new building, or a new unproductive project, at the end of the year you have, it is true, the asset worth presumably a crore. You have the enjoyment of spending 5 lakhs during the year on keeping it up. You have no income from it. You also have to pay 5 or 6 lakhs a year for interest on borrowed money. You add to your unproductive debt. The legal arguments as to whether a thing is Capital or Revenue from the point of view of the State quickly lead you to rather curious conclusions and undoubtedly increase your debt at a very rapid pace. I ventured in another place in my Budget Speech to compare the position of the State which had continued deficits to that of an individual who continuously overspent his income. The State has a deficit just as much if it puts up a large number of unproductive buildings and charges them to Capital as if it is charging them to Revenue and has a big deficit. It is asked why should we not make the tax-payer of the future bear a little of this burden. What, people ask, has posterity done for us that we should do that for them? What have we done for posterity? We have given them 100 crores of deficits as the result of the last five years. I think it is nearly enough for posterity without adding a little more. I agree with Sir Dinshaw Wacha, that it would be possible to improve some of the forms of our accounts, but my impression is that if I were let loose on them, the deficit would be greater rather than less, because there are some items which I regard as very doubtful items charged to Capital. There is no proper provision for a reasonable sinking fund. There are certain sinking

funds, but there are not, I think, sufficient; and in a few weeks one of the problems that I am looking forward to dealing with when we have got this Budget balanced is the general form of the account, provision of a proper sinking fund and another subject, on which a good deal was mentioned to-day, the production of real commercial accounts for our commercial departments. I think that is a matter of very great importance. In regard to Posts and Telegraphs I understand that a firm of Chartered Accountants have very nearly completed their report, so that by this time next year I hope we shall be able to have real commercial accounts for the Posts and Telegraph Departments, and similar efforts are being made in regard to the railways. But to come back to the point from which I started. I do hope that I shall hear no more of demands that the accounts should be so faked (I will repeat the word, for that is what I regard it as) as to turn the deficit into a surplus. The other method of faking a surplus is to increase our revenues. Revenue figures are always very difficult figures to forecast. We have been through our revenue figures with a fine-tooth comb; we have tried very hard to be as optimistic as it was reasonable to be. We were very anxious not to subject ourselves to the charge of being unduly cautious in our revenue estimates and we have not been unduly cautious. We foresaw that if we were open to a charge of being unduly cautious in our revenue estimates, our request for additional taxation would be quite rightly regarded with suspicion. But our revenue estimates are, I am afraid, on the optimistic side if the law of averages works and we get a poor monsoon this year. If it does not, we have every hope that they will be realised, but they are not unduly pessimistic. That being so, we are driven back to this problem of how to cover a deficit of 4½ crores. The first speaker to-day, Colonel Sir Umar Hyat Khan, said that the salt tax was justified at the present moment on the ground that all prices had recently fallen. Of course it is not pleasant when a man has got the benefit of a fall in prices that a little bit should be taken away from him, but that is really a very sound argument. Especially if you turn it in another form it is equally sound. The results of the deficits in so far as they have led to taxation and inflation have been to put up prices, and a very small increase in food prices generally would have the effect of adding a great deal more than the three annas per head per annum which the salt-tax put on to the cost of living for the very poor. That three annas per head per annum raised out of salt is, we are convinced, economically the least objectionable form of raising this taxation. Various alternatives have been suggested to-day. Most of them had already been fully discussed by the Government of India before we came before the Legislature, and we have been considering all of them with very great care since, but the curious thing about them all, or nearly all of them, is that they impose a charge of a great deal more than three annas per head on the poor per annum without bringing in anything like the same amount of money to the Government. There is not the least doubt that an increase in the cotton excise duty or the cotton import duties, which would bring us in much less than the salt tax, would cost an average poor man's household more. The same is true of the tax on sugar that was suggested. It also would not bring us in the money that we are asking for. I am not quite sure what would be the effect of the suggestion that we should double the duty on iron and steel. Our difficulty in regard to that is that, in accordance with the recommendation of the Tariff Commission, it has been agreed that a Tariff Board should be appointed, and the recommendation of the Tariff Commission itself was that the Board should first of all examine the subject. We must not therefore rush in and impose a duty and then ask the Tariff Board to

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examine whether it ought to be there. (*The Honourable Mr. Lalubhai Samaldas*: "This would be a revenue duty and not a protection duty.") The main criticism that the Tariff Commission made of our existing duties was that they were revenue duties imposed unscientifically, and we do not want to do anything more unscientific until the Tariff Board tell us what is scientific. I am not sure that an effect of protection in India would be to bring in all the revenue that was suggested. That is one objection. The time may come when the Honourable Mr. Lalubhai Samaldas will see all the protective duties imposed that the Honourable Sir Dinshaw Wacha does not want to see. I am not sure how the Finance Member of the day will be able to satisfy this House or anybody else as regards his revenue estimates in the years of that period. I do not think the suggestion could be seriously made that this year we should get on with protection and thus bring in money which would cover our deficit.

I should like for a moment to refer to one or two of the other subjects that have been raised. With perhaps a little bit of inconsistency, after saying that the deficit must be covered and opposing the salt tax, more than one Honourable Member has suggested that he or somebody else was very much disappointed that we have not reduced the tax on motor cars, or have not reduced the income-tax or have not reduced other taxes. I have been accused of justifying the motor car tax and of calling it a luxury tax. I decline to agree that I have done either of those two things. I described the tax on motor cars as being one of the so-called luxury taxes; I did not justify it. What I said is that our conclusion was that the time had not yet come for reconsidering the Schedule of 80 per cent. duty, because obviously that time can only come when we have a little revenue to spare, unless in regard to one particular tax therein we are convinced that it is so injurious that it will be better to reduce it and lose revenue rather than continue it. The curious thing is that even the one little bit of reduction of tax in our budget for this year has produced quite a large number of telegrams of protest. On strong representations made to us by representatives of trade and industry, the Commerce Department came to the conclusion that the export duty on hides and skins was doing serious damage to the trade. Much as we want revenue, we came to the conclusion that we had better get the revenue we need by reducing it rather than continue it and kill both the trade and the revenue. But nonetheless as I say, considerable opposition has been voiced from certain quarters even to this reduction. So true is it that the Finance Member can get no complete agreement from anywhere.

I should like to refer to a few other points which were raised, usually by more than one Member. A very interesting point was made by Rai Bahadur Lala Ram Saran Das when he said that the high rate of interest was in part the result of high taxation. That is an instance of the very curious results that flow from the imposition of particular taxes. You may hurt the poor man more by taxing the banker's income than by taxing his salt. But I agree with the general conclusion that one of the causes of the high rate of interest in India and in the world to-day is the necessarily high demands made by the tax gatherer on the production of the word and on the surplus in the hands of the individual before he pays taxation.

The same speaker referred to the 5 crores limit for special advances on *hundis* from the Paper Currency Reserve. That is a subject which the Government of India have already been examining. It is quite obvious

that the law as it stands either goes too far or does not go far enough. That 5 crores at 8 per cent. is not a complete solution of the difficulty of high money rates in the busy season which it was intended to assist in dealing with. I cannot express any final decision on that point, but the subject is being examined with a view both to an increase of the total and possible alteration of the rules governing the rates at which the advance has to be made.

I do not think that there are any other points to-day to which special attention requires to be drawn in the speech of the Finance Member. Those who mentioned the subject I was glad to see, agreed with the conclusion which I ventured to express, that the time has not yet come for fixing a new policy in regard to exchange. That is a very puzzling subject which has a very close interest for any Finance Member; but the state of the world to-day is such that he would be a bold man who made up his mind that any particular rate without reference to possible fluctuations in the purchasing power of gold was the rate ordained for the salvation of India.

Before I sit down I would like to come back therefore to the central problem of the Budget. Nearly the whole of the discussions both here and in another place have eventually come back to the problem how to cover the deficit without taxing salt. The Government of India would be as eager as anyone else to cover that deficit by some other means if they were satisfied that there was any other means which was on all considerations on the whole preferable. I think it is almost admitted by everyone that if the narrow financial view alone prevailed—that was the phrase used to-day and I admit its correctness—the salt duty is the right form in which to raise this taxation. It will hurt the poor less on the whole than any other of the taxes suggested or any of the other means of dealing with the deficit, including the concealed method of taxation by inflation leaving the deficit uncovered, but it is urged that there are wider considerations than mere narrow financial considerations which have to be considered. I agree that there are. But do you think that the poor man will really thank you if on sentimental grounds you refuse to tax him three annas a head for a year in order to tax him a rupee per head per year in some other way? (*The Honourable Mr. Lalubhai Samaldas*: "Quite sure.") Do you think that if he does thank you, you ought to let him? That is really the problem to which you are reduced. Sentiment is important; but it has not a complete right to dominate the decision in this matter. It is always courageous and sometimes stupidly courageous of a Legislature to teach the electorate that it knows better than the elector, but I think it is our duty in this case not to play up to the prejudices of the elector, but to try and convince him that, all said and done, you are considering his interests more truly when you do a thing which you know will benefit him in the long run than when you do otherwise. I said yesterday—as was repeated here by one speaker—in another place that if the Government could be shown a better shell-hole in which to face the music they would be glad to be told which it was and would go there readily. That is still the position of the Government. The more we hear—and I think the more Honourable Members study the subject they are really coming to the same conclusion—the more convinced we are that the suggestion which the Government have made after full consideration for meeting this deficit is the one which the united wisdom of the legislators of the country should accept.

The Council then adjourned till Eleven of the Clock on Thursday, the 8th March 1923.