

# LEGISLATIVE ASSEMBLY DEBATES

---

TUESDAY, 5th MARCH, 1929.

Vol. I—No. 23

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## OFFICIAL REPORT



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# LEGISLATIVE ASSEMBLY.

Tuesday, 5th March, 1929.

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

## QUESTIONS AND ANSWERS.

### IRREGULAR ARTICLES OF ASSOCIATION OF THE EAST INDIA COTTON ASSOCIATION, LTD.

892. \*Mr. Siddheswar Prasad Sinha: (a) Is it a fact that the Registrar of Companies, Bombay, has registered the company called the East India Cotton Association, Ltd., with Articles which are opposed to the compulsory Articles provided by Table A of the First Schedule and in form B of the Third Schedule of the Indian Companies Act?

(b) Is it a fact that the said Company has, by its Articles, deprived its members of the following rights by its definitions and articles, namely:

(A) "Ordinary General Meeting" means any ordinary general meeting of the members of the Representative Committee and "Extraordinary General Meeting" also means the meeting of the said Representative Committee and not of the Ordinary Members of the Association?

(B) "General Meeting" and "Extraordinary General Meeting" to mean a general meeting of the Representative Committee and not of all the members of the Association?

The Honourable Sir George Rainy: With your permission, Sir, I shall answer questions Nos. 892 to 895 together.

The Local Government has been asked for a report.

### IRREGULAR ARTICLES OF ASSOCIATION OF THE EAST INDIA COTTON ASSOCIATION, LTD.

†893. \*Mr. Siddheswar Prasad Sinha: (a) Is it a fact that Articles 4, 5, 6, 7, 8 and 9 of form B to Schedule III are compulsory under the Indian Companies Act, and that the same govern section 78 of the Indian Companies Act?

(b) If so, how did this Company come to be registered with articles 29 to 38 of the Articles of Association, which restrict the rights of its members to meeting in a general meeting, whether Ordinary or Extraordinary, and in fact do not allow its members to meet in a meeting and discuss the questions touching the objects with which the said Company is formed?

† For answer to this question, see answer to question No. 892.

(c) Will Government be pleased to state if there is any other company besides the East India Cotton Association which has restricted the rights of its members as the Company under question has done?

IRREGULAR ARTICLES OF ASSOCIATION OF THE EAST INDIA COTTON ASSOCIATION, LTD.

†894. \***Mr. Siddheswar Prasad Sinha:** (a) Is it a fact that the said East India Cotton Association claims to control the cotton trade of India?

(b) Are Government prepared to direct the Registrar of Companies to call upon the said Association to amend forthwith its Memorandum and Articles of Association so as to bring the same under the sections of the Indian Companies Act?

(c) Do Government propose to instruct the Registrar of Companies not to register in future any companies whose Memorandum and Articles of Association might be at variance with, and in defiance of, the Indian Companies Act?

PROTECTION OF MEMBERS OF COMPANIES WITH ARTICLES OF ASSOCIATION NOT IN CONFORMITY WITH THE INDIAN COMPANIES ACT.

†895. \***Mr. Siddheswar Prasad Sinha:** What steps do Government propose to take for the future protection of the rights of the members of the companies on whose Memoranda are engrafted Articles of Association which are against the established Indian Companies Law in British India?

PROVISION OF FACILITIES FOR DISCUSSION OF THE RAILWAY CONSTRUCTION POLICY OF THE GOVERNMENT OF INDIA.

896. \***Mr. E. F. Sykes:** Referring to the speech of the Honourable the Commerce Member, replying to the general discussion of the Railway Budget, on February 21st, will Government be pleased to state whether they will give facilities for the discussion of their railway construction policy after the opening of the General Budget?

**The Honourable Mr. J. Orerar:** Government would themselves raise no objection to their railway construction policy being brought under discussion in the course of the discussions on the budget, and they do not consider that any additional facilities are necessary.

PRINCIPLES FOR FILLING POSTS OF TOWN INSPECTORS OF POST OFFICES.

897. \***Mr. Jamnadas M. Mehta:** (a) Are Government aware that clerks in post offices in Bombay City have been representing to the authorities since 1914 to settle the principles on which the posts of Town Inspectors should be filled up?

(b) Are Government aware that, before the introduction of the time-scale in 1920, the posts of Town Inspectors in the Presidency Towns and at First Class Head Offices were on a fixed pay ranging from Rs. 40 to Rs. 100—150 per mensem?

(c) Are Government aware that, before the introduction of time-scale of pay in 1920, the Postmaster General had issued certain definite instructions applying the same conditions as were applicable to other Divisional Inspectors for these posts? If so, will Government be pleased to state what those instructions were?

† For answer to this question, see answer to question No. 892.

(d) Are Government aware that these posts were brought on the time-scale since 1920, that recruitment to them was not subjected to conditions applicable to other Divisional Inspectors who were given a separate cadre, and that these posts were made interchangeable with clerks without any consideration of their seniority among each other?

(e) Are Government aware that, after the introduction of the time-scale in 1920, the personnel of Town Inspectors was merged in the clerical cadre?

(f) Are Government aware that some important duties assigned to the posts of the Town Inspectors were withdrawn since their conversion to the time-scale?

**The Honourable Sir Bhupendra Nath Mitra:** (a) Representations have been made since the introduction of the time-scale in 1920.

(b) Yes.

(c) It is understood that the conditions were not identical. Government are not in possession of the precise instructions issued by Postmasters General within their discretion.

(d) and (e). The facts are substantially as stated.

(f) Government do not understand that the duties of Town Inspectors were changed as stated.

#### PROMOTION OF TOWN INSPECTORS OF POST OFFICES.

**898. \*Mr. Jamnadas M. Mehta:** (a) Are Government aware that some of the incumbents of these posts of Town Inspectors did not, and do not possess, qualifications necessary for entrance in the Department nor any departmental qualification for Inspectors' posts?

(b) Are Government aware that the lowest selection grade of Rs. 160—10—250 for a Circle is comprised of men from the whole Circle consisting of about 20 Divisions and that there are 3 or 4 First Class Head Post Offices in each Circle?

(c) Are Government aware that the promotion of men working as Town Inspectors at First Class Head Offices in supersession of senior men from other Divisions in the same Circle to posts of Town Inspectors on the Selection Grade, simply because they happened to be at a particular station, will affect the seniority of thousands of men in the same Circle?

(d) Are Government aware that they have replied to unstarred question No. 20 of 6th February, 1928 that the existing incumbents of Town Inspectors' posts had no exclusive right to them irrespective of their holding the posts continuously for several years?

**The Honourable Sir Bhupendra Nath Mitra:** (a) Government are not aware of the precise qualifications of the different individuals, but I would refer the Honourable Member to the reply given to Mr. M. S. Aney's starred question No. 686 on the 23rd February, 1929.

(b) The facts, as stated by the Honourable Member, are substantially correct in respect of some Circles.

(c) The promotion of men working as Town Inspectors, to posts of Town Inspectors on the selection grade, involved the removal of those men from the clerical gradation list, and the only effect upon the seniority of others on that list would be slightly to improve the standing on the list of those who were previously junior to the Town Inspectors.

(d) Reference was made, in reply to the question quoted by the Honourable Member, to an order dated the 15th September, 1927, that the existing incumbents would possess no exclusive right of appointment to the new posts in the selection grade. I may however draw the attention of the Honourable Member to the final orders issued by the Government of India in their letter No. 14 PTE., dated the 2nd October, 1928, a copy of which was placed upon the table of the House in reply to Khan Bahadur Sarfaraz Hussain Khan's questions Nos. 98 and 138 on the 28th of January last.

#### PAY AND PROSPECTS OF CLERICAL ESTABLISHMENTS OF POST OFFICES IN INDIA.

899. \***Mr. Jamnadas M. Mehta:** (a) Are Government aware that they have recently ordered the removal of men working as Accountants for some decades in Head Post Offices in preference to men who have passed the new Accounts Test?

(b) Do Government mean that the subordinate men of the executive staff, that is clerks, should be subjected to various restrictions while the corresponding administrative staff such as inspectors should have none?

(c) With reference to their Order No. 14 PTE., dated 2nd October, 1928, are Government prepared to reconsider this order in the light of the representations submitted by the affected staff?

(d) Are Government aware that much discontentment prevails among the clerical establishments in all the post offices in India on account of the orders referred to in part (c) above issued by them and the Director General in point of their pay and prospects? Have Government received any representations from such establishments and if so, what orders have been passed by Government? Will Government place these orders on the table?

**The Honourable Sir Bhupendra Nath Mitra:** (a) No such orders have been issued by Government.

(b) Does not arise.

(c) I have found it difficult to understand this question. If the Honourable Member wants to know whether Government are prepared to reconsider their order of the 2nd October, 1928, the answer is in the negative.

(d) Government understand that some discontent prevails in certain parts of the clerical establishment only, and representations have been received from some of those concerned. These have not yet been submitted for the orders of the Government of India. The last part of the question does not arise.

**Mr. Jamnadas M. Mehta:** As regards the answer to part (a), is there any such intention to issue orders of the kind mentioned in this question?

**The Honourable Sir Bhupendra Nath Mitra:** I cannot say, Sir, because I have not received any such proposals yet; if any such proposals reach the Government of India from the Director General, they will be considered on their merits.

**Mr. Jamnadas M. Mehta:** Is no protection given to the older men simply because the new account test has been started? They have worked for decades.

**The Honourable Sir Bhupendra Nath Mitra:** I submit, Sir, that that is a hypothetical question. I really do not know what the issue involved is.

INCREASE OF OVERTIME ALLOWANCE GRANTED TO POSTMEN.

900. **\*Mr. Jamnadas M. Mehta:** (a) Is it a fact that the overtime allowance of Re. 1 for performing English mail delivery, given to postmen of the Bombay Post Office, was sanctioned so long ago as 1920?

(b) Is it a fact that similar overtime allowance granted to other officials from Supervising Officers down to packers has been increased since the month of September, 1927 and that the postmen did not get any increase in the allowance?

(c) Is it a fact that a packer and a cooly who is illiterate and does indoor work is paid Re. 1 as overtime allowance and that a postman who is literate and performs outdoor duty and puts in the same period of additional duty or even more is paid the same amount?

(d) Is it a fact that the head-packer is paid Rs. 2 as overtime allowance?

(e) Is it also a fact that a representation, dated 20th December, 1926, from the postmen for proportionate increase in their overtime allowance was rejected by the Director General in the month of June, 1928 without giving any reasons whatsoever?

(f) Do Government propose to take early measures to remedy this long-standing grievance?

(g) Is it a fact that the postmen, who perform English mail delivery, have actually to put in four or five hours extra duty for a remuneration of Re. 1 only, and that such remuneration is treated as concession or bonus instead of a legitimate overtime allowance?

**Mr. H. A. Sams:** (a) Yes.

(b), (c) and (d). The rates of overtime pay for the sorting staff were raised, with effect from the 1st September, 1926. According to these revised rates, packers and hired labourers are entitled to overtime pay at Re. 1 each per mail, and head-packers at Rs. 2 each per mail, for duty between 6 A.M. and 11 P.M.

(e) and (f). The representation, which was dated the 20th September, 1927, and not the 20th December, 1926, was rejected on the grounds that the case of postmen was not analogous to that of the sorting staff, and that the rate for the postmen was adequate and required no revision.

(g) Yes. The remuneration is treated as overtime pay.

PROVISION OF FACILITIES FOR THE TRAINING OF INDIANS TO QUALIFY FOR APPOINTMENTS IN CONNECTION WITH THE CENTRALISATION OF THE ADMINISTRATION OF SHIPPING AND NAVIGATION.

901. **\*Mr. Jamnadas M. Mehta:** (a) Will Government be pleased to state when appointments for Nautical Advisor, Chief Surveyor, 1st Ships' Surveyor and 2nd Ships' Surveyor are likely to be made in connection with the Centralisation of the Administration of Shipping and Navigation, and how they propose to recruit the above-technical Advisory Staff?

(b) Are Indians available for these posts?

(c) If the answer to part (b) be in the negative, will Government be pleased to state what steps they are going to take for providing facilities for enabling Indians to receive the necessary training for qualifying for these posts?

**The Honourable Sir George Rainy:** (a) The selection of officers for the appointments of Nautical Advisor, Chief Surveyor, and the two Ship Surveyors has been made, and the officers are expected to join shortly. They have been obtained on deputation from the Board of Trade for a period of two years in the first instance.

(b) Not at present.

(c) As the Honourable Member is doubtless aware, Government have established the Training Ship "Dufferin" for the training of Indians as Executive Officers, and have also formulated a scheme for the grant of State technical scholarships for the training of Indians as Marine Engineers. It is hoped that, in course of time, Indians possessing the necessary qualifications will be available for appointments of the nature in question.

**Mr. Jamnadas M. Mehta:** If Indians are not available for these posts as mentioned in (b), what is the use of any facilities that Government may create for training?

**The Honourable Sir George Rainy:** It seems to me the natural thing to do.

**Mr. President:** To make them available.

#### PRINCIPLES FOR FILLING APPOINTMENTS IN CONNECTION WITH THE CENTRALISATION OF THE ADMINISTRATION OF SHIPPING AND NAVIGATION.

902. **Mr. Jamnadas M. Mehta:** (a) Will Government be pleased to state when they propose to make appointments of Principal Officers at major ports in connection with the Centralisation of the Administration of Shipping and Navigation?

(b) Will Government be pleased to state if the appointment of Principal Officers will be filled by Executive Officers of the Royal Indian Marine only as the appointments of Port Officers are filled at present; or in other words, will the appointments of Principal Officers be a preserve for the Executive Officers of the Royal Indian Marine?

(c) If the answer to part (b) be in the affirmative, will Government be pleased to state the reasons why the appointments of Principal Officers are to be filled by Executive Officers of the Royal Indian Marine only and are not to be thrown open to the Merchants' Service?

**The Honourable Sir George Rainy:** (a) At Calcutta and Rangoon, where the present Port Officers and their staff are already either wholly or partly paid from the Central Revenues, Principal Officers will be appointed with effect from the 1st April next. At the other ports the appointments will be made later in the year.

(b) and (c). The question of the recruitment of a certain proportion of the Principal Officers and Surveyors from the Mercantile Marine, is a matter which will be examined in consultation with the technical Advisory Staff which, as the Honourable Member is doubtless aware, is being obtained on deputation from the Board of Trade, and is expected to arrive in India shortly.



QUALIFICATIONS REQUIRED FOR APPOINTMENTS OF PORT OFFICERS AT CERTAIN PORTS.

903. \*Mr. Jamnadas M. Mehta: (a) Will Government be pleased to state the qualifications that are considered necessary in those who are appointed as Port Officers at ports other than Calcutta, Madras, Bombay, Aden, Rangoon, Akyab, Bassein and Chittagong?

(b) How many of the Port Officers referred to in part (a) are Indians and how many are non-Indians?

The Honourable Sir George Rainy: (a) The major ports, as regards which the Honourable Member desires information, are Karachi and Vizagapatam. The Port Officers at minor ports are appointed by the Local Governments. The appointment of the Port Officer, Karachi, is filled by an executive officer of the Royal Indian Marine. At Vizagapatam, the post of Port Officer has recently been abolished, and the Traffic Officer, Vizagapatam Harbour, has been authorized to perform the duties hitherto carried out by the Port Officer.

(b) Neither of the two officers is an Indian.

DISCONTENT OF RESIDENTS OF BARODA CANTONMENT AT VALUATION OF HOUSES FOR ASSESSMENT.

904. \*Mr. Jamnadas M. Mehta: (a) Are Government aware that there has been a good deal of discontent prevailing among the Baroda Cantonment residents on account of the mode according to which valuation of houses was made by the tax collector while revising the assessment list in 1926 as evidenced by the number of assessment appeals preferred in the Court of the District Magistrate at Baroda and by an increase of Rs. 500 in the annual amount of house-tax after the revision?

(b) Are Government aware that representations were submitted by the Cantonment residents to the Local Government from time to time regarding questions connected with the enhanced octroi duties, exemption of grain of all sorts from octroi tax, and valuation of houses, without any redress being granted?

(c) Are Government prepared to take some steps to ensure proper valuation of houses at the next revision of assessment to be made in March, 1929?

Mr. G. M. Young: (a) and (b). The answer is in the negative.

(c) The matter is primarily the concern of the Local Administration, to whom I will send a copy of this question.

ISSUE OF LICENCES TO OWNERS OF TAXIS IN BARODA CANTONMENT.

905. \*Mr. Jamnadas M. Mehta: (a) Is it a fact that the Cantonment Executive Officer at Baroda refuses to issue licences to owners of taxis and motor cars on hire on the ground that such owners are not *bona fide* residents of the Baroda Cantonment, though they are willing to take up houses on hire and reside within the limits of the Cantonment?

(b) Are Government aware that the withholding of licences, as referred to in part (a), is causing great inconvenience to the general public of the

Baroda Cantonment, who are required to pay high charges for carriage hire, and that the same restrictions regarding residence in the Cantonment are not made applicable to the owners of hackney carriages?

**Mr. G. M. Young:** Government have no information. I am making inquiries, and will communicate the result to the Honourable Member as soon as possible.

#### INCREASE OF HOUSE-TAX AT BARODA CANTONMENT.

906 **\*Mr. Jamnadas M. Mehta:** (a) Is it a fact that the Resident at Baroda, in his capacity as Local Government, has raised the rate of house-tax to be levied on property holders from 4 per cent. to 7 per cent. under section 66 of the Cantonments Act, 1924 (II of 1924) as laid down in column 10 of the form, prescribed for the preparation of the assessment list, by issuing notification No. 371, dated 7th January, 1929, and published in the Gazette of India, of 12th January, 1929, Part II-A at page 81?

(b) If so, will Government be pleased to state whether the procedure laid down in sections 60 to 68 (Chapter V) of the said Act has been followed in raising the rate of the house-tax referred to above?

(c) If the answer to part (b) be in the negative, what steps do Government propose to take in the matter?

**Mr. G. M. Young:** (a) Yes.

(b) The Government have no reason to suppose that the ordinary procedure has not been followed.

(c) Does not arise.

#### INCREASE IN OCTROI DUTIES, HOUSE-TAX, ETC., IN BARODA CANTONMENT.

907. **\*Mr. Jamnadas M. Mehta:** Are Government aware that there has been a considerable increase since the Great War in the receipts derived from octroi duties, house-tax and conservancy-tax in the Baroda Cantonment as compared with those in the pre-war time as stated below?

Name of tax.	Receipts	Post-war average
	in 1913-14.	receipts of three years from 1925-26 to 1927-28.
	Rs.	Rs.
Octroi .. .. .	2,598	5,375
House-tax .. .. .	1,388	2,193
Conservancy-tax .. .. .	2,148	3,172
Total .. .. .	6,134	10,740

**Mr. G. M. Young:** With your permission, Sir, I will answer this question and question No. 909 together. The Honourable Member's information is, I think, correct, except that the figure for post-war octroi receipts should be 4,911 instead of 5,375, and the connected figures should be modified accordingly.

**INCREASE OF CONSERVANCY-TAX IN BARODA CANTONMENT.**

908. \***Mr. Jamnadas M. Mehta:** Are Government aware that, in the year 1914, the conservancy-tax in the Baroda Cantonment was increased from 8 to 14 annas per mensem for every privy attached to a house, and that a memorial<sup>†</sup> had been submitted to the Governor General in Council protesting against this increase?

**Mr. G. M. Young:** Yes.

**EXCESSIVE OCTROI DUTIES LEVIED IN BARODA CANTONMENT.**

†909. \***Mr. Jamnadas M. Mehta:** Are Government aware that, since November 1926, octroi duties on each and every commodity, including grain of all sorts, have been imposed in the Baroda Cantonment, and that, out of the total average annual revenue of Rs. 5,875 from octroi duties, goods received directly either from the railway station or from one or two adjoining villages, pay about Rs. 500 every year while goods received from the City of Baroda are charged a double octroi, inasmuch as they have to pay the remaining amount of Rs. 4,875, on account of the camp octroi duties over and above an equal amount of city terminal tax already added on to them?

**HIGH INCIDENCE OF TAXATION PER HEAD OF POPULATION IN BARODA CANTONMENT.**

910. \***Mr. Jamnadas M. Mehta:** Are Government aware that incidence of taxation per head of population in the Baroda Cantonment in 1915 as officially declared was Rs. 8-0-2 and that at present incidence of taxation is Rs. 4-18-6 and this would rise to Rs. 5-10-0 in case the 7 per cent. of house-tax on annual value of houses was not annulled?

**Mr. G. M. Young:** The present incidence is Rs. 4-6, not Rs. 4-18-6. If the Honourable Member's calculations are otherwise correct, the final figures should therefore be Rs. 5-2-6, instead of Rs. 5-10-0.

**SERVICES RENDERED FOR HOUSE-TAX LEVIED IN BARODA CANTONMENT.**

911. \***Mr. Jamnadas M. Mehta:** (a) Are Government aware, that since the beginning of 1888, a consolidated rate on the annual value of houses, buildings, and lands, was imposed in the Cantonment of Baroda (i) for the general purposes and for protection from fire of those parts of the Cantonment which are not so protected by regimental or other special arrangements; (ii) towards defraying the cost of maintenance of the police force of the Cantonment, and (iii) for the purposes of lighting?

(b) Will Government be pleased to state which out of the above-mentioned services are being rendered at present by the Cantonment Fund in return for the house-tax that is levied?

**Mr. G. M. Young:** (a) A consolidated tax was imposed in 1884, not 1888 as stated by the Honourable Member, for general purposes and not specifically for the other objects mentioned in the question.

(b) Does not arise.

† For answer to this question, see answer to question No. 907.

**INCREASED HOUSE-TAX IN BARODA CANTONMENT.**

912. \***Mr. Jamnadas M. Mehta:** (a) Are Government aware that three different percentages of house-tax, varying according to the amount of annual value of houses within the limits of the Sadar Bazaar, had been originally fixed, and that these graded percentages of house-tax were cancelled as they were found to be too heavy, and a uniform rate of 4 per cent. of house-tax was imposed under notification No. 135-I, dated 11th January 1884, issued by the Governor General in Council on a representation of the Baroda Cantonment residents submitted in April, 1883?

(b) Will Government be pleased to state the reasons which had led the Governor General in Council in 1884 to revoke the original graded rates of house-tax and also to state the reasons for the increase of house-tax from 4 to 7 per cent?

**Mr. G. M. Young:** (a) Yes.

(b) The reasons urged by the Resident in 1883 were the deplorable state of the bazaar, and the poverty of the Cantonment Fund. I am inquiring the reasons which have led to the recent increase in house-tax, and will inform the Honourable Member when I get the Resident's reply.

**INABILITY OF FLOOD-STRIKEN INHABITANTS OF THE BARODA CANTONMENT TO PAY TAXES.**

913. \***Mr. Jamnadas M. Mehta:** (a) Is it a fact that more than half the number of houses in the Baroda Cantonment had been destroyed or partly damaged by the unprecedented floods in 1927, and that most of the newly reconstructed houses have been built with the help of loans from the Flood Relief Fund to be repaid by monthly instalments?

(b) Are Government aware that, out of the total civil population of 2,455 in the Baroda Cantonment, there are nearly 2,000 people who belong to the working and depressed classes, living from hand to mouth, and who have not been able to resuscitate themselves from the heavy losses sustained on account of the floods?

**Mr. G. M. Young:** (a) Government are aware that considerable damage was done by the floods, but they understand that the total number of houses affected was about 450, most of which were huts. In order to afford relief to the sufferers, a relief fund was opened. In addition to the amount contributed by the public, Government sanctioned a grant of Rs. 10,000. The money collected was distributed to the sufferers by the Relief Fund Committee, and recoveries were effected only from those who could afford to repay.

(b) Government have not been so informed, but if the Honourable Member desires, I will make inquiries.

**RETRENCHMENT OF EXPENDITURE IN BARODA CANTONMENT IN LIEU OF INCREASED HOUSE TAX.**

914. \***Mr. Jamnadas M. Mehta:** (a) Are Government aware that, in the Baroda Cantonment, the present income from house-tax is Rs. 2,542 and that it will be increased to Rs. 4,449 if the new rate of 7 per cent. is levied, that is to say, that there will be an increase of Rs. 1,907?

(b) Are Government prepared to inquire whether the amount of Rs. 1,907 cannot be made good by effecting retrenchment in the expenditure at present incurred?

**Mr. G. M. Young:** (a) The only figure in the Honourable Member's question which I am in a position to check is Rs. 2,542, which should be Rs. 2,847.

(b) I am informed that proposals for retrenchment are already under consideration.

#### HIGH TAXES IN BARODA CANTONMENT AS COMPARED WITH OTHER CANTONMENTS.

915. **\*Mr. Jamnadas M. Mehta:** Is it a fact that, in the Cantonments of Ahmedabad, Poona, Kirkee and Belgaum, house-tax at 4 per cent. is charged, and that in Mhow a general rate of 7 per cent. per annum is imposed on houses, buildings, and lands within the limits of the Bazaar, and that there is no conservancy-tax levied at Mhow in addition to house-tax? If so, are Government prepared to inquire why the house-tax in the Baroda Cantonment should be raised from 4 to 7 per cent.?

**Mr. G. M. Young:** Government have no information. I have already promised to make the inquiry suggested in the last part of this question.

#### ADMINISTRATION EXPENSES OF BARODA CANTONMENT.

916. **\*Mr. Jamnadas M. Mehta:** Are Government aware that since the separation of judicial and executive functions in May, 1924, the average annual expenditure, including service contribution to provident fund and all other incidental office miscellaneous expenses, on general administration and collection of taxes in the Cantonment of Baroda, is Rs. 6,698, out of the average annual receipt of Rs. 16,910 from local sources, excluding grant-in-aid from the Government of India?

**Mr. G. M. Young:** I would refer the Honourable Member to my answer to his question No. 263 dated the 21st March 1927. The figure Rs. 6,698 in the present question should be Rs. 5,876, and the figure Rs. 16,910 should be Rs. 18,781.

#### COST OF ADMINISTRATIVE OFFICE ESTABLISHMENT OF BARODA CANTONMENT.

917. **\*Mr. Jamnadas M. Mehta:** Is it a fact that the office establishment of the Baroda Cantonment for the purposes of general administration and collection of taxes, has one Head Clerk on Rs. 150 per mensem, one Tax Collector on Rs. 100 per mensem, and one Cashier on Rs. 50 per mensem for the administration and management of the Cantonment, which has an annual local income of Rs. 16,910, and with a civil population of 2,455?

**Mr. G. M. Young:** The information conveyed in the question is approximately correct, except that, as I have already stated, the figure Rs. 16,910 should be Rs. 18,781.

SAVING EFFECTED BY NEW DRAINAGE WORK IN BARODA CANTONMENT.

918. \***Mr. Jamnadas M. Mehta:** (a) Are Government aware, that in the Baroda Cantonment, new drainage works have been executed since 1926-27 at a cost of Rs. 8,800, and that cesspools and washing places have been connected with the new and old open surface drains within the bazaar limits, so as to allow sewage and waste water to flow into the adjoining river through these drains instead of being removed in bullock water carts?

(b) Are Government aware that, owing to the working of the new scheme of drainage, there will be an annual saving of Rs. 8,281 out of Rs. 4,721 incurred at present?

**Mr. G. M. Young:** (a) Yes.

(b) Government will be very glad if the Honourable Member's estimate proves correct.

INCOME AND EXPENDITURE OF BUNGALOWS SUB-LET BY GOVERNMENT TO MILITARY OFFICERS IN POONA.

919. \***Mr. Jamnadas M. Mehta:** (a) Will Government be pleased to state what loss they suffer by renting bungalows in Poona under the House Accommodation Act and sub-letting them to military officers?

(b) Will Government be pleased to place on the table a detailed statement of income and expenditure of such bungalows, including, collection and approximate charges up to any latest date available?

(c) Have Government purchased any bungalows in Poona for the use of military officers and their messes, etc., during the last five years? If so, will they be pleased to place on the table a detailed statement of income and expenditure of such bungalows including cost of upkeep up to any latest date available?

**Mr. G. M. Young:** I am making an inquiry, and will inform the Honourable Member when I get the reply.

APPOINTMENT OF ARMY CONTRACTORS FOR NEW UNITS OF BRITISH TROOPS ARRIVING IN INDIA.

920. \***Mr. Jamnadas M. Mehta:** (a) Will Government be pleased to state whether the present syndicate of Army Contractors is formed for the benefit of those contractors, who have already become shareholders?

(b) What is the procedure to enlist new shareholders?

(c) How many fresh applications in order to join this syndicate were refused?

(d) How many new units of British infantry, British cavalry, etc., have arrived in India from overseas in 1928 and how many are expected this year?

(e) How were the contracts for them given, and how will they be given?

(f) Is it a fact that those contractors who have already got contracts of one or more units, monopolise such new contracts?

(g) Will Government be pleased to place a list of the present contractors with their units on the table?

(h) What is the procedure for the likely contractors to adopt to secure contracts at least of the new units coming into India?

**Mr. G. M. Young:** (a) No, Sir. The object of the present system is the benefit of the troops.

(b) To become a shareholder, a person must obtain a contract. Shares are then allotted to him according to the size of his contract.

(c) I am informed that, up to date, 16 persons, who had no contracts with units, applied to become shareholders and were refused.

(d) One British Cavalry regiment, one Brigade of Royal Artillery, and 4 British Infantry regiments arrived in India in 1928. A similar number is expected to arrive in 1929.

(e) Unit commanders select their own contractors from the approved list of contractors.

(f) and (g). No, Sir.

(h) They should apply to the Commanding Officers.

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GENERAL BUDGET—GENERAL DISCUSSION—*contd.*

**Mr. President:** The House will now resume general discussion of the budget.

**Sir Victor Sassoon** (Bombay Millowners' Association: Indian Commerce): Mr. President, a Finance Member, in his first budget speech, cannot help but be greatly influenced by the views of his department. That is only natural and only right, for any Finance Member, however able, who considered that he could sum up correctly the situation in the country against all technical advice, after a couple of months' stay, would be bound, sooner or later, to come to grief. I cannot but admire the speech of the Honourable the Finance Member, which was of that rarely heard type, a speech stimulating earnest thought, whatever views or convictions might be held by his readers, whether in this House or among the larger public outside, for though some of us might disagree with the amount of emphasis which he laid in certain directions, my Honourable friend has been wise enough to qualify his statements and to show that he still has an open mind, that he has not yet come to any settled conviction, and that he is not prepared to take any definite line of distinctly new policy until he has studied the subject in all its aspects, and I would like to defy any man, whatever his views or his politics, to criticise this standpoint, that is the standpoint taken up by the Finance Member, and to say in what better way he would have behaved should he have been in the position of taking up an important portfolio like that of the Finance Department in an entirely new country. Where I do think I see the hand of my Honourable friend is in the note of absolute sincerity which ran through his entire speech, in the way in which he not only desired, but I think did succeed in giving us, to use his own words, "a plain unvarnished statement of facts". I have read and re-read that speech several times during the long journey between Bombay and Delhi, which I have had to make since we listened to it on the 28th of February last, and I must congratulate my Honourable friend on the frankness of his statement and on the obvious lack of mental reservation on any point, and I think it is this sincerity and the feeling that there is no attempt to hide anything so as to make the Government point of view more plausible

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which will, if anything, make my friend's task, which will be by no means an easy one, less arduous, when he is dealing with this House during his term of office.

I propose now, Sir, during the short time at my disposal, to touch on one or two points on which I may not have an opportunity of speaking during the cuts. As regards the subject of the loan policy of the Government of India, which was referred to by my Honourable friend Sir Purshotamdas Thakurdas, the group to which I have the honour to belong has asked me to table a cut, to enable us to have a full discussion on this most important point, and so I propose to postpone any remarks which I shall have to make on this vital question to another day. . . . .

**Sir Purshotamdas Thakurdas** (Indian Merchants' Chamber: Indian Commerce): Are you sure you will reach it?

**Sir Victor Sassoon**: I understand we are likely to reach that cut next Tuesday.

There is one thing on which I must dilate today, as it concerns my constituency very closely, and that is the absence of provision for the establishment of extra Trade Commissioners in Mombasa, Alexandria and Durban, as was recommended by the Trade Commission. The textile industry, Sir, is in the position of a hungry child needing the fostering care of a fond mother; whereas the Government, I regret to say, has adopted the grudging, unsympathetic attitude of a step-mother, querulous when her attention is drawn to the fact that there is another child in the family requiring nourishment. The policy of the Government has hitherto been to wait till the cries of the infant rouse the neighbours and then to give the unfortunate baby a sedative. The opiate has usually been administered in the form of recommendations of a committee or a board, whose terms of reference have been sufficiently restricted to prevent them from voicing anything likely to involve a drastic reversal of Government policy. But somehow, in the case of the mill industry, there appears to have been a disinclination even to give the opiate unless the neighbours are roused again by renewed clamour. Honourable Members will remember that Government only adopted a very small part of the very inadequate recommendations of the Tariff Board after an intensive campaign had been started by the textile trade. They will remember that one of the recommendations adopted was for the despatch of a trade Mission. Now, this Mission has been sent, this Mission has reported. The Report of this Mission should by now have been read by the Government, as it has been read by other parties, who are interested in the subject. It should have been, by this time, considered and its recommendations appreciated, and the suggestion that Trade Commissioners be established at the places I have already mentioned, we should have thought, would have been put into force. Yet even this small sop appears to have been withheld until I suppose we get further clamour and further agitation. I fully appreciate that, in the past Government had little to fear from the complaints of the textile industry. During its prosperous years—and here let me say that, in spite of the very large dividends that were paid during that period, the average net profit paid on the sums invested in the industry over ten years only comes to the reasonable figure of 8 per cent.—during that period, there was a certain



amount of, shall I say, natural human envy on the part of other parts of India, and this could be counted on to view any demands made by the industry with a certain amount of captious criticism. But today the situation has undergone a great change. The really parlous state of the mills in Bombay has altered the views of public opinion generally throughout the country, and I warn the Government that they will be faced with strong political opposition, if they continue to allow India's premier industry to bleed slowly to death without raising a finger. It is no use putting us off with platitudes. If I may renew the simile which I have already used, the most impassioned orator will not be able to stop the cries of a hungry baby by making fervid speeches to it. There is only one thing which will still the cries of that baby, and that is to give it something to eat. So, I warn Government that the repetition of delightful and charming platitudes will not still our cries. It may be that my successor from the Millowners' Association at the Simla session will succeed in obtaining some practical help from the Government, and I sincerely trust that he will have more success than I have been able to show during the two years that I have been in this particular Assembly. I trust that that will be the case from the Government's point of view, because I can assure my Honourable friends on the Treasury Benches that, should such not be the case, they will be painfully reminded of the hackneyed text on whips and scorpions.

Sir, to come to another point. We are all in this Assembly agreed that the Government should take up productive enterprise, but I think we are equally agreed that there should be some limitation of the kind of productive enterprise which the Government should take up. (*An Honourable Member*: "Hear, hear".) The particular kind of productive enterprise that I for one would not like to see developed is that of the products of jail labour, which compete with the products of the ordinary manufacturer of this country. I have in my hand here a telegram asking that I should put before Government the fact that the Jail at Insein in Burma has been canvassing for the supply of boots for the police in the various provinces of India, and I am only too glad to give voice to this complaint and to ask Government not to hurt the already very hardly pressed boot manufacturing industry of this country by allowing this jail to canvass for orders all over India.

I now propose to draw the attention of the House to a point which I referred to last year. It will be noticed in paragraph 8 of my Honourable friend's speech that he points out that the revenue from income-taxes is reduced by Rs. 50 lakhs, due to refunds consequent on the result of legal decisions. As I said last year, the powers that Government have for calling for payment of taxes pending appeals, were in the past very sparingly used, and never in the case of respectable individuals and firms. Just lately, however, the Department has been using their powers to call for payment from anybody and everybody, pending the result of appeal to the High Court. When a citizen wins his case, he is entitled to his money back, but he can only get interest at the sweet pleasure of the Department. In fairness to the Department, I want to say that I know of no case where it refused to pay interest or has refused to reimburse the assessee the actual amount of interest that he has paid. But what is the result of the transaction from the point of view of the State? Let us assume, Sir, that you have been assessed for income and super-tax in a

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manner that you do not consider justified, and you appeal to the High Court in the matter. You are called upon to pay the amount, pending the result of that appeal. You, Sir, as a prudent man, do not keep your surplus savings buried in the garden, but invest them in safe securities and probably partly in Government paper. You therefore have to go to your bank and borrow the amount on such securities to make this payment. You will have to pay today 8 per cent. if your credit and your securities are of the highest order, otherwise, you may have to pay more. Let us assume that your judgment is correct and that you win your case against the Government. The State will repay you the interest which you have expended, which may be 8 per cent. or may even be 9 per cent. In other words, the State has been borrowing from you at 3 or 4 per cent. more than it would have done if it had issued treasury bills. Let us suppose that you have, in your anxiety to spare the State this loss, offered to put up a banker's guarantee, or offered to put up securities approved by Government,—even Government paper. Yet, you will find that the Department will refuse to take this security or this guarantee, and will insist on cash. It has always been very difficult for me to understand this attitude of this Department of the Government. It is difficult to understand what underlying motives the Department may have for such action. It is true that the item under Income-tax was swollen to this extent in the previous year and may have so helped the former Finance Member to balance his budget when the question of the remission of the provincial contributions was in the forefront, and when he was laying hands on every rupee of revenue he could find. But the final result has only been to make the task of the present Finance Member more difficult.

I can only tell the House that some of the assessments made were based on such frivolous contentions as to result in their dismissal with the most caustic comments from the Bench, and the eventual loss to the State, in the form of extra interest and in the form of law costs, must have amounted to an appreciable figure,—an amount which would never have been incurred if the former Finance Member had set his face firmly against frivolous and vexatious litigation. Nor need I point out to the Finance Member, versed as he is in business methods, how much, in addition to the loss to the State, the assessee's business must have suffered through dislocation, not only during, but previous to the hearing, for the Department does not take things lying down. I have noticed that, if any one challenges the authority of that Department by an appeal, he is liable to be called on to produce all his books, however unnecessary it may appear even to the trained accountant, and will have to cart them backwards and forwards every day in order to carry on his usual business and make his daily and other entries.

Now, Sir, one more word and I have done. I do not think I can allow this occasion to pass without making a reference to the question of the ratio. When this House two years ago placed by its vote the definite alteration of the ratio from 2s. to 1s. 6d. on the Statute-book, as far as I was concerned that chapter in India's currency policy was closed. I cannot conceive any self-respecting country, desirous of keeping its place and credit among the civilized nations of the world, changing its statutory ratio again in the situation which exists today. That it was a mistake to fix the ratio at 1s. 6d. is as much my convinced opinion today as it was

two years ago. That the country is paying painfully for that mistake is to my mind equally true. And though I am not one of those who attribute all the hardships we are going through to the ratio alone, though I am fully prepared to admit that world conditions have a great share in the question, there can be no doubt that the currency policy of the Government has accentuated definitely and seriously the depression that exists. But the bed having been made, we must lie on it, and trust that our new Finance Member will temper the wind to the shorn lamb.

**Mr. Jamnadas M. Mehta** (Bombay City: Non-Muhammadan Urban): Sir, it is not my habit to throw bouquets and I do not congratulate any one until there are definite grounds for doing so. All the same, I welcome the personal note in the speech of the Honourable the Finance Member, and willingly acknowledge his earnestness and the eloquence of his sentiments. Although he does not owe his office to our suffrage, we shall not, on that account, prejudge him, nor shall we blame him for the mistakes of the past. We wish him god-speed, and in anything that he does for the advancement of the economic interests of the country he will have our fullest co-operation. As has been said again and again, he inherits a legacy of doubtful value. The country has been passing through an economic travail of unprecedented duration and intensity; there has been a long and protracted trade depression, which we have not seen for virtually a generation. The purchasing power of the masses and also of the middle classes has undergone a severe shrinkage. Unemployment is stalking in the land, leaving in its trail economic distress and social retardation; and I beg of the Honourable the Finance Member not to attribute all that to what are generally called world causes. The world causes are a handy excuse. In the first instance they save you the trouble of hard thinking. Secondly they increase your self-complaisance, and thirdly they prevent you from making any earnest endeavour to improve the situation that may have developed. The other day, answering a question regarding the raising of the Imperial Bank rate the Honourable the Finance Member treated us to an essay on the rise of the Bank rate. He said, that Government being the chief currency authority and acting as the Central Bank, taking into account the world conditions, thought it necessary to increase the Bank rate, in spite of the opposition of the Governors of the Imperial Bank. I do not think, Sir, the Honourable the Finance Member has correctly stated the situation. What are the circumstances under which a central bank increases its rate?—only to prevent the export of gold or to conserve its gold resources. And the export of gold takes place only when the Bank rate in one country is lower and the Bank rate in other countries is higher; there is in that case, a danger of the export of gold; and it is because the Bank rate in another country is higher than in India that gold leaves this country in order to earn higher interest. The Finance Member knows very well that the Bank rate in England, before it was raised to 5½ per cent. was 4½ per cent. and the Bank rate in this country was 7 per cent. It is well-known that the exchange banks will not lend to the trade, except at one per cent. higher than the Bank rate. Therefore the ruling rate in India was 8 per cent. when the Bank rate in England was 4½ per cent. Even if the English rate went to 5½ per cent., can it be contended that, the ruling rate being 8 per cent. in this country, there will be any gold leaving India in order to earn 5½ per cent., losing 8 per cent. here? I do say, Sir, the explanation given

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by the Finance Member, *viz.*, that, acting as the chief currency authority, taking into account the raising of the Bank rate in England to 5½ per cent. Government raised the Bank rate to 8 per cent. here, thus making the exchange bank rate 9 per cent., cannot hold water in view of the facts that I have mentioned; and therefore the real reason for the increase of the Bank rate still remains to be stated. Nor is it right to state that, because Government had expanded currency against gold and sterling, therefore any difference is made with regard to their obligation to trade to create emergency currency. The expansion of currency against gold or sterling does not affect the provisions for the creation of emergency currency in the Indian Currency Act of 1923. No matter what the expansion against gold and sterling may have been, the emergency currency provisions of this Act have to be applied if enough trade bills are going round, and the test whether emergency currency is necessary, is not whether there has been an expansion in due course against gold or sterling, but whether enough trade bills are going round in the country against which emergency currency should be created. Sir, I therefore say that the excuse given by the Honourable the Finance Member for not having created additional emergency currency before increasing the bank rate does not hold water.

You must not blame those who are inclined to think that, when in opposition to the Governors of the Imperial Bank, you raised the rate, you did so, partly at any rate, for the maintenance of the rupee exchange.

Sir, the contents of the budget do not make very cheerful reading, and the prospects held out are even more dreary. Indeed, Sir, the statement that additional taxation may be necessary has come upon us with profound disappointment, especially after the promise held out by the late Finance Member that, after his great acts of financial statesmanship, surpluses would occur and reoccur, and that we might look forward to the prospect of decreased taxation. I do not think, Sir, the country will ever regard it as conceivable that additional taxation is possible at this stage, in face of the unemployment, trade depression and other evils to which I have made reference.

Sir, the figures of the customs returns are very interesting. They reveal two things, namely, that rich people are having a nice time at the cost of poor people and that the adjustment of prices is in full operation. This probability was communicated to Government when the ratio was raised, and Government was warned that the only party that would benefit from the raising of exchange would be the importers of luxuries, civil servants and the bondholders. That warning has been borne out, year after year, and it is particularly noticeable in the figures of the budget in this memorandum. You will find that nearly one crore and fifty lakhs of the estimated customs revenue is due to the expected rise of imports of luxuries by the richer classes. You will find that the liquors and the wines and the ale and the beer are estimated to give a greater income to Government. Sugar, although the middle class may be using it, is still denied to the masses, who use *jagri*. The increase of sugar revenue therefore also indicates that the well-to-do classes are benefiting at the cost of the poorer classes. Income from tobacco is going up higher and higher till, from one crore and fifty-six lakhs in 1925-26, to-day we have two crores and sixty lakhs. The increase over current year being seventeen lakhs and fifty thousand, so that in five years those who indulge in the luxury of smoking

tobacco have given Government an additional revenue of one crore, and got those luxuries cheaper at the cost of the agriculturists and manufacturers of this country. Arms and ammunition, artificial silk, articles of food and drink (which are also luxuries), motor cars, particularly those which are non-commercial motor cars, silk piecegoods and petrol, all these things between themselves are estimated to give the Government an additional revenue of one crore and fifty lakhs. Apart from this, the customs revenue, which to some extent is an index to prosperity of trade and commerce, is going down, especially when it is remembered that but for the Kathiawar cordon, even an additional fifty lakhs, would not have been forthcoming, and customs revenue would have been on the downward grade.

Sir, I have always held that our customs tariff is based on a haphazard system. There is no national policy behind the customs tariff, except only incidentally. Revenue is the main thing, and when it is remembered that railways and customs between themselves can assist trade and commerce to an immense extent it is a matter for regret that no national policy is pursued in levying rates and customs duties, and everyone will endorse the demand for scientific tariff, not necessarily with the view to reduce revenues but with the double object of securing revenue and benefiting and protecting trade and industries. I do hope that Government will bear this in mind.

Other sources of revenue, salt and income-tax, are more or less stagnant, and therefore all the revenue-earning sources of Government show that the new rupee ratio is in operation, and for several years to come it will be the same.

I shall now draw the attention of the Finance Member and of the House to that portion of his Budget speech in which he has explained to us how capital expenditure has been met during the last five or six years. We are all obliged to him for the figures that he has given and for the care and accuracy with which the situation can now be discussed, but I am afraid, Sir, that it can hardly be claimed from these figures that the policy which Government pursued was at all correct or that it should be followed in future. Quite clearly, the policy that was followed was wrong. I will take the figures as they are shown. We are told that, in spite of capital expenditure of 120 crores and forty-nine and three-fourths millions, the actual borrowings only came to 12 crores here and thirteen millions sterling in England. My Honourable friend, Sir Purshotamdas Thakurdas, went into this question to some extent, but I wish further to analyse it, so that it may be clearly realised by the House that there is no room for credit or gratification in the pursuance of this policy. Converting sterling into Rupees, the total capital expenditure upto the current year is 187 crores, or about that, and we are told that, against such a huge capital expenditure on productive works, Government have only borrowed Rupees 29 crores, thus revealing the great strength of India's financial position. It reveals nothing of the kind, as I will presently show. In the first instance, it is misleading to state that we borrowed only 29 crores. We borrowed a further sum of 91 crores, in the following manner. Cash Certificates 87 crores, Post Office Savings Bank 19½, Depreciation and Reserve Funds 25½, Provident Fund surplus 9 crores; all these carry interest and the total of all these borrowings comes to 91 crores of rupees, and particularly the interest on Cash Certificates used to be at one time 6 per cent. compound. I do not see how anybody can congratulate the country, on our small

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borrowings when we are secretly borrowing—I say secretly because the layman does not understand these matters—nearly 100 crores in five years, sometimes at a higher rate than we pay for our public loans. Any way, whatever the interest, an additional 91 crores of rupees have been borrowed during the last five or six years, as admitted in the speech of the Honourable the Finance Member, as against the claim made that we borrowed publicly only 29 crores. That is not all. The rest of the capital expenditure was financed in a manner which I hope will not be repeated hereafter. How was it done?

Revenue surplus .. .. .	12	crores.
Reduction of cash balances .. .. .	22½	„
Gain by exchange .. .. .	7½	„
Reduction of debt .. .. .	22½	„
Other appropriation from revenues .. .. .	3	„

Now, Sir, by whatever name you call this total of about 67 crores, the fact remains that, in five or six years, all this has been taken out of the current revenues. That means that, if you take out of consideration the cash balances of years previous to 1923, you have 47 crores which were taken out of the taxpayer in the last five years with a view to finance capital expenditure of a productive nature. I should like the Honourable the Finance Member to tell me whether, for a capital expenditure of a productive nature, you are justified in raising taxation in excess of your requirements to the extent of nearly 47 crores in five years especially when we are all crying for cheaper salt and the one-pice post card. To our cry, you simply say: "Oh! it is not possible". When we ask for a reduction of salt tax, we are told it is unthinkable. When we ask for any reduction or relief in taxation, we are simply laughed at, and yet, on their own admission, Government have spent in the last five years a sum of 67 crores out of the revenue in one way or another for financing capital expenditure of a productive character. I only make one exception, that is for a moderate reduction of unproductive debt. I should take out of revenue for this purpose a reasonable amount annually, but all the rest I would regard as having been taken out of the pocket of the taxpayer without any necessity. Four years ago there was a debate in this House, and I quoted from a distinguished economic writer, instancing the case of railways, that it was wholly unnecessary to repay the loans on railways and that they should be renewed each time they mature, so long as the railways are a paying proposition.

**Mr. K. Ahmed** (Rajshahi Division: Muhammadan Rural): How can you blame the present Finance Member for that?

**Mr. Jamnadas M. Mehta:** I am simply portraying what has happened. I beg of the Honourable the Finance Member not to take any credit for financing productive capital expenditure out of revenue. Our demand for the one-pice post card could have been met, the poor agriculturists and the masses of the population of this country who are ground down under the burden of taxation, could have got some relief, if Government were not financing their capital expenditure of a productive nature out of current revenues, and thereby maintaining taxation at this level. Therefore I submit, with all earnestness, to the Honourable the Finance Member that this aspect of the question should receive his keenest attention in the next few years.

**Mr. K. Ahmed:** What about the earnestness of your Leader?

**Mr. Jamnadas M. Mehta:** The Honourable the Finance Member wants to review the scheme of reduction and avoidance of debt. I do hope that it will not be a mere departmental review. I urge that representatives from this side of the House should be associated with that review, and that only an agreed plan for reduction and avoidance of debt should be launched forth in future. Otherwise taxation will be maintained at a higher level without any justification. The canons of taxation demand that you shall not take from the public a single pie more than is necessary for carrying on the administration of the country.

Sir, the Honourable the Finance Member's speech could be divided into two parts: the one about the ordinary yearly financial situation, as it is revealed in the budget, the other, about the lines of policy. I have not much to say about the first. I hope the Honourable the Finance Member has not finally made up his mind on the second. His observations on policy are welcome, as being indicative of the direction in which his mind is working. They give us an inkling as to what he is thinking, but I urge that he will keep an open mind on all these questions and not regard them as settled questions of policy from which no departure is permissible. For instance, he waxed eloquent in eleven solid paragraphs about the virtues of foreign borrowing, and he has advised us that, for the industrial and agricultural prosperity of this country and for raising the standard of life of its people, foreign borrowing is necessary, and further that, when he comes forward with a proposal for foreign borrowing, we should support him without being swayed by political prejudices. I think the Honourable the Finance Member would like to have our views in the matter. The foreign borrowing of India is not on the same footing as the foreign borrowing of Japan or America. If Japan pays 6 per cent. on her foreign borrowings, or if America pays 6 per cent. on her foreign borrowing, we will be most willing to pay a quarter per cent. more if we can get money on the same terms and conditions as Japan or America. My Honourable friend says that India is a privileged borrower; I deny that, and say that on the contrary, England, is the privileged lender. What England gets for perhaps one per cent. reduction in interest is the entire control of the concerns which are to be financed. Japan or America will not allow the English financiers to touch her concerns, for which money is borrowed. Japan will not mortgage her future for a loan, nor would America do so. When the English capitalist lends money to India, he does not merely charge interest, but most of the materials and the articles that are necessary for building and maintaining railways in India have been and are still being purchased from the British manufacturer. British Engineers and British administrators are in charge of the railways and other concerns for which money is borrowed from England. The British civilians will see that these concerns get on very well, the British soldier will see that, until all the loans are repaid, he will not leave India; he will further see that, if any portion of the capital or interest remains unpaid, the Indian peasant and the Indian merchant will pay it out of his blood, if necessary. I do not think there is any country in the world which will exchange its position for the so-called privileged position of India. Nor are the instances of history to be forgotten. As soon as the bondholder enters at the door, freedom flies from the window. In the early eighties it was the bondholder who occupied

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Egypt. It is the bondholder who still retains it, and it is the same bondholder who will not leave it until he is actually driven out by force of arms.

The Egyptian people are reduced to the position of a subject race, all due to the foreign bondholders. Therefore, when we sing the virtues of a foreign loan, we should not forget that there is another and a more sombre side of it, *viz.*, the liberty of the human race, the liberty of the subject nations and the liberty of those people who borrow from the British capitalists and others. Ask the Chinese, ask the Afghans if they would like to exchange their position for ours. Even in their present distracted condition, I am sure the Afghans would not like to exchange their lot with those who like us are under the heels of bondholders. It is because of their dangerous repercussions that we view foreign loans with suspicion, and I hope the Honourable the Finance Member, even if there is some delay in our economic advance, will not resort to foreign loans unless, as a last resort, and will not regard them by any means as creditable to this country.

**Mr. K. Ahmed:** If the Indians can pay themselves: that is what the Honourable the Finance Member purported to have said.

**Mr. Jammadas M. Mehta:** In this connection, Sir, I am afraid the Honourable the Finance Member has almost committed himself—I hope he has not—to the theory that there is immense hoarded wealth in this country or that hoarding is still going on. It is a long and controversial question, Sir, and I hope he will not make up his mind simply because the import of treasure has been going up for sometime.

Then, Sir, we find that the military expenditure shows no sign of going down. We are told Rs. 55 crores a year must be maintained in the interests of what is called mechanisation. We read the other day in the papers that such mechanisation was carried out in England, but that expenditure was reduced by 4 millions. I do not see why our expenditure should continue to be higher, simply because of mechanisation. Nor must we forget that it is not Rs. 55 crores alone which this country has to pay for its Army. We find from the statement given at the end of the budget speech that we have an unproductive debt of Rs. 170 crores. Almost the whole of it is due to war and military expenditure. If you calculate the interest on Rs. 170 crores at a very moderate rate, it will come to nearly Rs. 7 crores. Besides that, the loss on strategic railways has now come to nearly Rs. 2 crores; so that we are not paying Rs. 55 crores only, there is, besides, semi-military expenditure incurred on the frontier, etc., so that, in addition to these Rs. 55 crores, it can be safely assumed that Rs. 10 crores of further military expenditure is being incurred. And when you remember that every rupee is now 18*d.* worth in gold, Sir, this country is paying something like 52 millions as against 40 millions which are shown as our military expenditure. Thus in goods and services, in actual hard work, which the people of this country have to do, we are paying for the military expenditure a far far bigger amount than appears on the surface. The dream of the Inchaape Committee of Rs. 50 crores of military expenditure has vanished into thin air, and even with an 18*d.* rupee, it cannot be challenged that today we are paying something over Rs. 65 crores and not Rs. 55 crores.



When you take into account the fact that, out of a revenue of Rs. 132 crores, we have to pay Rs. 65 crores for the military burden, nearly 50 per cent. of the income of the Central Government to be devoted to the Army from which the sons of the soil are excluded, certainly it does no credit to the Government. In the Air Force, Sir, there are about 200 officers, and, so far as I know, not a single one is an Indian. Yet we are asked by the Honourable the Finance Member not to allow our views to be coloured by political prejudices. I am afraid, Sir, the Honourable the Finance Member, when he asks us to give him a support, unalloyed by political considerations, is to my mind like Raselas, Prince of Abyssinia, living in the "Happy Valley" where there was nothing to disturb him. The whole of the administrative and the economic machine in this country is swayed by political considerations. And it is futile to expect us to forget such a fundamental fact.

There is one more point, Sir, after which I propose to resume my seat. In nearly 12 different places in his speech the Honourable the Finance Member talks of the financial strength of this country, of our great credit, and the intrinsic strength of the rupee exchange; and I suppose nothing gratifies him so much as that fact. Now, Sir, I have shown already that this credit is maintained at the cost of grinding taxation of the poor helpless millions of the people of this country. If I may take an analogy—suppose a householder starves himself and his family, clothes his wife and children in rags, keeps his children illiterate and also lives in a hovel, but when the moneylender comes, gives him his interest and capital on demand even when the payment can be postponed or spread over a larger number of years, and even when the moneylender will not be justified in demanding it earlier—if you have a family man who will do all that, i.e., starve himself, his family and children and clothe them in rags and keep them illiterate and live in a hovel, what will you think of him? His credit with the moneylender may be high, but his discredit as a father would be greater. That is the position of the Government of India. Their credit may be great, but their discredit is greater because the so-called credit is secured only with the hard toil, ignorance, nakedness and misery of the people of this country.

I am afraid, Sir, the Honourable the Finance Member has let himself go on the question of the ratio. He must not forget that the most acute controversy had raged round this question for four or five years, that the opposition to the new ratio was so great that there is hardly any parallel to it in recent years. The method by which the ratio was systematically raised is revealed in those telegrams in Appendix 98 to the Report of the Hilton Young Commission on Indian Currency and Finance. Those methods shed no credit on the Government that adopted them. The methods that were adopted for carrying the 18d. ratio in this House were even more ignoble. I propose to disclose on the Finance Bill the methods which were adopted for placing the new ratio on the Statute-book. Even now I can say what these methods were—even public women were used as instruments for the purpose of getting votes for it in this House, Sir. (Shame.) I am prepared to substantiate that either the Government of the day or their agents or their supporters did not hesitate to utilise such disgraceful methods for the purpose of carrying the ratio in this House and placing it on the Statute-book. Public women were made instruments for securing votes. When the methods which were followed will be made

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public they will stagger all civilized countries. When the public know that the decision was wrung in this barbarous manner, that they were stabbed in the back, they will be shocked. And when trade depression and the consequent suffering are being seen everywhere, the Honourable the Finance Member mocks the agony of those who are shrieking on account of the pain. I hope, Sir, he will realise that it would have been better if he had not delivered himself with that thoroughness and fulness on the exchange question. If he had merely said, 'Sir, that the ratio question was now a closed chapter and that there was not any particular advantage in reopening it, we could have understood that. There may be difference of opinion as to whether the exchange ratio should now be altered or not; but to mock the agony of those who are suffering was something we had not expected.

Sir, one word more and I have done, the future is on the lap of the gods, but additional taxation is not a thing which we can contemplate with equanimity. So long as the financial policy remains what it is, the borrowings of the Government will become increasingly difficult and the capacity of the public to finance Government will continue to be weak. What is more, even the various sources of revenue will continue to be either stagnant or will deteriorate. At that time, the only source from which Government could get assistance for making their budget balance will be retrenchment. Retrenchment is the only method, and if the recommendations of the Incheape Committee are even now honestly carried out, Government will have no cause to fear a deficit budget and we can go on reducing taxation and balancing our budget, in spite of the adverse times through which we are passing.

**Maulvi Muhammad Yakub** (Rohilkund and Kumaon Divisions: Muhammadan Rural): Sir, I sympathise with the Honourable the Finance Member that his first budget should be a deficit budget for no fault on his part. However, the way in which he has balanced his budget, and the candid manner in which he has placed the budget before the House, are deserving of our full appreciation. Sir, I entirely agree with my Honourable friend Mr. Kelkar that the time allowed for the discussion of the budget in the House is insufficient, and we always find that not more than one or two Demands are discussed when the time is finished and the guillotine is applied, and in this way many an important question remains undiscussed. Even in the Provincial Councils we find that the time allowed for the discussion of the budget is greater than we have got here in this House. I would therefore also suggest that more time should be allotted for the discussion of the budget than at present; but at the same time I think that we ourselves are also to a certain extent, responsible for the manner in which the budget is discussed in this House. If Honourable Members could, by private understanding, arrange their speakers on each Demand, I think more items would be disposed of during the short time at our disposal.

Sir, India has lately been greatly disturbed by the unfortunate events in Afghanistan. The disastrous eruption on the northern frontier of India is no doubt capable of producing some shaking in this country; but the wise and statesmanlike policy of neutrality declared by the Government of India has greatly relieved the position, and I take this opportunity to congratulate His Excellency Lord Irwin for the statesmanlike manner in

which he has steered the vessel of the country in this stormy weather. I hope the Government of India will stick to this policy as regards the affairs in Afghanistan and will keep itself aloof from doing any act which may involve the Government in a most disastrous and ruinous war which would lead the country to financial bankruptcy.

Sir, the interest of this House in the budget is only an academic one. In the first place, it is only a very small portion of the entire expenditure which is votable, and that too becomes simply a farce on account of the power of veto vested in the Governor General. Even small sums, which in fact are not necessary for carrying on the King's Government, are restored under this power. Any extension of reforms which will not give a real power over the purse of the country to the representatives of the people will have no value. And if in the words of His Excellency Lord Irwin, "the declaration of 1917 stands and will stand for all time as the solemn pledge of the British people to do all that can be done by one people to assist another to attain full national and political stature", and that pledge is not in any way dishonoured, then the next instalment of reforms must give more extensive and more real power over the purse to this House than it possesses at present. This is the standard by which the people of India will judge the honesty and the goodwill of the British Government and the solemnity of their pledge to the people of this country.

The remission of provincial contributions was hailed throughout the whole country, and I hope and trust that, in his anxiety to fill the gap caused by the remission, the Honourable the Finance Member will not go to the length of levying new taxation on the country or take the stigma of re-establishing the provincial contributions.

Coming to the items of expenditure, it is a matter of great pleasure to me that a liberal contribution of 15 lakhs has been made towards the Benares Hindu University. That institution has been asking for help for many years and I take this opportunity to congratulate my esteemed friend Pandit Madan Mohan Malaviya on the success of his efforts. But it has caused me and the entire Moslem community great disappointment that the claims and the needs of Aligarh Muslim University were overlooked on this occasion. For several years have I been impressing upon the Government the extreme need of helping this institution, and the programme which has been placed in the hands of Government will indicate the extent of the disappointment given to the Mussalmans on this occasion. Probably this is a result of that policy of theirs. In the words of my Honourable friend Mr. Coakman "No Mussalman of political standing joined the movement for boycotting the Simon Commission". I hope this attitude of Government will serve as a warning to my community. Other educational institutions which deserve some consideration at the hands of the Government of India are the Anglo-Arabic College at Delhi and the Titbia College. The former is a very old educational institution of All-India fame, like the late Sir Syad Ahmed Khan, Shamsulolama Maulvi Zakauallah, Maulvi Muhammad Hussein Azad and many others. This College now gives education up to the intermediate standard, but it has been decided to raise it to the status of a degree college from April next. Last year I placed a short history and the programme of this

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institution in the hands of the Honourable the Home Member. The Tibbia College at Delhi is an institution of great value and utility; it is probably the only institution in India which combines in its curriculum the English, Unani and Ayurvedic systems of the science of medicine; and where a department of research also has lately been established. I hope and trust that the claims of these institutions will receive due consideration next year. Since the time that Delhi has again been converted into the Capital of India, its population has immensely increased, and the local municipality is incapable of meeting all the expenditure which is required to improve the sanitation and the hygienic conditions of the city. Some of the areas like the Karaul Bagh stand in urgent need of improving the methods of water-supply, and I understand that the Delhi Municipality has been pressing its claims for many years. The manner in which medical aid is provided for the people of this ancient as well as modern Capital of India is simply scandalous. There is only one hospital for the people of the whole of the City, known as the Civil Hospital. This is the dirtiest hospital that I have ever seen in India. It is located at a place where it is impossible for the patients to have any rest . . .

**Mr. Jamnadas M. Mehta:** But the building is good.

**Maulvi Muhammad Yakub:** The building is as bad as it can possibly be. No private wards worth the name are provided . . .

**The Revd. J. O. Chatterjee** (Nominated: Indian Christians): A new hospital has already been sanctioned.

**Maulvi Muhammad Yakub:** I am going to mention it. No private wards, worth the name, for decent well-to-do patients are provided in this hospital; it is really surprising how the medical authorities in Delhi can do any work at all. The present Chief Commissioner, Sir John Thompson and the present medical officer, Colonel Reinhold are fully alive to these facts and both of them are taking a keen interest in improving the conditions, and it is a matter of some relief that, in the present budget, some provision has been made to meet these urgent needs of the city. In concluding my remarks I would only urge upon the Finance Member, who has started his work with good wishes from all sides of the House, that he should carry on the important duties of his office in such a manner as will always carry with him the good wishes and support of the representatives of the country in this House.

**Mr. R. K. Shanmukham Oshetty** (Salem and Coimbatore *cum* North Arcot: Non-Muhammadan Rural): Mr. President, in the concluding portion of the budget statement the Honourable Finance Member has appealed for good-will on the part of Honourable Members on this side of the House in the great and responsible task of managing the finances of this country. From the tenor and tone of the speeches to which he has listened so far, I am sure he will by now be convinced that his appeal has not been in vain. More than one Member has referred to the nature of the budget statement, and especially commented upon the frankness of the speech of the Honourable Finance Member. In his own words, the Honourable Member has sought to disguise none of the difficulties and exaggerate none of the favourable features; and I would like to join my Honourable friends on this side of the House in congratulating him on his able statement. Though in the whole of his speech there is

a tone of subdued optimism, there is not wanting evidence that the Honourable Member is fully alive to the realities of the financial situation in this country. It has been remarked by some one that a financial statement is at once a report, an estimate, and a proposal,—a report of the past year, an estimate of the present, and a proposal for the future. In so far as the statement of the Honourable Member is a report of the past and an estimate of the present, his task, in presenting that report and in giving that estimate, is simply that of reviewing the work left by his predecessor. Our task and his task this year is more to examine the heritage left to us by Sir Basil Blackett and to take stock of the financial assets and liabilities of our country. In his last budget speech, Sir Basil Blackett expressed a note of personal regret, and at the same time he prophesied that it would fall to the lot of his successor to inaugurate those measures of readjustment and remission of burdens of taxation, welcome alike to the tax-gatherer and the tax-payer. But, Sir, already the financial statement to which we listened the other day has proved that the prophecy of Sir Basil Blackett has failed to fructify. My Honourable friend, the Finance Member, far from being enabled to turn his attention to the welcome question of remission of taxation, has been compelled seriously to consider the possibility of imposing fresh taxation on the country. He has made no secret of the matter. As he himself expressed it, he said "I wish to leave Honourable Members in no misapprehension in this matter. If additional taxation proves to be necessary in the following year the need will have to be boldly faced." These, Sir, are ominous words, ominous alike to him who uttered and to those who listened to them. I only hope and pray that it may not be necessary ultimately for the Honourable Member to take upon himself this unpleasant task of imposing fresh burdens.

The Honourable Member has given us what he himself has described as the true nature of the results of the budget of 1928-29. The budget, if it is carefully examined, does not disclose a surplus of 80 lakhs, nor does it even leave a deficit of only 75 lakhs, but, according to my calculation, it would be a deficit of about 114 lakhs. As the Honourable Member himself pointed out, the budget of 1928-29 has been benefited by 40 lakhs of customs revenue, which really belonged to the previous year, and 65 lakhs of salt revenue which belongs to the succeeding year; and in addition to these two items he has taken from the railways a net additional contribution of 39 lakhs, as a result of the new rule that he has introduced, and of which he has spoken in his budget speech. The true nature of the budget of 1928-29 therefore is that it is a budget which discloses a deficit of 114 lakhs. What of the future? The budget estimate for 1929-30, if you take into account for the credit of 1929-30, 65 lakhs of salt revenue which has accrued in the current year, will disclose a real deficit of 25 lakhs. To this must be added an uncovered liability of 40 lakhs in the Post Office Cash Certificates; so that the net result of the budget for 1929-30 will be a deficit of 65 lakhs. My Honourable friend has proposed to make good this deficit by drawing upon the Revenue Reserve Fund. Sir, I do not blame my Honourable friend for drawing upon the Revenue Reserve Fund. But I would ask Honourable Members to remember that the balance that remains in the Revenue Reserve Fund was constituted for an entirely different purpose. Honourable Members will remember that, in the year 1926-27, the budget disclosed a realised surplus of 282

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lakhs, after giving a special grant of 28 lakhs to Bombay for that year. The proposal of Sir Basil Blackett was to transfer the whole of the 282 lakhs to a special Revenue Reserve Fund, and from that Fund to draw 181 lakhs to make good the deficit due to the remission of provincial contributions. And the balance of Rs. 101 lakhs in this Revenue Reserve Fund was meant to be a reserve for meeting any temporary deficit that might be caused by the establishment of the Reserve Bank and the inauguration of the gold bullion standard; so that the object for which the balance of the Revenue Reserve Fund was intended to be used by Sir Basil Blackett is entirely different from the one for which my Honourable friend has used it this year. But, as I said, I do not blame him for that. I thought it would be worthwhile for Honourable Members to realise what exactly the nature of the Revenue Reserve Fund is.

The budget, Sir, as I said, discloses a deficit of Rs. 65 lakhs, and before 1935, as a result of international obligations entered into by the Government of India we ought to be prepared for the disappearance of a revenue of Rs. 281 lakhs from opium. Added to this, there is the accrued liability of 7½ crores of rupees in the Post Office Cash Certificates. Now, these are all liabilities which we will have to meet in the coming years. All hopes of savings from military expenditure are set aside, at least for four years to come, because, according to the scheme of the Honourable the Finance Member a sum of Rs. 55 crores per year is to be set aside for the expenses of the Army, and I would ask Honourable Members to remember the additional element in this contract between the Finance Department and the Army Department that, if there is any unexpended portion in a year, it would not lapse in that year but would be carried over to a suspense account to be used by the Army Department in the succeeding year . . . .

**The Honourable Sir George Schuster** (Finance Member): I should like to correct one part of the Honourable Member's statement. The savings are now set aside for three years to come, and not four years.

**Mr. R. K. Shanmukham Chetty**: I thought it was four. So that in the next three or four years, when we will be called upon to make good all these accrued and accruing liabilities, we must give up all hope of having any savings from the Army Budget. Taking a review of the future in this light, it certainly causes some concern, and unless there is a substantial increase in revenue, accompanied by a substantial reduction in expenditure, the prospect for the future is gloomy indeed.

If that is the revenue position, the ways and means position causes no less anxiety. The sources which during the last five years helped the Finance Member's predecessor to meet the huge capital programmes on the railways have now disappeared. Revenue surpluses have already given place to revenue deficits. Cash balance has been reduced to its absolute minimum. The item of gain by exchange has disappeared. The Post Office Cash Certificates show a progressive diminution. During the last five years, with the help of all these extraneous sources, very huge commitments have been incurred, and the time has now come when the whole policy of capital programme and expenditure has to be very carefully reviewed. The only available sources to meet the ways and means budget in future will be the provision that will be made for reduction or avoidance of debt and the Depreciation and Reserve Funds

in the railways. The rest of the money will have to be found by borrowing. Viewed from this light, our ways and means position is certainly not free from complications.

Sir, I would draw the attention of the Honourable the Finance Member to one particular aspect of the policy pursued in the matter of railway capital expenditure. During the last five years railway capital expenditure has been incurred from year to year, not on the basis of what the finances of the country can bear, but upon the basis of the capacity of the railway administrations to spend. On that basis, we have been told, year after year, that the Agents of railways have been given a free hand to exceed the specified allotment which has been made for capital expenditure. I would ask the Honourable Finance Member just to ponder over this state of affairs and decide whether the whole policy does not now require revision. When the Finance Member reviews this policy, he will find that he is faced with practical difficulties. When he asks the railway administrations in future to regulate their capital expenditure in accordance with the available resources of the Government of India, he will be told that the railways have now so equipped their plants that they are now able fully to spend the allotment made to them, and if at this moment you cry halt, all the money that has been spent in improving the equipments for enabling the railways to spend money on capital expenditure would be wasted. That would be a very awkward situation which the Finance Member will have to face.

Sir, my Honourable friend, Mr. Jannadas Mehta, analysed the true implications of the statement that, during the last five years, there has been a capital expenditure of 120 crores of rupees and £49½ million, and that the net borrowing has been only Rs. 12 crores and £13 millions, and he said that this is not a matter for congratulation. The use of revenue surpluses for capital expenditure would mean that schemes of a beneficial nature have evidently been starved. In this connection I would invite the Honourable the Finance Member to read the classical speech of the late Mr. Gokhale, delivered in the old Imperial Legislative Council on the 7th of March 1911, in which he said that the use of revenue surpluses for capital expenditure is a short-sighted policy when money is required for schemes of public benefit. During the last five years the revenue surplus of 12 crores, sinking fund of 22½ crores and other appropriations from revenue of 8 crores, altogether 37½ crores, have been taken from current revenues and invested on productive capital enterprises. Speaking about sinking funds, I would invite the attention of the Honourable Finance Member to the need for consulting this House when the time comes for revising our whole scheme for the amortisation of our debt. Honourable Members will remember that, in accordance with a departmental Resolution of 9th December 1924, provision is made from year to year for sinking fund. When this scheme was inaugurated, this House was not consulted. Sir Basil Blackett gave in a budget speech what he considered to be the periods during which the various classes of our debts must be amortised. He said our war debts must be extinguished in 50 years, our deficits in 25 years, expenditure incurred on the Delhi capital in 15 years, and expenditure incurred on productive enterprises in 80 years. Now, even taking it for granted that the basis given by Sir Basil Blackett is right,

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I maintain that, in actually working it out, a greater amount is appropriated from revenues than is necessary. For one thing, in converting the sterling debt, the whole debt has been converted at 1*sh.* 4*d.*, and every year 1/80th of the excess of capital expenditure over what it stood at on the 1st April 1928 is added on as provision for sinking fund. Now, I submit that this is a very crude method. If you want to extinguish your debt in 80 years, the method is not to provide one-eightieth of your new obligations every year, but to provide such a sum which, when invested at compound interest at a certain rate, will in 80 years wipe off the obligations that you have incurred. That is the proper method to follow, and if our whole scheme is calculated on this basis, you will find that you do not require Rs. 572 lakhs, which we have set aside this year for the amortisation of debt. Again, about Rs. 30 lakhs every year, which we get from the reparations, is automatically credited for reduction or avoidance of debt. I am glad that the Honourable the Finance Member has foreshadowed a different policy in using these reparations. He has mentioned that he proposes to utilise the Rs. 30 lakhs from the Dawes' annuities towards meeting the uncovered liability of the Post Office Cash Certificates. If he is right in utilising the reparation receipts in this direction, may I not be permitted to say that the whole of the reparation receipts from year to year must be credited to revenues and must be appropriated not for the sinking fund, but for non-recurring items every year? I hope, Sir, that the Honourable the Finance Member will consult this House when the whole policy of amortising our debt is reviewed.

I would venture to give for his consideration what I consider to be certain healthy rules which ought to be observed in any well-considered scheme of amortisation of our debt. No provision need be made for the amortisation of productive debt, so long as adequate provision is made for the depreciation of the assets from the annual receipts of commercial and quasi-commercial departments. The purchase of railways under the annuity system, to which an obligatory sinking fund is attached, is to be depreciated, and railways cannot be relieved of the capital charge on account of the operation of these provisions. The contracting of compulsory obligations, like the liability undertaken by the Government for the cancellation of 5 per cent. rupee loans in case of depreciation of securities, should be strictly avoided. From the unproductive debt the amount spent so far for the total productive capital liabilities must be deducted and the remaining unproductive debt should be extinguished in a definite period in accordance with a well considered plan. Revenue surpluses should not ordinarily be used for reduction or avoidance of debt, but must be carried on to a revenue reserve fund which is to be used for meeting temporary deficits and for financing non-recurring expenditure of a beneficial nature. These, Sir, I consider to be certain helpful rules which it would be beneficial for us to follow in deciding upon a proper policy for amortising our unproductive debt.

I am obliged to the Honourable the Finance Member for giving us a more correct and a more lucid statement of the debt position of India than what used to be given by his predecessor. But when I compared the figures given in this statement with some of the figures referred to in the body of the speech and also with the tables given by his



predecessor in previous years, I was absolutely at sea. I could not reconcile many of these figures, and I will give certain illustrations. Now, we have been told that the net borrowing during the last five years has only been Rs. 12 crores. But what do I find in this statement? On the 31st March, 1923, the rupee debt stood at Rs. 339·88 crores; on the 31st March, 1928, it stands at Rs. 372·25 crores. That means it has increased by Rs. 32·42 crores, from which I must deduct . . . .

**The Honourable Sir George Schuster:** I do not want to interrupt the Honourable Member at all in continuing his examination of those figures, but I suggest to him that, if the time of the House is valuable, it would be more useful if he would consult me about them. It is an extremely complicated matter. I promised to give him every explanation. The figures can be reconciled, but it is very difficult to enter into a full explanation across the floor of this House. I personally told the Honourable Member that he would have difficulty in reconciling the figures, and I told him also that I should be most happy to go into them with him in detail. I suggest that his time might be more usefully spent in continuing the main lines of his argument.

**Mr. R. K. Shanmukham Ohetty:** I am very much obliged to my Honourable friend for agreeing to give me the necessary explanations, which will enable me to reconcile those figures, but I would like to throw out one suggestion for him. In presenting a statement of the debt position of India, he must present it to this House in such a form that would enable the average Member of this House to understand the true implications of those figures. The value of this statement mainly lies in the inferences that we can draw from comparisons of previous statements, and if the time of Honourable Members on this side is to be usefully spent on such an examination, the whole statement must be given in a standardised form in future, so that the form of the statement will not vary from year to year. I will not go into all those discrepancies which I have marked out, but I will just draw the Honourable Member's attention to only one point. Take the balance of the total obligations uncovered by productive assets which he has given in his statement. For the 31st March, 1923, according to his calculation, the unproductive debt is Rs. 208·90 crores; according to the statement given by his predecessor, it is Rs. 254·74 crores. On the 31st March, 1924, it is Rs. 204·95 crores, and Rs. 260·18 crores according to Sir Basil Blackett's statement.

**The Honourable Sir George Schuster:** The statement of the debt position was specially altered in order to meet the wishes expressed by Honourable Members in the budget debate last year. It is necessary that there should be an alteration in the way in which the figures are now shown because they have been drawn up in this new form.

**Mr. R. K. Shanmukham Ohetty:** I am very glad that the Honourable the Finance Member has so readily met the wishes of Honourable Members on this side of the House in giving this statement in a different form. But whatever might be the nature of the form of the statement, I put this question to the Honourable the Finance Member. How is it that his predecessor considers that Rs. 254 crores is the unproductive debt of India, and according to his opinion, Rs. 208 crores is the unproductive debt? Surely, when you arrive at net figures . . .

**Mr. Ghanshyam Das Birla** (Benares and Gorakhpur Divisions: Non-Muhammadian Rural): It is a question of fact and not a question of opinion.

**Mr. R. K. Shanmukham Chetty:** Yes, it is a question of fact and not a question of opinion, especially when you deal with a year in which the accounts have been closed. For, on the 31st March, 1928, there certainly ought to be no difference of opinion as to what exactly was your unproductive debt on that date. It cannot be Rs. 254 crores according to the opinion of Sir Basil Blackett and Rs. 208 crores according to the opinion of the Honourable the Finance Member.

**The Honourable Sir George Schuster:** I am sorry to interrupt the Honourable Member again. In the statement which I prepared I have deliberately departed from showing anything under the heading of "unproductive debt". I have shown the balance of the total public debt and other obligations not covered by productive and other assets. It seemed to me that that was a much more accurate way of showing it, because, if we had continued on the other basis, we might have got to a stage where the unproductive debt was actually shown as a minus figure. Do you take my point?

**Mr. R. K. Shanmukham Chetty:** I fully realise the difficulties that have been caused as a result of varying the nature of the statement. I realise, Sir, that it is not possible, across the floor of this House, to carry on a discussion and reconcile these discrepancies, but I suggest to the Honourable Member that, in future, at any rate, these statements will be reduced to a standardised form, so that there may not be difficulty for Honourable Members on this side of the House to understand these figures.

**Sir Victor Sassoon:** There will be a new form?

**Sir Purshotamdas Thakurdas:** And a uniform one.

**Mr. R. K. Shanmukham Chetty:** I have exhausted the time that you have allotted to me, and it is not possible for me to touch on any more points. I will close only with this remark. If you take into consideration the fact that there has been a fall of 50 lakhs in the revised estimate for 1928-29 in the customs duty on cotton yarn and piecegoods, and that, in spite of decreased production in Indian mills, due to strikes and other causes, if you consider the fact that there is a gradual diminution in the sale of Cash Certificates, and when you take into consideration the fact that the receipt from income-tax has ceased to expand, these are evidences which must go to show that the purchasing power of the people has seriously deteriorated. I do not want to concentrate upon the bad patches in the financial situation in the country. Even without concentrating one's attention on the bad patches alone, I must be excused if I venture the remark that, if there is no cause for alarm, there is cause for anxiety and certainly no cause for jubilation.

**Mian Mohammad Shah Nawaz** (West Central Punjab: Muhammadan): I too heartily congratulate the Honourable the Finance Member on the presentation of his sane and sober budget with a pleasant voice. Sir, the budget does not pretend to do more than to tide over a very difficult period. Like a wise man, the Honourable the Finance Member has not committed himself to anything. He would wait and see how things in the political world will work out. There is no reduction in

taxation of course. There is no increase, and the only increased imposition is an extra 2 annas duty per gallon on petrol, not for general revenue, but to create a special fund for road development, and if it results in more and better roads for India, I believe no one will grudge the increase. There is no fat surplus, and there is no troublesome deficit. But every one knows that the financial position of India is somewhat strained and it involves a possible prospect of fresh taxation a year hence. I tell the Honourable the Finance Member respectfully that a suggestion to resort to fresh taxation will give a great impetus to the threatened non-co-operation movement. The Government would be wise to review their expenditure and make necessary retrenchment. We all know that the monsoon has partially failed in the Punjab and in the United Provinces. We know that the cold has destroyed the wheat crops. We know there is industrial unrest in many districts. Therefore, under these circumstances, it is not advisable even to suggest the prospect of additional and fresh taxation in any shape or form. Sir, I have got to say a few words about the Punjab—a province I have the honour to represent. The land of the five rivers is considered to be a very prosperous land, but I tell you, Sir, that its prosperity has reached its climax. Punjab's gloomy days are coming, and for that the Department of Industries is partially to be blamed. The Department of Industries has mercilessly withheld some of the future Punjab irrigation schemes, such as the Thal Canal Lesser Project and the Pindadankhan Lift Scheme at the dictation of that spoilt child of India, I mean the Bombay Government. The Bombay Government has lost three crores of rupees in the Back Bay Reclamation Scheme and they have an imaginary fear that the Sukkur Barrage Scheme may suffer if the Thal Canal and the Pindadankhan Lift schemes, which are now before the Government of India, are sanctioned. I know the subject of irrigation very well; it is in my line. The Sukkur Barrage is going to be a success, and the fear of the Bombay Government that they may possibly suffer is quite imaginary. Punjab claims that there is sufficient water in the Indus for the construction of the Punjab future irrigation schemes and of the Sind canals. Sir, as far back as in 1902, the old Punjab Legislative Council was pleased to pass an Act with the previous sanction of the Government of India and the Secretary of State, namely, the Sind Sagar Colonisation Act. Under the provisions of that Act Government takes three-fourths of the property belonging to the proprietors of a certain tract in the Punjab, called the Thal tract in the event of their bringing the Sind Sagar Canal, commonly known as "the Thal Canal," to that part of the country. The total area to which the Government would be entitled under that Act would be nearly 2 million acres. The Thal proprietors will have to pay land revenue as well as water rates. The pledge of the Government to construct the Thal Canal within a reasonable time is embodied in an Act of Legislature. Twenty-seven years have passed and the promised canal has not yet been sanctioned. Under the terms of that Act, the Thal proprietors cannot partition their lands. They cannot sink wells in their lands; they cannot improve them in any way. Great injustice has been done to the Thal proprietors in the Punjab Province, and I earnestly request the Government to constitute a committee of experts at once to go into the matter of the distribution of the water of the Indus between the two contending provinces, because the discontent in the Punjab is enormous now, and I say on the floor of this House that, if the Punjab irrigation interests are not looked after by the Government of India, the situation thus created will strengthen

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the hands of the extremists and they may find an opportunity and scope to start civil disobedience in that province. Sir, before I deal with other subjects I desire to say a few words about the ratio. My friend Mr. Jamnadas Mehta has now left the Chamber. It must be admitted that he has taken great liberty to assail the honesty of those Members who had voted with the Government in favour of the higher ratio. He said that the Government had secured votes with the help of prostitutes—very strong language indeed to use in respect of the Government and the

1 P.M. Honourable Members of this Honourable House. Well, Sir, whether the Members were tempted by the Government to vote in their favour or not—I believe they were not—I know as a fact that Members were tempted by certain outsiders from Bombay and elsewhere to vote for sixteen pence ratio. Of course no Honourable Member paid the least attention to them. As far as I know the Government did not offer any temptation, but I know that pressure was brought to bear from Bombay side on the integrity of certain Honourable Members who were inclined to vote for the eighteen pence ratio. . . . .

**Mr. M. A. Jinnah** (Bombay City: Muhammadan Urban): I hope I am not included in that?

**Mian Mohammad Shah Nawaz**: No, because you voted for the lower ratio; you were with them. At the time when the controversy was at its height, the actual ratio was in the neighbourhood of eighteen pence, and we, like practical men, thought that without creating the least disturbance in business, we should peg the ratio at that point, at 18d. To disturb the ratio now means to dislocate contracts, to dislocate peaceful business, and to strike a blow at India's credit. It is now futile to attack the four years' old ratio any more because the higher ratio is safely entrenched behind its gold and sterling reserve, and the statute law of the land. It is true that industries are depressed. But the fact of the matter is that India and the Indian people are investing their money abroad, possibly on the ground that it brings them better returns. What we need most really is that we must concentrate our attention on the establishment of a Central Bank, and then I feel that depression all round will cease to exist and conditions of business will also improve. India's credit is still high in the money market of London, and that shows the goodwill of Britishers towards India. The Honourable Finance Member is quite right when he says that it will not do us any harm—in fact it will benefit us—if we borrow from England. My learned friend, Mr. Jamnadas Mehta says that we should not borrow from abroad. That's easier said than done. If our people will continue to put their money in foreign securities, what can we do? They had better invest their money in their own country. Instead of doing this, they began to sell their rupee securities and prices began to tumble.

I now come to the military budget and the military policy of the Government. I say without hesitation that the military policy of the Government is extremely narrow and unsatisfactory. The fact is that His Excellency General Birdwood is not in the same street with General Rawlinson. It is an open secret now that, although the Government of India did not see their way to accept the Skeen Committee's recommendations in entirety, they did send up to the Secretary of State for India and

the War Office a very good scheme, which came nearly up to the recommendations of the Sandhurst Committee. I don't know what has been done in regard to that scheme, but probably the War Office has not accepted it. I think the Government will be well advised in reviving those recommendations and putting them before the Secretary of State and His Majesty's Cabinet once more. It is obvious that the children of the soil must be appointed to the higher ranks in the Army in larger numbers. If Great Britain is in earnest—and I believe Great Britain is in right earnest—in giving Dominion Status to India as speedily as possible, there is no reason why the military policy should not keep apace with the political reforms. Believe me, Sir, that no country can attain even a small measure of self-government through conditions of tutelage and dependency for an indefinite period. We do feel strongly that Indians must be trained to defend their own country. It is terrible when we think that the children of the soil, the children of this vast country, whose forefathers were successful soldiers and Commanders in the past, should not be allowed to defend their own country, and lead their own regiments. It is a great shame and I pray the Government to see to it and to change their military policy. His Excellency the Commander-in-Chief told us last year that he has given us twenty vacancies in Sandhurst, 6 at Woolwich and 6 at Cranwell, but he has not said that the percentage is to be increased annually, and he was absolutely silent as to the establishment of a Sandhurst College in India. The Indians do feel, and feel very strongly, that a Sandhurst College must be established in India, in accordance with the recommendations of the Sandhurst Committee in 1933 at Dehra Dun or some other suitable place. They feel that the Kitchener's College at Jullundur is quite inadequate to meet the just demands of the Indian people, and that Indians must now be appointed to the higher ranks in the Army, in accordance with the recommendation of the Skeen Committee, or at the least, in accordance with the proposals made by the Government of India at the time of General Rawlinson, who sympathized with Indian aspirations.

**Mr. M. A. Jinnah:** What was that?

**Mian Mohammad Shah Nawaz:** I cannot tell you the details, but the scheme was a happy *via media* between the Sandhurst Committee's recommendations and the scheme which was placed before the House last year by His Excellency the Commander-in-Chief. I think Government would be wise to revive that scheme and I do hope that they will.

**Mr. M. A. Jinnah:** Is it a public document?

**Mian Mohammad Shah Nawaz:** I cannot say. I do not know the details of it. But I know this much, that the scheme was a very good one and my Honourable friend, Mr. Macworth Young knows it.

**Mr. M. A. Jinnah:** The House would like to know what the scheme is.

**Mian Mohammad Shah Nawaz:** Ask Mr. Young, he may be able to tell you. I don't know the entire details, but that was a far better scheme than the scheme put forward by His Excellency the Commander-in-Chief.

I do hope, Sir, that Providence will be merciful and give us a better monsoon this year, and I do hope that all good citizens of India will strive together by orderly steps to attain, as soon as possible, that goal of Dominion Status which we all have in view.

[**Khan Bahadur Makhdum Syed Rajan Bahah Shah** (South West Punjab: Muhammadan) then made a speech in the vernacular. A translation of his speech will appear later as an Appendix to these Debates.]

**Mr. M. S. Sessa Ayyangar** (Madura and Ramnad *cum* Tinnevely: Non-Muhammadan Rural): Sir, it is rather my misfortune not to join in the chorus of praise and congratulations for the Honourable the Finance Member. I am not unconscious that he is not wholly responsible for the actuals of 1927-28 or the revised estimates of 1928-29; but he is certainly responsible for the forecast of 1929-30. The House will see from the budget statement that 1927-28 started with a Reserve Fund of 296 lakhs; and the Honourable the Finance Member has shown that the position is actually 30 lakhs better in 1928-29 and 90 lakhs worse in 1929-30. As a matter of fact, as my Honourable friend Mr. Chetty put it, the deficit is much more than is actually disclosed in the financial statement. I entirely agree with him in the figures that he has discovered with reference to the actual deficit all these years. Seeing that there is actually a deficit which forms part of the forecast for 1929-30, may I not ask the Honourable the Finance Member to see to the wisdom of cutting a certain portion of the expenditure? I would refer, in the first place, Sir, to the expenditure item of Rs. 29 lakhs for the purpose of the construction of the India House in London. I remember, when I was in the Standing Finance Committee, this question came up for discussion, and I strongly protested against this India House being erected in London, but I was out-voted by the majority. But, Sir, now I am certainly entitled to ask at this juncture, in the face of the deficit forecast, "cannot the further building of the India House for 1929-30 be now made to wait?" The Honourable the Finance Member claims for some of these items for which 76 lakhs have been provided, are beneficial and constructive undertakings. No doubt the building of the India House is a constructive project, but is it also beneficial? Whom does it benefit? Certainly, Sir, I am entitled to ask the Honourable the Finance Member whether he could not have made no provision, and whether this item could not be made to wait till the end of the coming year?

Then again, Sir, he has apportioned about 16.5 lakhs for the purpose of creating a Research Fund in pursuance of the recommendations of the Agricultural Commission. My Honourable friend Mr. Duraiswami Aiyangar yesterday was not satisfied with this grant, and he was for the immediate grant of Rs. 50 lakhs which the Agricultural Commission wanted. I have got a grievance of an entirely different sort. In providing for this 16.5 lakhs for the Agricultural Research Fund, whom does it again provide for? I think it certainly provides for some trained experts from England to occupy certain posts in India in this research institute. I know, Sir, time after time, these experts are trained in England, and I daresay they are so trained entirely for Indian consumption. That is the first of the series of objections, Sir, which I advance against the provision of this amount. Then again, it seems to me that it may possibly take a long time for some of the researches made in this experimental research institute to have any effect on the agricultural masses, when these experiments will have to be placed before them, and they will have to take to such experiments themselves and operate on them as a matter of fact. That is problematical, and it is likely that a very long time will intervene between the time when we set apart this amount, and

the actual time when these experiments may filter down to the knowledge of the agricultural masses.

Next, Sir, my grievance is this, that throughout the whole budget, and the statement which accompanied the budget, I find that there is a real concealment of the real situation. I do not say that the Honourable the Finance Member was conscious of the concealment that really lies hidden in the figures he has given to us; but I can certainly discover the concealment that I am speaking of. Last year, speaking at the time of the general discussion of the budget, I requested the then Honourable the Finance Member to express to us, in terms of gold, the crores of rupees that were put under certain heads, and I really emphasised the need of his giving us the crores of rupees in terms of gold, at least so far as the military expenditure went. I brought to the notice of this House last year that, expressed in terms of gold, it disclosed quite a contrary state of things. For instance, the present budget figure of Rs. 55 crores set apart in the forecast for the coming year for expenditure on the Army, is to be not only for the coming year but also for four more years to come; and the Honourable the Finance Member was apparently satisfied with having made an arrangement with the Army Department to have Rs. 55 crores set apart for four years to come as a net grant within which they will have to get on, besides finding an additional Rs. 10 crores therefrom, which they wanted badly for effecting some permanent improvements in the Army. Sir, what does this figure denote? When the Inchcape Committee sat in 1923, the expenditure on the Army was Rs. 65 crores. Then, Sir, the 16*d.* ratio operated, and in terms of gold the Rs. 65 crores at the 16*d.* ratio would give us somewhere about 40·60 million pounds. Now, the operating ratio is 18*d.*, and calculating the present Rs. 55 crores at the rate of 18*d.*, what does it come to? It will give us 41·20 million pounds. So that, in spite of the apparent decrease of expenditure under the military head from Rs. 65 to Rs. 55 crores, it actually yields an increase from £40·60 millions in 1922-23 to £41·20 millions in 1929-30. Now, Sir, I seriously ask the Honourable the Finance Member, is it a decrease of expenditure, or is it an increase of expenditure? Is that an item for congratulation, is that an item for gratification, is that an item for satisfaction? Yet, the Honourable the Finance Member continued to think in that fashion, and expressed his satisfaction in paragraph 50 of his budget speech in these words:

"To give the country better value for its money must indeed be the keynote of our policy."

Now, Sir, he seems to have admitted that the purchasing power of this country has gone down very low. He has admitted, as a matter of fact, that all the resources which he could draw upon for the purpose of meeting capital expenditure have been exhausted. He knows also that this country is suffering from abject poverty. In spite of all these, to say that you are going to provide for this 55 crores because you want to have a better Army and at the same time give the country a better value for its money, etc., is, I submit, an actually cruel play upon words. I submit this very important error or misstatement lies hidden under these figures. Now, Sir, in pursuing further the items of concealment, I might also invite the attention of the House to another portion of the Honourable the Finance Member's speech. I refer, Sir, to paragraph 59. This point was commented upon by my friends Sir Purshotamdas Thakurdas, Mr. Jamnadas Mehta and Mr. Shanmukham Chetty; but I read these figures differently in my

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own humble way. I do not however propose to repeat what they have already said; but these figures yield to me quite a different tale altogether.

Sir, the Honourable the Finance Member was congratulating himself by telling the House that a very large item of capital expenditure had been met, but so far as the public debt is concerned, it had not increased to the same extent. He then asked a pertinent question:

"The question which Honourable Members will naturally ask is, from what sources the rest of this money has been provided and whether it is possible to rely on these sources to the same extent in the future."

Then he quoted the nine or ten items from which he has been drawing—and his predecessors also have been drawing—for the purpose of the Capital Expenditure: So far as the first two items are concerned, *i.e.*, "Post Office Cash Certificates and Post Office Savings Bank deposits, 37 crores, and Other Savings Bank deposits, 19½ crores"—are these two items not fresh borrowings? Technically it may not be public debt, as the Finance Member takes it to be. But this is equally a public debt, and this is equally a borrowing which bears interest. It may be that, in the technical language of the budget in this House, it is not called a public debt. All the same, it is a public debt which the people of this country have to bear from the resources of the revenue at the command of this country. The next three items are:

Revenue surpluses (including those in Revenue Reserve Fund), 12 crores,

Provision for reduction or avoidance of debt, 22½ crores,

Other appropriations from revenue, 3 crores.

or an aggregate of 37½ crores. Now, what do these figures denote? They simply mean additional taxation, *i.e.*, amounts got by additional taxation at a time when taxation to that extent need not have been made. These are surpluses laid by at a time when you exceeded the taxation limit beyond what the country had then necessarily to bear. Now, Sir, if the Government have got the right to impose taxation at the time of a deficit, does it not follow that there is a corresponding liability on the Government to repay or to restore the amount at the time of surplus budgets? Is it not a proper liability attaching to the Government to pay back the amount by way of reduction of taxation when an opportunity comes? Surplus budgets have been presented to this House for the last 5 or 6 years, and when these surpluses were being laid by, no attempt was made even to reduce the cost of envelopes and postcards or to reduce the hideous salt tax. In fact, nothing by way of reduction of taxation was rendered by the predecessor of the Honourable the Finance Member. You laid by these surpluses when it was your duty to do something towards remission of taxation; and that amount also is drawn towards the accumulation of capital expenditure.

I think, Sir, the next item is reduction in opening Cash Balances in India—Rs. 16.75 crores; and the next is Depreciation and Reserve Funds, 25½ crores. I daresay this refers to Railway Depreciation and Reserve Funds. If that is so, what does it imply? It implies that that is the result arrived at by our excessive rates and fares. At a time when you should have reduced rates and fares, you actually put them up and then



get this money wrung out of the passenger traffic—mostly from the ill-treated third class passengers—and you lay by an enormous amount, only to make it available for the Finance Member at his time of need. Then there are the provident fund balances from railway companies—9 crores—the same thing. And lastly the item, Gain from Exchange—7½ crores. What does that indicate? It indicates only one thing. It indicates that that is money taken from the taxpayer by collecting 18 pence to every rupee of taxation instead of 16 pence. That is the fact which underlies this item of 7½ crores. Sir, these figures are really a gross concealment of the actual state of things lying behind them.

It is rather difficult to speak with restraint, on the speech of the Honourable the Finance Member where he referred to the maintenance of the existing exchange ratio. He said, Sir—in fact, the homily he gave the House amounted to this, "While we are your rulers you have to pay the price of the boons we confer on you. We have got the right to do anything we like for the furtherance of our interests. It may be that as a consequence of all this, wrong may be inflicted on you; but if wrong is inflicted on you, what is your remedy? You are not even to cry aloud for help or redress. If you behave as good boys, if you co-operate with us like good boys, we shall see what can be done for you." That really is the sum and substance of the homily preached to us the other day by the Honourable the Finance Member. And what is the reason suggested that this state of things should continue? It is that that is really provocative. In paragraph 87 of his speech he says in all seriousness: "For, what guarantee would other countries have that a word once broken would not be broken again". Well, Sir, it comes with rather an ill grace from a Member of a Government which has, times out of number in the last few years, broken its word. Since they started manipulating the currency of this unhappy country, they have committed breaches of faith one after another. Coming to the most recent events, in 1924, when the ratio was 16 pence, they should have fixed it at that figure, but they deliberately omitted to do so. Not being satisfied with that, in 1925, the Government of India, acting in conformity with instructions of the Secretary of State in England,—in fact dancing to the tune from Whitehall—actually forced it to 18 pence. And that, Sir, is the Government which talks of breaches of faith now. It is that that takes my breath away. Again in paragraph 89 of his speech, the Honourable the Finance Member says that he does not wish to resort to quack remedies, and once again he treats us to a homily. The right path, he tells us, does not lie in resorting to these quack remedies. The remedy, according to him, lies really in the extension of education and credit facilities, the encouragement of hard work and thrift, and an increase in real wealth by the introduction of improved methods of cultivation and communications. "Anything else," he adds "is no more than a quack remedy". May I put it to the Honourable the Finance Member, Sir, that what we want is the growth of our indigenous industries in this country, and any step taken that is favourable to that end—is that a quack remedy? Is it a quack remedy which helps towards the economic regeneration of this country? I daresay he won't say so.

There is another thing which he also probably considers to be a quack remedy. I refer, Sir, to the question of our present policy in the matter of customs tariff. I have given notice of a cut in order to discuss the present policy of the customs tariff in its proper place. Though it happens

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to be the first item in the Demands for Grants—item 16—I do not know if the chance is going to be given to me to move it. I am however assured that the chance will be given to me. If that is so, I will take that opportunity of discussing the matter, but I will here only mention incidentally that the whole of the trade and industry of this country entirely depends upon a reasonable and rational policy of customs tariff and the Finance Member knows it does not come within his pet remedies or the measures which he chalks out in paragraph 89.

Sir, one word more and I have done. In paragraph 97, the Honourable Member says that "fears of political disturbance cannot but shake it and to do this is to endanger the structure on which the material welfare of millions in this country depends." Now that brings me to an important factor. So far as other nations go, each has got its own commercial treaties and its own commercial engagements with other countries for the purpose of regulating the customs tariff. Now so far as poor India is concerned, whatever suits England, not whatever suits India, is the one policy regulating the customs tariff of this country. There are many instances in which the interests of England do militate against the interests of India; and the time has come when a new policy has to be devised so that India may be made free to undertake whatever commercial relations with other nations she may consider to be to her advantage. And if that is so the observation of the Honourable the Finance Member that any fear of political disturbance cannot but shake it is something that we cannot submit to. Disturbances, in fact, are necessary in the vital interests of this country at this stage, disturbances in the way of making India free to resort to commercial relations with other countries. Not till we can formulate a bold, reasonable and rational policy which shall stand to the glory of India, can we hope to enhance the interests of India as a whole.

**Sardar Gulab Singh** (West Punjab: Sikh): Sir, I associate myself with others in congratulating the Finance Member on his first budget, prepared under disadvantageous conditions. We know what hard times we have been through on account of the labour unrest; and if sundry fortuitous additions to revenue had not been forthcoming, there can be no doubt but that there would have been a serious deficit; but fortunately for the new Finance Member, Providence did intervene and spared us the pain of being confronted with the serious problem of meeting the deficit. However balanced, the budget is still very disappointing and disconcerting, and must be when there is no money to be got to relax taxation. Of course, the grief is genuine, but it loses much of its acuteness when we find that, even in years when Sir Basil Blackett had been presenting surplus budgets, no steps were taken by the Government to come to the help of the poverty-stricken people and relieve them of the extra taxation imposed at times when there had been a deficit budget. It was then pressed on the floor of this House that the extra taxation was an absolute necessity. But since the times changed, Government started appropriating the surplus for other purposes, on one excuse or another, without caring a farthing for the poor tillers of the soil and the opinion of their representatives, who cried themselves hoarse, that it was high time that something was done to attend to the economic condition of the country. In the face of all this, Sir, the Finance Member recommends to the people improved methods of cultivation and communications. If he

does so, it is not his fault. He is a novice to the situation and has not had an insight into the real state of affairs. But if he is at all sincere, as we must take him to be, he will have ample time to study the real condition of the country and may then proffer better treatment. It would then be clear to him how a nation, which is verging on starvation and bankruptcy, could at all be benefited by his advice; and whether it was not presumptuous on his part to offer such a remedy at this stage.

Sir, we are here every year to take part in the budget discussion and lay, or more correctly place facts, in their entire nakedness, of the country's real and stringent needs, but how far our voice is heard is a question. In the circumstances, it will not be wrong if I call all this a mere farce and an empty show, performed only with a view to hoodwink the outside world into thinking that Indians have been given a hand in the administration of their country. (*Mr. D. V. Belvi: Hear, hear.*) Now, Sir, as to what actually transpires and how all this stage-managed jugglery is performed, is for us alone to know and feel and shed tears of blood on our impotency for failing in the task of getting the grievances of the suffering millions redressed.

Sir, the Finance Member has said that the grievances of the employees of the Posts and Telegraphs Departments having been redressed in the matter of pay and other conditions of service, no heavy provision was necessary to be made; but with a moderate improvement in the revenue of the Department, a loss of 8 lakhs was foreshadowed. These words carry a volume of meaning for this side of the House. They at once explain that any demand for the reduction of the postage rates is quite out of time and place, and those who have been clamouring in the past for a reduction had better see whether they are at all justified in making such a request. In spite of all that, Sir, I cannot but help raising my voice against these postage rates. I know and realise it only too well, how it pinches the already thin purse of the poverty-stricken Indians to put an extra pice to a post card when they cannot at all afford it. They may be good correspondents, but when the question of an extra pice arises, they think, not only proverbially twice, but, a hundred times before penning a few lines to a relation or a friend.

Sir Basil Blackett declared that no reduction was possible in the Army expenditure for some years, as if things were coming to such a pass that it would serve no purpose to call for a reduction under that head. While such a stricture is being held on the Army expenditure in India, we are informed that the Government of the United Kingdom had diminished the Army estimates from £86½ millions to £82½ millions in the past five years. They have also reduced the British Air estimates. Sir, what has been possible in England can be made possible in India; or should we carry the painful recollection that, since we are being ruled, by an alien Government, we must not expect much sympathy? Whatever it be, Sir, we on this side of the House cannot quietly watch and see half of the revenue devoured by the Army, when millions are dying of starvation, while millions fall victims to all sorts of diseases only because of want of food and proper treatment. Sir, according to the recommendations of the Brussels Conference, the military expenditure should not exceed one-fifth of the revenue; but when we raise our voice on this head and try to bring home to the Government the wretched and miserable plight of our millions, who must be relieved and who expect us to do something in

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order to alleviate their trouble, we are laughed at and made fools of because we do not know and cannot realise that all this expenditure incurred on the Army was for the defence of our country, as if we stood on the brink of a war and there was the enemy threatening to launch an attack. This has been the ground always advanced by the opposition, without taking into consideration the undeniable fact that misery leads to discontent and that a discontented people can never be good subjects. Perhaps it is to strike these people with awe and terror and bring them into forced subjugation that a show of arms and machine guns is made at times of unrest.

The Army expenditure has been fixed at Rs. 55 crores for some years, irrespective of the fact whether the expenditure actually incurred aggregates that amount. The balance, if any, must also be utilised by the military. The Finance Member has announced that expenditure during 1929-30 will be Rs. 52.94 crores, leaving a margin of Rs. 2.06 crores. Now in order to forewarn this House that this amount had been forbidden for any other purpose, it has been declared that it is to be utilised for the modernisation of Army equipment as if all these years the Army, in spite of having had the lion's share and something besides, had been wanting in proper equipment.

Sir, had the Government been true in its designs and intentions, it must not have sought that as an excuse, and declared in bold and unequivocal terms that, whatever the attitude of the country's representatives and whether the country was preparing for a war or there was peace, the military budget, irrespective of the expenditure actually incurred, would remain at Rs. 55 crores, I would have applauded the Government for its steadfastness; but it is a subterfuge that Government seeks when it does not yield to let this balance or any other balance be appropriated for any cause that will relieve the taxpayers and bring prosperity, though it is a far cry, to its starving millions.

Then, Sir, there is the rate of incometax assessed in the case of every company and registered firm, whatever its income. The rate of one anna and six pies has not only a deterrent, but a baneful influence. Is it not ridiculous, Sir, to impose such a heavy tax?

No company, whatever its capital outlay, is expected to do well just from the start. It has to make its entry in the market by slow degrees before it can hope to make any profit; but in this law-ridden country, it must meet the taxation whether it makes any profit or no profit. Is the Government at all justified, Sir, in keeping on this form of taxation, and is it at all likely, Sir, that, with the sword of income-tax hanging by a hair, people may co-operate in starting companies? I say, Sir, that this sort of taxation must go and must cease to blacken the Statute-book.

I am afraid all this will prove like a cry in the wilderness; and, therefore, wish that the sooner this farce ends the better, or God may bless us with strength to mend matters in a way satisfactory to the poor taxpayers.

**Mr. D. V. Belvi** (Bombay Southern Division: Non-Muhammadan Rural): You mean mend or end?

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

The Assembly re-assembled after Lunch at Three of the Clock, Mr. President in the Chair.

**The Honourable Mr. J. Orerar** (Home Member): Sir, I do not intend to intervene in this debate except for one single purpose. 3 P.M. A suggestion was made by a previous speaker at the time, I regret to say, I was not in my place, or I should have said then what I have now to say—a suggestion was made that Government had resorted to certain disreputable means of obtaining support for the Ratio Bill. I take this. . . .

**Mr. President:** Order, order. I think it is very wrong on the part of the Honourable Member that he should make such serious and pointed charges against Government and not be in his place to hear the reply.

**The Honourable Mr. J. Orerar:** I take the earliest opportunity of giving that suggestion a prompt and emphatic denial.

**The Revd. J. C. Chatterjee:** I have no claims whatever to being a financier, and therefore I do not in the least desire either to criticise or offer any opinion on the technical side of the budget. All I can say is that, I do congratulate the Honourable the Finance Member on the frankness of his statements, and more so on the ideals which he assures us that he has set before himself in the discharge of his high office in the next five years. I not only congratulate him, but I wish him all success in the attainment of those ideals for the good of this country and the people who live in it. But, Sir, as I look at his admirable speech and at the list of all the demands in the budget statement, it seems to me that there is one omission. That omission is that we find no plan, no scheme, no demand for dealing with what is becoming in this land a growing menace, namely, the menace of unemployment. I do not in the least ascribe to the Honourable the Finance Member any studied indifference of this need. It may be that, when he has had so many subjects to deal with, the lack of employment especially amongst the educated middle classes and other classes as well, has not been seriously brought to his notice. It may be that he has just come from a place where the weekly statistics of the unemployed and the processions and parades they occasionally organise in that country have so wearied him that he is relieved to come to a place where, at any rate on the surface, these unfortunate people do not seem to force themselves upon the public attention so much. I also confess that, speaking in this magnificent Chamber, with all its luxurious panelling and padding and decorations, situated as it is in stately New Delhi, with its smiling villas and palatial buildings, it does seem rather difficult to picture to oneself the state of the hungry unemployed, many of whom after all that they might have done to fit themselves for their work life, seem to go from pillar to post, from one man to another, and from one office door to another office door, simply to be told that there is no work for them. I do admit that it is but human, that these people and their needs should seem to many people who sit in this House rather a far cry. No doubt, officials are bothered a great deal by people who recommend the unemployed job hunters and by these people themselves who go for them from time to time begging and going down on their knees for some

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kind of employment. They sometimes keep this crowd out by putting up large placards outside their office doors, "No more vacancies", or "No admittance to applicants", or warnings of a similar kind. Yet, this menace grows and grows and grows. You have only got to go from this palatial building out into the streets of old Delhi and see what happens there. You will find there scores and hundreds of students who have spent all their time and the savings of their parents to try and get as much education as they can get in this country, and then spend years in a ceaseless going from place to place in search of employment. I can give one or two instances. Anybody who cares at all does know these things. Only the other day, a friend of mine, who was building a house, told me that he found, going through the list of day labourers on eight annas a day, three young men who had taken the matriculation examination, quietly coming in as labourers and carrying baskets of brick and chunam for building purposes. He found that these men were doing very poor work, and that the work was entirely unsuited to them. So he called the master mason and gave him a couple of rupees to be given to these men who were then sent away to go from office door to office door to beg for employment. That is but one instance. My own work has been with students, and at present my sphere lies in social and religious work. People come to me often for they go to any one, who they think is at all likely to help in getting them employment. I remember only last week having a holiday from the Assembly I was in my office and in the course of an hour, not less than 18 persons came begging for chits for employment and asking for some job, however, petty or ill-paid it might be. Some of these men may have been rotters, but there were certainly others who had done everything possible to equip themselves for the battle of life. Yet there was no avenue to which I could turn them, knowing that, if I gave them letters of recommendations, those letters would in all probability be thrown into the waste paper basket, simply because there was no work available. I could go on multiplying instance after instance, but that is not my purpose. What I want is to draw the attention of the Honourable the Finance Member and of others who have the power or the opportunity to find avenues for employment to the growing unemployment among our educated classes. This unemployment is spreading to the villages as well. Last week I went on an extensive trip in a neighbouring district, of which we have heard a great deal in connection with social uplift. I went on my own, without being sponsored by any officials, and tried to find out what this social uplift had done in the district. I went to something like half a dozen villages and at every place men and women said, "What is the good of telling us to be clean? What is the good of all this so-called social uplift, health rules, or domestic science that you want to teach us? We want work and we want bread." That is the problem. One felt what was the good of all these things if unemployment went on growing. We have primary education extending rapidly. We are very thankful for the progress. But there is something radically wrong when we find these boys after their education in the village and after their parents have spent every penny they could scrape together in keeping their children in a high school for a further six years—go out to a ceaseless round of job-hunting, as the goal of their schooling. After going from pillar to post for two or three years, the boy finds that he is not fit to return back

to his village to engage in cultivation, because the method of education has spoiled him. Then what is the result? Can we blame him if he joins the ranks of the Bolsheviks or the revolutionaries or whatever you like to call them? That is becoming the problem of the day. As I listened to the long debate we had in the Simla session and here again on the Public Safety Bill, it seemed to me that there was an air of unreality about the whole thing. I do believe that Government, who are charged with the task of keeping order in this country, should have every assistance and facility, they think necessary given to them, and Government would have my support in this direction at any time. But I cannot help feeling that, after all, legislation of the nature of the Public Safety Bill must be more in the nature of a palliative rather than a cure of the disease. No Bill is likely to stop the spread of revolutionary ideas, unless the men we educate are given an opportunity to make themselves useful to the country. Unemployment lies at the bottom of the trouble in the country. I shall be asked—is there any country in the world where there is no unemployment. I agree there is none. But what happens in other countries? Take the example of England. There is unemployment there, but week after week, statistics are published showing what has been done to grapple with the problem. No Government in England can stand very long, unless it makes an honest effort to deal with the problem of unemployment. They publish statistics week after week to prove that unemployment is decreasing. But in this country, when the unemployed come and say "We have five hungry children outside", we have not even a poor house to send these people to. They have to be turned out into the streets, or left to the spasmodic charity of people. In England, if a person is unemployed through no fault of his, he can claim a dole. I want to appeal to Government that some honest effort should be made to try to get employment for such people in India.

**An Honourable Member:** How?

**The Rev. J. C. Chatterjee:** I am coming to that.

**Mr. President:** The Honourable Member wanted only five minutes.

**The Rev. J. C. Chatterjee:** I shall finish very soon. What I suggest is that some effort should be made to meet this growing problem. The first thing that should be done is to make an inquiry into the statistics of the unemployed. I do not ask for a committee. Take the city of Delhi and the places round about within a few miles. You make an inquiry there and you will get an insight into the trouble that is growing in the country. I see in today's telegram that His Excellency Sir Laurie Hammond in opening the Assam Legislative Council said, that the problem of unemployment among the educated classes was assuming vast proportions, and he added that it might be possible to attract a very large number of them to the police force. That is one avenue. I want to know whether any serious effort has been made to bring these educated young men into the police force. There is a story told of a pro-Consul who held charge of a province not very far from here. When a man came to ask him for employment, he asked what examination the applicant had passed. If he was a matriculate, he gave him a salary of Rs. 50. If he was an intermediate he gave him Rs. 40. If he was a B.A. he was given Rs. 80 and if he was an M.A. he was told "I have no use whatever for you". I have related that

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story to show that there is an impression in the minds of people that the average official looks upon the educated man as a sort of nuisance. He would rather have a man with as little education as is absolutely necessary to get his work done. If you are as you must, going to make education widespread, you must have some scheme whereby employment could be found for people who are the products of this education. Therefore, as a first step, statistics should be obtained of the unemployed. Secondly avenues like that of the police or other jobs, as well as the ranks of the Army should be open to educated young men. I shall finally close with a word of appeal to Government and to those who have the capital and the means of offering employment. The founder of Christianity asked people to pray saying "Give us this day our daily bread". Sir, in a capitalist world where many people have more than enough, that prayer sounds like an allegory and to some an anachronism, but in a country like India, it is a grim reality to millions who do not know from day to day, when and where their next meal is coming from. Sir, I appeal to Government, in the interests of the people, and for their own security, that they should assist the people by an honest effort to obtain their daily bread.

**Mr. President:** Before we proceed further, I should like to emphasize in the presence of Mr. Jamnadas Mehta, what I said a few minutes ago regarding his absence from the Chamber. Honourable Members are aware that no Honourable Member should be absent from this House in a debate in which the Honourable Member himself has taken part and made very serious allegations against any other Member or a Party. It is no excuse for him to say that, had he known that a reply was likely to be forthcoming, he would have been present. It is his business to sit in the House and watch further proceedings. Having made a pointed speech, with such serious allegations against a Party in the House, it is certainly very improper for the Honourable Member to absent himself, as he has done, and I think he owes an apology not only to the Chair but also to the House.

**Mr. Jamnadas M. Mehta:** Sir, I very gladly and willingly make the apology which you desire me to do. I was outside in the lobby talking to a friend when I heard that a statement was being made and to that extent I give a qualified apology. I understand that the Honourable the Home Member made a statement repudiating what I said; that however I reiterate . . . .

**Mr. President:** Order, order. The Honourable Member cannot do now what he would have done if he had been present. He cannot utilise this opportunity for a different purpose.

**Mr. Ram Narayan Singh** (Chota Nagpur Division: Non-Muhammadan): I have generally seen and also read in the newspapers when I was not a Member of this House that, when the annual budget of a country is presented to the Legislatures by its *Bidhata* the Finance Member. . . .

**Mr. Jamnadas M. Mehta:** Sir, I have got proof in my pocket . . . .

**Mr. President:** Order, order. The Honourable Member knows that he is speaking under a privilege and perhaps he has overdone the thing. I wonder if he can repeat the allegation outside this House.

**Mr. Ram Narayan Singh.**



**Mr. Ram Narayan Singh:** People talking on the budget congratulate the Finance Member. It matters little whether the budget is a good or a bad one. It also matters little whether the persons congratulating the Finance Member do so seriously or only formally or even in joke. Sir, instead of indulging in all these useless formalities, I want to go direct to the subject. I want to separate the Budget from the Budget speech of the Honourable Sir George Schuster. Sir, the speech must have taken him several days together to prepare. The delivery of it took him about two hours in the House.

**Mr. President:** How many hours?

**Mr. Ram Narayan Singh:** About two hours, Sir, and this delivery was a very difficult task and must have been a strain on his nerves. In order to remove the casual exhaustion caused by the long and continuous delivery, and to revive his energy, he had every now and then to take sodā water or lemonade which he had before him on the table even from the time he commenced his speech. Sir, this is some sort of trouble. Besides, the manner in which he talked was cool, calm and polite, and the language he used was beautiful, pleasing and polished. I give him credit for this also, but with some reservation. Sir, this reservation requires explanation. Sir, from my experience of the conduct of such British officials such as District Magistrates, Sub-divisional Magistrates, Superintendents of Police and others with whom the people have to deal, I had the impression that the English people are not good men. For they do not even know how to speak sweet words and deal politely. This is a very simple matter and does not cost anybody anything. But when I came to this House my impression underwent a change, but unfortunately the change proved to be a temporary one. When I came to know the inner working of the Government, it appears that, although there is a difference between officials here and the officials in the mofussil, this difference goes only so far as the sweet speeches and polite manners are concerned, the object and the result being exactly the same. Sir, to us Indians the sweet speeches and the polite manners of our Honourable friends here and the deadly machine-gun of General Dyer in the Jallianwala Bagh are one and the same thing. Of course there is a difference, but that only in methods. Both work the ruin of the Indians, the latter causing destruction at once, and the former after prolonged pain and suffering of human life. If I had the liberty to choose one or the other I would choose for my death, the deadly weapon used by General Dyer.

Sir George Schuster referred to the hospitality of the East in glowing terms. I thank him for this, but I will tell him that this hospitality is not possible in the India of today. The India that was hospitable was prosperous and free, but the India of today is miserable and unhappy, and is groaning under the chains of slavery, and has for a guest like Sir George Schuster nothing else but *hartals*, strikes and bonfire of foreign cloths and so on and so forth. It is a question now whether it is a good thing to be hospitable, although it is a virtue. Indians have grown suspicious. It was the hospitality of India in the past that was used by her treacherous guests for the establishment of British sovereignty in this country, and the conversion of Indians into slaves.

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The Honourable Sir George Schuster quoted in his speech the famous Greek oath which the Greek philosopher and scientist Hippocrates had prescribed for his disciples to discharge their duties faithfully. In a way Sir George Schuster has taken this oath faithfully to discharge his duties, but I ask him one question. Is the oath meant faithfully to discharge the duty he owes to the British in India, or is the oath meant to serve Indians without any consideration of British interest. I trust and request that he will make it clear in his reply whether his oath is meant to serve India unreservedly, or to serve Britain in India. If he does not reply to this, I will take it that his oath is meant only to serve the British people in India, and if he says that he has taken the oath to serve Indians, I will ask him another question.

**Mr. President:** Come to the budget, please.

**Mr. Ram Narayan Singh:** Sir, I am coming to that, but first kindly let me ask this question: "Will you serve India in your own way or in the way India wishes?" If he says in his own way, I shall say: "*Baksa, Bilar murga bande hoke rahi.*" I have to relate the story to clear the meaning of the proverb and I do it in few words. Once a cat caught hold of a cock. An appeal was made to the cat to release it, but the clever cat began arguing "the tail of the cock is already gone; what is the use of releasing the cock, it is without its tail and will look awkward". In reply it was said "Better release the cock, it will manage to live without a tail". This is the meaning of the line I quoted. If you Sir George Schuster want to serve India in your own way, I will request you to leave Indians in the same position that they were, but do not play the part of the cat in the story. We know that the British people have been serving India in their own way. That way we don't want.

Sir George Schuster has in a way appealed to Pandit Madan Mohan Malaviya . . . . .

**An Honourable Member:** Have you read the speech?

**Mr. Ram Narayan Singh:** I have read it several times. It is a printed speech. I am referring to his appeal for co-operation.

**An Honourable Member:** Please read it again. Where did he appeal to Pandit Malaviya?

**Mr. Ram Narayan Singh:** Well, if you have not got the capacity to understand I can't help it. (Laughter.) There is an appeal for co-operation. I ask Sir George Schuster, "is co-operation possible between a goat and a tiger?" How can Indians co-operate with him? He is the Master, he is the *Malik*, and the poor Indians are his slaves, a portion of British wealth in this country. What I understand by co-operation is this and I think everybody will agree with me. Out of their own free will, and on perfectly equal terms, when two people work together for one common object or one common goal, they are said to be co-operating with each other. Is the Honourable Sir George Schuster ready to co-operate with us on those terms? We know what they mean by co-operation. When he tells us to co-operate with him, he tells us to obey him, he tells us to serve him, he tells us to agree to be willingly used by him for the good of his own people.

Well, Sir, what is a budget, and who can frame it? Sir, to put some figures on the revenue side and corresponding figures on the expenditure side does not constitute framing a budget. To frame a budget is to adjust the needs and aspirations of the people to the income of the country. Let anybody go through all the budget literature and the budget figures, he will not find anywhere a page or a paragraph, or even a word, which deals with the suffering millions of the people who are starving, and the funniest part of the whole thing is that Sir George Schuster tells them to be thrifty. It is most painful to see that he is comfortably drawing Rs. 7,000 or thereabouts and lectures to the starving millions of the people to be thrifty. How disgraceful it is. In the budget there is nothing to show how to improve the conditions of the poor people. If he wants to be true to the oath he has taken to serve India, and, if he wants to be sincere, I may tell him what the greatest and the best of Indians, in fact the greatest and the best of mankind, Mahatma Gandhi, has said—and so far as I remember, even the Royal Commission on Agriculture has also suggested some such thing. The spinning wheel or the *charka* is the only panacea, and it is the only thing which can feed millions of the starving masses.

**Mr. K. Ahmed:** Isn't it more costly than any other thing?

**Mr. Ram Narayan Singh:** This is the immediate need of the people that they want food. It lies in the power of the Honourable Finance Member to provide food for the poor people. If he is solicitous about the poor, he should have provided some funds to encourage hand-spinning and hand weaving and as is well known the spinning wheel can work wonders in this country.

As regards other items of the budget, of course, I have given notice of cuts and I hope I shall get another opportunity to discuss them.

**Mr. President:** What items has the Honourable Member dealt with so far?

**Mr. K. Ahmed:** Only the spinning wheel.

**Mr. Ram Narayan Singh:** I have dealt so far with the way in which Government is working and about the way in which speeches are being made in the House.

**An Honourable Member:** You have discussed the general features.

**Mr. Ram Narayan Singh:** Then, coming to the ratio question, I find that the Honourable the Finance Member said that the Government was determined to uphold the 18*d.* ratio, that the Government was not going to change the ratio, and at the same time he asked the House and the country to keep quiet. How long are we to keep quiet? How long are we to forget the wrongs done to us? How many things are we to forget? We have to forget the Jallianwala Bagh, we have to forget the murder of Lala Lajpat Rai, and we have to forget several other things.

**Mr. K. Ahmed:** That has nothing to do with the budget.

**Mr. Ram Narayan Singh:** It is the 18*d.* ratio which has created so much havoc in the country. The strikes are due to this, and yet the Government says it will stick to that ratio. As regards the bad state of finance, some

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of my Honourable friends said: "what can he do, poor man, this is a bad legacy that he has inherited from his predecessors". Well, Sir, I do not know how you can distinguish one Finance Member from another.

They all come and do things in the same way. All Finance Members do alike. Although Sir Basil Blackett is not here, he has done the same thing that Sir George Schuster will do. There is no question of distinguishing Sir George Schuster from Sir Basil Blackett.

**An Honourable Member:** Chips of the same block.

**Mr. Ram Narayan Singh:** As was remarked by my Honourable friend Mr. Chetty, the Honourable the Finance Member said in effect that he was bringing forward proposals which in a way would mean new taxes next year. I think he should not forget that India is going to organise non-co-operation and a no-tax campaign if need be. If he thinks of imposing fresh taxation, then there will be non-payment of taxes.

As regards co-operation, I want to say one word and finish my speech. There ought to be no more talk of co-operation. It is religiously impossible for a true son of India to co-operate with anything that is British exactly in the same way as it is mechanically impossible for the British Parliament and the British people to accept the Nehru report within so long a period as one year.

**Mr. K. Ahmed:** What about other classes of people living in India? Can they accept the Nehru report, leave aside England?

**Mr. Ram Narayan Singh:** Those who are patriotic and understand things have accepted the report.

**Mr. K. Ahmed:** Then, there are loopholes in your speech.

**Dr. B. S. Moonje** (Nagpur Division: Non-Muhammadian): Honourable Sir, several Members and leaders of the several groups have congratulated the Honourable the Finance Member. Some have expressed sympathy with him, others have admired the tact and the skill with which he has presented the budget. I entirely associate myself with them. My personal impression has been that he has demonstrated that he has got a sportsmanlike heart, and my only anxiety is that during the term of his five years of office in this Government of India, he may get his heart infected with the touch of what is called the virus of bureaucracy. If he can save himself from that touch and from that infection, it is likely that the hopes, entertained by some of the people on this side, of his turning out a successful—may I say even a nationalist—Finance Member may be realised.

The budget is said to be a review of the general administration and progress of the country. It has been differently defined. One authority, Jeane Baptiste says, "it is a balance between the needs and the resources of the State". Another authority says: "it is a contract between constituents who are the contributors and the agents who are the persons in power". We, Indians, at present are in a position which will justify our regarding the budget in both these ways. If there be goodwill, and sympathy, and if the desire is sincere and honest to train Indians for self-defence and self-government, then I should say that the budget ought to

be balanced between the needs and the resources of the State. If, on the other hand, Government were to say that they are the agents carrying out a divine trust for the good Government of this country, then we have got a right to see and to examine how that trust has been discharged. We have a right to see how they have administered their trust. Many Honourable colleagues have examined the budget from different points of view. I should like to examine the budget from the point of view of the urgent and immediate needs of the people.

**Mr. K. Ahmed:** From a military point of view.

**Dr. B. S. Moonje:** What is the present need which the people feel so very keenly? It is that of having responsible self-government as early as possible.

**Mr. K. Ahmed:** Not by the youth movement though.

**Dr. B. S. Moonje:** Whether the Government may tolerate it or not, whether the Government like it or not, or whatever their feelings may be, the fact remains that today the Indians in India, if I can compare them with an advertisement appearing in the papers, are in the position of a naughty child which will never rest content until it gets what it wants. The Government must know that, whatever they may do and whatever they may like the people to do, the people themselves, on their part, will not rest content unless they get responsible self-government.

If that is the keen desire, if that is the keen need of the people, we have to see how that need has been satisfied by the Government in its administration of the country, particularly in regard to its finance. I do not want to compare India from this point of view with the other nations of the world—it is a big subject. I should like to confine myself to the humbler task of comparing India with the several Dominions that go to form the British Empire, and we should attempt to know how the Dominions of the British Empire have trained themselves for self-defence, because, without developing the capacity for self-defence, no one can lay claim to self-Government. From this point of view, Sir, I should like to compare the methods of these Dominions with those of our Government of training the people for developing a capacity for self-defence and self-Government.

**Mr. K. Ahmed:** Isn't it in this Legislative Assembly you are talking?

**Dr. B. S. Moonje:** I shall first try to see and ascertain the proportions of the populations in the Dominions and in India that are trained for self-defence. The total male population of England is 22,517,500. The total strength of the territorials or citizen soldiers in England is 183,681. The proportion of territorials per one lakh of male population in England is therefore 811. Let us now take India. India's total male population is 163,995,534. The total strength of the Indian territorials or citizen soldiers is only 19,074. The proportion of Indian territorials for one lakh of male population is 11—a mere drop in the ocean. Let us now take Australia. In Australia, the total male population is 2,762,870. The total strength of the territorials or citizen soldiers is 354,000. The proportion of Australian territorials therefore for one lakh of male population is 12,812. In India, however, it is only 11. The situation of Australia is such that there is no fear of any kind of invasion from land. The British Navy is so powerful that Australia need never dream of any invasion from any side, by land or by sea; and yet, out of male population of every one lakh, 12,812 men are

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being trained in the territorials. The situation of India is quite the contrary. India has got a land border of nearly 5,000 miles. That land border has to be protected, and for the protection of that length of land border, the grand figure of 11 per every lakh of her male population is found sufficient to be trained in the territorials. Not resting content with training her people in the territorials, what do we find Australia doing for further brood-leasing the national defence? There are also what are known as cadets which are not territorials. They receive elementary military training. What is the number of these cadets in Australia? 300,000 cadets and 41,214 members of rifle clubs. The number of citizen soldiers is 354,000. The total male population in Australia between the ages of 12 and 25 years is 552,574. Roughly speaking, therefore, more than 50 per cent. of the boys who attend schools, or of young men between the ages of 12 and 25 are being trained as potential soldiers for the defence of their mother-land. Taking, therefore, 300,000 cadets, 354,000 citizen soldiers and 41,214 members of rifle clubs, together, the total comes to 695,214. Roughly, therefore, more than one-fourth of the total male population 2,762,870 receives military training of some kind or other, training at least in rifle practice. On the 30th of June, 1927, there were, in Australia, 1,114 rifle clubs, with a membership of 88,258, and 77 miniature rifle clubs, having a membership of 2,961. Members of rifle clubs must fire an annual course of musketry, but do not undergo any systematic drill. The administration of rifle clubs is under the control of the Secretary of Defence, but rifle clubs do not form part of the military organisation. Government grants, however, are made for the construction and maintenance of rifle ranges, etc., and 200 rounds of ammunition is issued free annually to each efficient member. That is the kind of effort that is made and that is the kind of love that the Government bears towards its own nationals, and that is how the people are prepared for self-defence. Compare this with the situation as it exists in India today. Hardly 4,314 boys, out of a total male Indian population between the ages of 12 and 25 years in India who could be said to be the only Indian cadets, are receiving training in the colleges in the University Training Corps. The proportion, therefore, of Indian cadets to every one lakh of Indian male population of between 12 and 25 years of age comes to only 9. Are there any rifle clubs for the Indians? So far as my information goes, there are none. I wanted to see if rifle practice could be made more popular among the people; but the Army Member and the Education Member say: 'It is so costly that it is impossible'. Costly! In a country which lives under a standing menace of foreign aggression and which deserves to be trained fully for self-defence—or rather which can never be too much trained; and not costly in a country where there is no possibility of any foreign aggression, and yet people are being trained for military defence in such large numbers? The same is the case with New Zealand. The male population of New Zealand is about 707,556. The total strength of territorials or citizen soldiers is 22,225. The proportion of territorials, therefore, for every one lakh of male population is 3,110. The total strength of cadets in New Zealand is 34,159; and the proportion of cadets, therefore, for every one lakh of total male population of 141,511 of between 12 and 25 years of age is 24,181. Rifle clubs exist throughout the Dominion for the encouragement of rifle shooting and, in addition to minor fixtures, a Dominion rifle meeting is held at Trentham annually. So far, Sir, we have seen by comparison that the proportions of males receiving military training or at least acquiring

proficiency on rifle practice to the male populations of England, Australia and New Zealand is very much higher than the similar proportion of Indians in India. It would not in any sense be an exaggeration, if I were to say that it is a mere drop in the wide ocean.

Now let us see how many school-going boys and boys attending Universities receive training in India, as compared with those in England and the Dominions of the British Empire. In England, excluding the naval cadets, excluding the cadets of the Royal Air Force—here I am only speaking of military cadets—the number of boys receiving military training in 1921-22 was 88,780; while the number of boys registered in schools and colleges of over 12 years of age in 1921-22 was 79,024. That is, more than 50 per cent. of the boys attending schools and colleges in England receive military training. In Australia, there are 300,000 boys between the ages of 12 and 18 and 354,000 between 18 and 26 years giving a total of 654,000, boys who receive compulsory training. In India, the number of boys registered in schools and colleges over 12 years of age is 46,383,972. The number of boys receiving military training is only 4,314, i.e., 9 boys in every one lakh of such boys—a mere drop in the ocean—in a country where the need is all the greater than in New Zealand or South Africa, where perhaps there is no such need at all. In South Africa boys between the ages of 13 and 17 years are required to be members of rifle clubs, where arrangements cannot be made for cadet training, i.e., elementary military training. But here the Government fear the result if boys of the age of 13 should be allowed to become members of rifle clubs. But there in South Africa, there is no such fear. They have all to be compulsorily members of the rifle clubs. Rifle and ammunition are provided by Government free of charge. There are 1,438 rifle clubs in South Africa and 141,492 members thereof. The total number of cadets receiving training in South Africa is 42,280. If such is the condition of military training for Indian boys in India and if people begin to suspect the *bona fides* of Government, particularly with regard to their professions in respect of training Indians in self-defence, would anybody with any sense of proportion or any reason in him find fault with them? These figures speak more eloquently than any words of mine. Let us here note that whatever I have said so far about the peoples of Australia, New Zealand and South Africa concerns only the white population and not the natives, the negroes, who do not count, being uncivilized.

Now let us see the amounts of money that are being spent on the training of boys in England, Australia, South Africa and India. England's total revenue was £842,824,284. Her total defence expenditure was £117,440,000. The percentage proportion of expenditure to revenue was 13½ per cent.; while in India the total revenue and the total expenditure on the Army being Rs. 127,26.28 lakhs and Rs. 55.10 lakhs respectively, it is 43.2 per cent. India spends three times as much and gets merely a drop in the ocean in return. England spends less comparatively and so many times more military training is given to her boys. The total amount that is spent in England, out of the total expenditure on defence, on the Territorials was £3,291,000, and in India the total amount spent on Territorials is Rs. 29.55,000. This means that in England £280.2 per every £10,000 out of the total amount spent on defence is spent on the Territorials, while in India the proportion comes to about Rs. 53.6 per

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every Rs. 10,000. One can see what a miserly hand there is in the Finance Department of the Government of India where Indians are concerned and when Indians have to be trained.

I am going to compare now the amount of money that is spent on the training of Indian boys in India, with what is spent on the training of Anglo-Indian and European boys in India. The proportion of the total spent on Territorials to the total spent on defence in England is £280.2 per £10,000 and in India Rs. 58.6 per Rs. 10,000. Total amount spent on cadets in England is £109,000 and the proportion comes to about £1.3 per £10,000; in Australia total amount spent on cadets is £185,000 and the proportion comes to £17.3 per £10,000; in South Africa they are respectively £308,600 and £292.7 per £10,000. In India there are no cadets except members of the University Training Corps and nothing is spent. On rifle clubs Australia spends £49,000, and South Africa spends £71,197. There are no rifle clubs in India and therefore India is not spending a single pie on rifle clubs. The proportion of total expenditure on rifle clubs to the total amount of expenditure on defence in Australia is £6.2 per £10,000, and in South Africa £67.5. In India not a single pie. This, Sir, is the way in which Indians are being trained for self-defence. This is the way in which it is said that the British Government is bound to the pledge of 1917, and this is the way in which that pledge is to be carried out in practice. Sir, I am reminded of a speech of Sir Reginald Craddock, who was at one time the Chief Commissioner in my Provinces. He said: "Do Brahmins of Bengal, Madras and Maharashtra, do they expect that the military peoples of India are going to listen to them or take their orders from them, unless they know that they can wield both the sword and the pen with equal facility?" Well, here are people who are willing to wield both the sword and the pen, but where is the hand to give and spend money on their practical training? We have been crying ourselves hoarse for so many years that the military budget should be reduced. I have been hearing the cry from my childhood; the late Mr. Gokhale returned to it again and again in his speeches; and the one cry always has been that the military budget should be reduced. Well, I have reconciled myself to the idea that, whatever we may say, whatever we may do, the military budget is not going to be reduced. But having been reconciled to that idea, is it too much for us to expect that out of the military budget a little amount may be spent on us? We do not want much—say, at the rate of Rs. 5 per boy going to school will suffice. You spend so many pounds and so many rupees in your own country. We do not want that. We only want Rs. 5 per boy going to school. Now let us make a comparison between the training of the Territorials and the Auxiliaries. The total strength of the Auxiliary Force in India exclusive of cadets, is 83,181. And what is the total population of the Europeans and Anglo-Indians in India? 2,89,121. Out of a total of 2,89,121 males, as many as 82,000 people have been recruited into the Auxiliary Force. Now I have begun to understand the meaning of Colonel Gidnev when he complained that there was compulsion, practical compulsion though not compulsion by law, among Anglo-Indians for recruitment to the Auxiliary Force. Therefore from every one lakh of Anglo-Indians as many as 11,310.1 men are being recruited; and in the



Territorials, 11 only out of a total of every 1 lakh of Indian males. That is how the figures compare as between Anglo-Indians and Indians.

**Lieut.-Colonel H. A. J. Gidney** (Nominated: Anglo-Indians): Are your figures correct?

**Dr. B. S. Moonje**: Well, if you think my figures are not correct, you can verify them for yourself. Now as regards the amount that is spent on training for the Auxiliary Force, it is Rs. 2,43,300. That is Rs. 7.6 per man. The training of the Territorials costs Rs. 104,600—that is Rs. 7.6 per man. An Anglo-Indian requires Rs. 7 per head for his training, while an Indian has to be satisfied with only Rs. 6. But there is a still greater discrimination to be seen later on. When people are trained whether in the Auxiliary Force or in the Territorial Force, you would expect the expenditure on practice, small arms and ammunition, to be the same proportionately to the numbers to be trained. Not a bit of it. An Indian is considered so clever that, by firing one round he is supposed to have acquired all the proficiency in shooting; while an Anglo-Indian is considered so dull that he is supplied with more than twice as much to be spent on him before he is considered to have attained to the efficiency of the Indian in shooting. Some such sort of reasoning appears to have dictated such sample of discrimination as I am going to present you with just now in the matter of grants for practice, small arms and ammunition to the Auxiliaries on one side and to the Territorials on the other. The expenditure on practice, small arms and ammunition for the Auxiliaries is Rs. 426,400 or Rs. 12.8 per man, while that for the Territorials is Rs. 92,200 or Rs. 5.6 per man. An Indian becomes proficient in shooting with an expenditure of only Rs. 5.6, but an Anglo-Indian cannot become proficient unless Rs. 12.8 is spent on him. It is in this way that we find reason to complain that we are not being treated with the same willingness, with the same sincerity, with the same honesty of purpose which we have reason to expect from the Government. May

4 P.M. I therefore appeal to the Government Benches that they may look into this matter and see that this complaint is removed?

I have one little point more to bring to the notice of the Government members and that is more a commercial point. I have noted that the total imports into India from the British Empire and foreign countries for the five years taken together from 1922-23 to 1926-27 of arms, ammunition and equipment is something enormous. Cartridges, filled and empty—I am not talking of cartridges required for military purposes but of cartridges required for sport, *shikar*, etc.—from the British Empire were imported to the extent of Rs. 58,21,946; and from foreign countries we imported cartridges worth Rs. 40,62,731. Is it not possible for these cartridges to be manufactured in India, so that at least that large amount of money about a crore of rupees, could be saved to India? Now, as regards fire-arms, from the British Empire we imported Rs. 87,76,479 worth; and from foreign countries we imported Rs. 40,24,191 worth of fire-arms. Thus in five years' time we imported a total of Rs. 1,45,98,425 worth of arms, ammunition and equipment from the British Empire and Rs. 80,86,922 from foreign countries. India has thus suffered a total loss of Rs. 2,95,85,440 in five years. The British Empire, Sir, may not like that their trade should be taken over by the Indians. I shall grant it for the sake of argument. But why do you want us to spend so much money in

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importing from foreign countries? We have spent Rs. 80,86,922 in foreign countries alone. These are small things; they can be very well manufactured in India. I have been to the trans-frontier tribal country and seen sporting guns being manufactured there in small factories; even rifles are manufactured there. Do you mean to say that it cannot be done in India, that we, law-abiding Indians, cannot be trained to manufacture rifles, guns and their ammunition? May I make an appeal, may I make a suggestion that a few scholarships—say half a dozen—be established for sending good, competent, educated Indians, B.Sc.'s or graduates of technological colleges to England or America or Germany, or wherever it may be good to send them, in order that they may learn the art of manufacturing arms and ammunition? If I were to make that suggestion, is it possible for any Government to say—is it possible for the British Government to say that this suggestion is not practicable or is very costly and cannot therefore be accepted? May I expect an announcement, at the earliest convenient moment from the Government, that a few scholarships will be established for training Indians in England and abroad in the manufacture of arms and ammunition?

These, Sir, are some of the points which I have placed before the Government, and I hope they will meet with their approval. I do not want to go over my time and I therefore finish.

(Pandit Madan Mohan Malaviya rose to speak.)

**Mr. President:** I thought of concluding the debate now. Is the Honourable Member really anxious to take part in this debate at this stage?

**Pandit Madan Mohan Malaviya** (Allahabad and Jhansi Divisions: Non-Muhammadan Rural): For a few minutes, Sir. I beg to offer my felicitations to the Honourable the Finance Member on the excellent spirit which pervades the first budget statement which he has laid before this House. It must be very gratifying to him to find that that spirit has been very well responded to practically by the whole House. I also beg, Sir, on behalf of the Council of the Benares Hindu University, to offer the deep gratitude of the University to the Government for having decided to help it, subject of course to the vote of the Assembly, with handsome recurring and non-recurring grants. The University has long stood in need of this help and our gratitude is both sincere and deep.

At this hour, Sir, I will confine my remarks to a few points which seem to need emphasising. The Honourable the Finance Member has told us of the danger of new taxation which looms on the horizon. On the other hand he has been told that this side of the House is not likely to support any proposal for new taxation. I also wish to suggest to him the course which is to my mind the only way in which future difficulties can be met, and that is the course of retrenchment. Not having time to dilate upon the many aspects of this question, I shall confine my remarks to the retrenchment which can be effected in the Army expenditure. The internal security British troops which, I think, now number about 24,000, have long exceeded the number which had been originally fixed for them. This is one item which requires looking into. I am entirely opposed, and I think Indian public opinion is entirely opposed, to British troops being called to help in quelling riots and internal disorder. Their number has been unnecessarily swelled and the cost has been very largely increased. I think if the internal security British troops could be dismissed altogether,

it would effect a saving of between Rs. 6 to 8 crores; but if they cannot be entirely disbanded at one stroke, I request the Honourable the Finance Member to discuss with the Army Department and His Excellency the Commander-in-Chief the desirability of making a substantial reduction in their number.

The second point which I wish to mention, Sir, for consideration by the Government of India, is the necessity and the justice of asking the British Government to share the burden of the military expenditure under which India is groaning. Dr. Moonje has, in his very valuable speech, mentioned that England spends about 18 per cent. of her revenues on military expenditure, whereas India spends nearly 43 per cent. This enormous expenditure requires to be cut down in the interests of the people, and I submit that the large number of British troops which is maintained is maintained not merely for the purpose of internal defence and to meet India's foreign foes, but is maintained, to a large extent, for Imperial purposes. This is a matter which has been debated in the past, and I invite attention to it because the necessity for it is urgent, and we are confronted with a situation in which the Government will find it very difficult to carry any proposal for new taxation in this House except in the circumstances to which Sir Purshotamdas Thakurdas has referred. I, therefore, submit, Sir, that both in justice to the people of this country and also in order to be able to meet the financial difficulties of the future, the reduction of military expenditure is a matter which eminently requires the consideration of the Government of India and of the British Government.

The next point to which I would draw the attention of Government, in relation to Army expenditure, is the need for a little increase in this expenditure, or rather the diversion of a little of the military expenditure to the training of Indians as officers for the Army, for which Dr. Moonje has laid before the House abundant arguments and reasons. I beg to submit that it is a reproach to the Government of this country that, in the face of the situation which has so well been described by Dr. Moonje and by other speakers, the Government should not yet have made up their minds to adopt a definite scheme for training the youth of India for holding the highest positions in the Army. It is high time that the Government decided upon a definite policy and carried it out; and I ask the Honourable the Finance Member to consider the question during the course of the year, and to provide a substantial amount to afford such training to Indians. I do not wish to dwell here upon the fate of the recommendations of the Skeen Committee. All that is well known to Members of this House, but I do ask the Government not to burke this question any longer, but face it firmly, courageously, and justly in the interests of the good relations which we desire should subsist between England and India. The Honourable the Finance Member spoke, Sir, and naturally, a good deal about the prosperity of India. He thought that there was not much reason to be nervous regarding the financial condition of this country, because the railway returns and the figures of foreign trade satisfied him that that condition is not so very bad as many of us think it is. I invite the Honourable the Finance Member, whose assurances of good will we all gratefully accept as sincere and true,—and whose statement that the interests of the people of India will receive the first consideration in his mind in discharging the high duties which have devolved upon him, we welcome,—to move with some of us non-official Members into some typical villages. He is new to this country. We have lived all our lives in this country,

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and we know the condition of the people a great deal better than he does and as such I would invite the Finance Member to move with some of us non-officials in some typical villages of India, without giving any notice to the authorities or to the non-officials that we are going to do so, and there study the real condition of the people for himself. If he will do so, I assure him that he will have to change his opinions regarding the prosperity of this country a great deal. But for the moment I shall confine myself to the condition of trade and business which has been adversely affected by the 1s. 6d. rupee, to which the Finance Member naturally made a reference. I have already, Sir, on previous occasions, drawn the attention of the House to the opinion which prevails in business circles, both Indian and European, that the 1s. 6d. ratio has worked a disaster on the industrial and commercial interests of the people of this country. I have been getting more and more evidence on this question. Only two days ago, I was told at Amritsar that a very large number of firms have failed during the last two years, and they ascribe their failure to the effect of the 1s. 6d. rupee. Those who have imported goods, British goods, also complain that, though they obtained goods on cheaper terms because of the exchange, they have not been able to find purchasers, and that many of them have not been able to take delivery of goods ordered. I am told that European merchants also, many of them if not all, have come to the same conclusion. The Finance Member must have noted that at Lahore European business men have invited Indian business men to join in starting a currency league to agitate for the restoration of the 1s. 4d. rupee. In view of all this, I would only ask my Honourable friend to keep his mind open on this question. I do not ask him to accept our statements as correct; I only request him, in the interest of the country, and in view of the position of high responsibility which he occupies in the Government of this country now, to hold his opinion in suspense, to keep an open mind and to come to a conclusion on the subject, after considering the pros and cons of the question as they deserve to be considered.

My Honourable friend referred to the great difficulties which lie in the way of re-opening the question. I quite understand, Sir, the full weight of those difficulties, that he feels. We did not expect him, all at once, to adopt any other view, but I do wish to say this, that while my Honourable friend did us the honour of at least taking seriously those of us who believe that the rupee should be restored to its former value, I think that he has not given sufficient weight to the facts of the situation in the country nor to the arguments which have been advanced in support of our contention.

The Honourable the Finance Member said: "When the issue was still an open one, the country in a sense had a free choice before it." With great respect, Sir, I beg to differ. The country did not have a free choice before it. If you want to know whether it had a free choice, you have to scan through the list of divisions on the ratio question, and you will find that the bulk of the elected Members of this House voted solidly against the 1s. 6d. ratio. We spent all the time that we could, we spent all the energy that we could, in trying to persuade the Government not to adopt the course they did, but all our efforts were in vain. I submit that my Honourable friend will be nearer the truth, nearer the right line, if he will judge the opinion of the country, not by the list of those who voted for the 1s. 6d. ratio with the Government, but by the list of those who voted against the

Government on this very important question, because my Honourable friend knows that representatives of Provincial Governments and other official members are bound by official etiquette to vote with the Government. Their votes cannot really be regarded as expressing their true opinion in the matter. I am willing to concede that there were some Members who were convinced that it was the right thing for them to do when they decided to vote with the Government. And while on this question, Sir, I wish to say this that though I do not wish to revive an unpleasant controversy, we do know that there was demoralisingly great canvassing done on the part of the Government for securing the support of some Members of this House for the 1s. 6d. rupee. I do not wish to say more about it, but that is a fact which cannot be concealed by anybody. Therefore, I submit that the country was not allowed to exercise a free choice when it decided that momentous question.

Then my Honourable friend asked: "Can it seriously be proposed, as a practical course, that, after working on a basis of 1s. 6d. for several years—a basis actually fixed by statute since 1927—this Government could deliberately decide to devalorise their currency by 11 per cent.?" Sir, I wish to remind my friend that, for a long time, for about 20 years, the 1s. 4d. ratio prevailed in this country. From 1898 or 1899 for about 20 years, the ratio stood at 1s. 4d. There was a change after that period, but in 1924 the rupee stood again near 1s. 4d. and then my Honourable friend Sir Purshotamdas Thakurdas actually sought by a Bill to stabilise the Rupee at 1s. 4d. But the then Finance Member did not agree to his proposal. We thus lost a great opportunity, and two years later, the Government stabilised the rupee at 1s. 6d. and put it on the Statute-book under the conditions to which I have already referred. Therefore, I submit, Sir, that if the Government had no difficulty in raising the ratio of the rupee from 1s. 4d. to 1s. 6d. after it had stood at the former figure for nearly 20 years, if Government had no difficulty in deliberately raising the ratio to 1s. 6d., there should be less difficulty of a practical character in restoring the ratio to 1s. 4d.

But said my Honourable friend: "I can hardly conceive the possibility of a more disastrous course". Here again I ask my friend to suspend his judgment. I wish him to ask business men in every circle in India to express their views upon this question, and to weigh their evidence before coming to a conclusion. My Honourable friend said: "It would cause injustice to thousands of individuals who had entered into previous contracts among whom perhaps the most important are the workers, manual and otherwise, whose wages and pay have been fixed on a different basis, and it would strike a blow at the credit of India in the eyes of the world from which it could hardly recover". Now, I admit, Sir, that the change I propose will cause some loss to thousands of individuals. But I urge that it will not cause any injustice. It is a case of wrongful gain or possession. These individuals got the advantage of 12½ per cent. increase in their salaries by a wrongful process. Therefore if they have enjoyed this wrongful advantage since the Act was passed, it is not an injustice to put an end to such an advantage. It is not yet even outside the ordinary period of the limitation of three years within which persons who have enjoyed a wrongful advantage, are required to disgorge it. It is no injustice to them to say that they shall in future be paid at the former rate. I submit that these individuals will have absolutely no cause for complaint, because they got a sudden rise in their salaries and wages to the extent of 12½ per cent.

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without any justification. My Honourable friend said that the change we recommend would cause injustice to thousands of individuals, but let me remind him that the people who are suffering the most from this artificial ratio are the bulk of the agriculturists. Nearly 80 per cent. of the population of this country depends upon agriculture. To them this ratio is causing a loss somewhere between 30 to 40 crores a year, and this loss will continue to be inflicted upon them so long as the wrong is not remedied. I ask my Honourable friend the Finance Member to look at the problem in this way. Persons who were unjustly given the advantage of a rise of 12½ per cent. in their salaries and wages cannot rightly complain if they are asked to cease to receive that advantage, but the agriculturist, who toils and moils, who supplies the Government with revenue, and who supplies the people with food, is losing, as I have already said, 30 to 40 crores every year, and it is his impoverishment which has impoverished the country. Your markets are full of stocks of goods, because the real purchaser of India, the agriculturist, has not enough money to purchase the goods with, and this will continue to be so, and the evil will continue to grow, until you right the wrong which has been inflicted upon him.

Sir, the next point my Honourable friend urged was that "this would strike a blow at the credit of India in the eyes of the world, from which it would hardly recover". I was rather surprised, Sir, that the Finance Member should use such an argument. Why should it strike a blow at the credit of India? In one place he says that the credit of India stands very high. How will it affect foreigners if we shall readjust the ratio of our rupee to the pound? They will still get their full value for what they will sell us. But my Honourable friend should remember the volume of internal business that is done in this country. In comparison to that volume of business, the business that we do with foreign countries is very small and the change will not, I submit, strike a blow at the credit of India in the eyes of the world in any sense. The Honourable the Finance Member asked: "What guarantee would other countries have that a word once broken would not be broken again?" Here I must beg my Honourable friend to read the history of the exchange question for the last 25 or 30 years. He will then see that the Government broke its word when it first established the 1s. 4d. ratio, and how, after 20 years of the rupee standing at that ratio, the Government again broke its word with the people, the three hundred millions of this country; that it thus broke its word with them on two occasions, depriving the bulk of the people of India who hold their savings in silver on both occasions of the value of their possessions which they had put together after years of hard work and labour. The value of silver went down at every one of these processes and it is the people of this country who were made to suffer. We have not done any wrong to any foreigner. No foreigner has reduced the cost of the article which he sends out to this country. He charges us what he used to and we are going to pay him what we have to. How then can it be said that we shall have broken our word which we have given to any country. We have not given them any such word. They want their payments in gold. The payment in gold will not be affected so far as they are concerned, and so I submit that we shall not be breaking our word with any other people, nor will any people have any reason to complain of our action. This is a matter absolutely for the people of India and for the Government of India to decide upon.

In the next paragraph the Honourable the Finance Member said :

"I have never seen any practical suggestion made as to how such a change could be brought about; but I feel sure that any man who really understands the working of these matters will realise that, whether it were to be done by a stroke of the pen over-night, or allowed to take place as a result of a long period of weakness on the part of Government, the results would be equally dislocating and disastrous."

I admit that the results would be somewhat dislocating, but I do not agree that they will be disastrous. Some suffering will have to be inflicted. Even when a carbuncle has to be removed, there is a little suffering to be inflicted; but the carbuncle has to be cut out in order that the body should regain health. The higher rupee ratio is the carbuncle that is poisoning the body politic, and it has got to be cut out. The process will not be excessively painful, and it will not result in anything else than a healthy flow of rich blood again. I submit therefore that the results will not be disastrous, but will be quite beneficial.

As to the observation of my Honourable friend that he has never seen any practical suggestion made as to how such a change could be brought about, why, the same process has to be adopted, which was adopted when you brought about the change about which we complain. You bring in a Bill to establish the 1s. 4d. ratio, or allow us to do it. You ask for the opinion of this House and of the country again, and I bet—I am not given to betting, the House will excuse me for saying this, even at this moment—I say, I bet, that the House will not hesitate any more in supporting the 1s. 4d. rupee. The bulk of business men in India, European as well as Indian, will, I believe, support the change that I am advocating. The matter is only one of legislation. You inflicted a wrong upon us by legislation, and by legislation must you remove that wrong.

The Honourable the Finance Member told us that he was anxious to improve the economic condition of the people. We honour him for it, and we are grateful for this early expression of his intention on this subject. It should put some heart into those of us who have for years past been anxious that the fundamental economic conditions of this country should be improved. Making a very kind reference to me, my Honourable friend said :

"I would say to him that the only way in which that can be done is by the constant and combined effort of Government and all those who can influence public opinion, directed to the extension of education and credit facilities, to the encouragement of hard work and thrift, and to an increase in real wealth by the introduction of improved methods of cultivation and communications."

There we are at one with the Honourable Member. We agree, but we insist that the restoration of the rupee to its proper value is a condition precedent necessary to usher in prosperity again into this country. My Honourable friend said—and that was the only expression in his otherwise fine statement by which some of us were pained—he said that the Government were bound to use all the resources at their command to prevent a change in the ratio of the rupee being effected. I would ask him to use all the resources of Government to accomplish the change which we urge upon him and upon the Government. I submit that, not until he has done it, will it be practically possible for the people and the Government to combine in a great effort to promote industries, to develop banking facilities, and to secure greater and cheaper credit for the people of this country.

[Pandit Madan Mohan Malaviya.]

This brings me, Sir, to another important question to which the Honourable the Finance Member referred—the institution of banks. We are glad that he has decided, at this early stage of his career, to have the question of banking facilities examined. We are very grateful to him for it, but I want to tell him that we have a long-standing grievance on this question. It was in the sixties of the last century that the question of a State Bank was discussed by the Government of India. Since then it has been discussed off and on. In 1914 the Royal Commission recommended that it should be examined. The war intervened. The Industrial Commission was appointed. It recommended that the question of a State Bank and other questions of banking facilities should be examined. Sir Basil Blackett promised to us that it would be examined. But we have not yet had an inquiry into the subject. The inquiry is long overdue. The question of adequate banking facilities for the people of this country is a very sore one. Sir, we have to witness, year after year, the painful phenomenon that the agriculturist, who has got all his wealth lying in his field and crops, has got to pay interest at an enormous rate in order to find accommodation for even the short period between harvest time and the date by which he has to pay his rent. He has to pay high interest on all his loans. There is wealth in the country. The Government of India allow huge balances to remain with the Imperial Bank of India. They borrow at  $3\frac{1}{2}$  per cent. and they can lend at  $3\frac{1}{4}$  per cent., or even sometimes at  $3\frac{3}{4}$  per cent. But the man to whom they and the whole country is deeply indebted—the agriculturist—cannot obtain the money he wants for his necessary transactions unless he consents to pay an oppressively high rate of interest. I submit, Sir, that this is a great reproach to the system of administration which is going on in this country, and I earnestly hope that, under the advice of the Honourable the Finance Member, Government will soon take up the question in right earnest and help to establish in the country a comprehensive scheme of banking which will meet the needs and demands of all classes of people throughout the country. The Japanese started their banking in 1872 and they had no such banking system as India had at that time. They have developed banking very well; the number of their banks was 2,100 some years ago; after many amalgamations, it was over 1,500 last year, and they have long been reaping the advantages of a comprehensive system of banking. Sir, the matter still remains to be investigated in this great country and I hope the Honourable the Finance Member will expedite its consideration.

I will say only one word more in the end. Many of us have a feeling of hopelessness and despair in respect of all that we urge upon Government. We feel that, unless the system of administration is radically altered, unless Members who sit on the benches opposite become responsible to the elected representatives of the people, all these great and burning questions, which affect the welfare of the people, will remain unsolved. I therefore hope that all those Members on the opposite side, who feel really and sincerely for the welfare of the people of India, will join their voices with ours and help us in bringing about the early establishment of full responsible government, so that we may work together with hope and cheer and co-operate with each other even more fully than the Honourable the Finance Member has invited us to. (Applause.)



**The Honourable Sir George Schuster :** Sir, I should like to start by offering to this House my thanks for the kind way in which I have been treated during this debate. I think I may say that every speaker has given me some expression of friendship and encouragement. There is perhaps one exception. I think my Honourable friend Mr. Duraiswamy Aiyangar would perhaps be disappointed if I interpreted his speech in that way. But even his speech contained one cheering remark when he suggested to me the possibility that this time next year I need no longer be occupying this bed of thorns.

**Mr. C. Duraiswamy Aiyangar** (Madras ceded districts and Chittoor: Non-Muhammadian Rural): I only meant that you will be a responsible Finance Member, and not as you are now.

**The Honourable Sir George Schuster:** Sir, it is impossible to reply in detail on all the points which have been made. I think I might divide the points into two classes—hostile criticism and helpful suggestion. I am glad to be able to say that the latter class predominates, and I shall find, in reading speeches of Honourable Members, much food for reflection and many valuable suggestions, of which I shall do my best to take advantage. As regards criticism, so far as this has been applied to any definite proposals in my budget, I think that practically all I have to say is contained in my original speech. I do not think that any Member who has spoken with a due appreciation of realities, and of the responsibilities of my office has seriously suggested to me that, as regards the forthcoming budget, I could have taken any other course than I have actually chosen. I think the steps that I have taken are the only steps that were possible to me at this first stage. Criticism has been directed rather to my account of past history, or to certain implications contained in remarks which I have made as to my policy for the future. I have been told, as regards past history, that I have given too optimistic an account of the situation. But the account which I gave was directed rather to showing by comparison some of the difficulties of the future, and in giving it, I endeavoured to dwell on features which ought to give us confidence in the underlying soundness of the position. I am sure that I shall not be blamed for that. It is the bad workman that complains of his tools, and, if there are difficulties ahead of us, and if those difficulties should at times seem great, we shall not improve the position by bemoaning them. Our task rather is to seek means for overcoming them. I have not sought to disguise the difficulties, but there is one aspect of the matter which I do not think has been sufficiently brought out in this debate. I am told that my budget is a deficit budget and that it shows a deficit of 90 lakhs. I wish to correct that impression. I did give in my first speech, certain figures to this end. My Honourable friend Mr. Chetty has also dealt with this matter to some extent in his speech, but the point I wish to make is this—that owing to quite abnormal fluctuations in the way in which revenue came in as between the various years, the actual figures for the three years 1927-28, 1928-29 and 1929-30, taken as they stand, do not give a true picture. By correcting some of the main variations to which I am referring, instead of showing, as we do at present for 1927-28, a deficit of 222 lakhs, for 1928-29 a surplus of 80 lakhs and for 1929-30 a deficit of 90 lakhs, the figures would rather be, for 1927-28 a deficit of 182 lakhs, for 1928-29 a deficit of 75 lakhs, and for 1929-30 a deficit of 25 lakhs. Therefore there is a steady improvement, and I think the process is correctly described in the words which I used in my budget

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speech. It is a process of filling up the gap which was left by the remission of the provincial contributions, and although my Honourable friend Mr. Chetty suggested otherwise; I think the Government is in substance carrying out the original intention, and using the surplus which went to swell the Revenue Reserve Fund in 1927 to bridge the gap until both ends meet.

So much for the past. As regards the future, my policy has chiefly been criticised on account of what I said as to foreign borrowing. I fully appreciate the reasons which have induced Honourable Members opposite to raise objections to the whole policy of foreign borrowing. I do not agree with those reasons, but I understand them. But we have to face realities; and even if those reasons are held to be disadvantageous, they have to be weighed against other factors in the scale, and, as I explained to Honourable Members, we are actually at present committed to a certain programme and that programme must be carried out. My whole policy has been and will be, as I also explained in my budget speech, to resume a close and effective control of capital expenditure. But for the present we have to execute the commitments which we have already on our hands, and in the immediate future some measure of foreign borrowing may be necessary. At the same time I reiterate all that I said in my budget speech as to my support for the principle that, as far as possible, the needs of India for capital expenditure should be met by rupee borrowing.

Having dealt with these general considerations, Sir, it would be perhaps well for me to make a reference to some of the points which have been made in the speeches which we have heard. The debate was opened by my Honourable friend Mr. Kelkar, who made several helpful suggestions. He made remarks as to the way in which the figures were presented, and complained that, as they were now presented, it took even a financial expert six months to understand them. I thought I had done something to make things clearer, but I will devote myself, during the coming year, to devising means to make the statements clearer still, and I will try to follow up the suggestions made by my Honourable friend. My Honourable friend also referred to the distribution of capital expenditure, and I think he said that, judging from my speech, when I talked of the development of India, I really had one thing in mind, the building of railways. He referred to the very small amount which had been spent on irrigation. I should just like here to clear up a misunderstanding on that point. As far as the Central Government is concerned, its opportunities for direct expenditure on irrigation are limited. It has certain schemes in the directly administered areas—in the North-West Frontier Province and Baluchistan—; but those are of very small dimensions. The main expenditure on irrigation is of course carried out by the Provincial Governments, who rely upon the Government of India to finance them. Taking the capital expenditure of the Government of India up to the 31st March, 1928, the total expenditure up to date on railways is 669 crores, and on irrigation 111 crores, so that irrigation represents about one-sixth of what has been spent on railways. At the same time I think there is much substance in the point made by my Honourable friend, and it has occurred to me, listening to the debate on the railway budget, followed by this general debate, that there might be some room for improvement in the system, because at present we debate capital expenditure on railways, quite apart from the discussion and debate on the general financial position of the Government. It seems to me that the two have got to be considered together, for the railways have become

of such importance that their expenditure dominates the whole position of the Government.

Then I come to the remarks made by my Honourable friend, Mr. Gays Prasad Singh, whose very vigorous speech convinced us all, I am sure with pleasure, that he himself at least had escaped from that fate of loss of all martial energy and emasculation (Laughter) which, he said, had befallen his province. He referred to the Post and Telegraphs expenditure, and the possibility of reimposing the high rate on foreign telegrams. He also referred to the Army, and as my Honourable friend, the Army Secretary, has not had an opportunity of replying, I would like to say that the suggestion that we should make more use of the Air Force and effect economies in ground troops is under consideration. It is always kept in mind when economies are possible, that they might be employed towards improving and strengthening the Air Force, and in improving mechanical equipment, so as to reduce the need for ground troops. We are still in an experimental stage as regards that, but certainly the question is very much in the minds of the authorities responsible for it.

My Honourable and gallant friend, Colonel Crawford, had also some valuable suggestions to make, and particularly a suggestion to the public benefit that Army officers should be helped to take an interest in the general state of the country. I may say that, to some extent, I have already acted on that suggestion, because I took steps this year to forward copies of all my budget notes to the principal staff officers, so that they might know something of the general financial position of the country. (Laughter and Applause.) I think something on the lines of what is done in the Staff College at home, where I have myself had the honour of lecturing on finance, might with great advantage be introduced here.

Then I come to the remarks of my Honourable friend, Mr. Birla, whose speech gave me much food for thought. One of the first things he referred to was the revision of the provision which exists at present for reduction and avoidance of debt. That has also been referred to by other Honourable Members in their speeches, and as I mentioned in my own speech, the provision which exists at present is due for review this year. Appeal has been made in several quarters that I should take this House into my confidence in dealing with this question. I certainly intend to do so. (Hear, hear.) I cannot exactly say at present what method will be best to choose for doing so, but in the first case I propose to consult the leaders of the various political Parties in this House, and get suggestions from them as to how they think it could best be discussed. The responsibility for making adequate provision for reduction and avoidance of debt must of course rest with the Government. I believe that when the position is properly explained on both sides we shall have no difficulty in arriving at a common view on this question. But it is a question of very great importance. It is one of the key points in the financial position of the country.

Then again my Honourable friend, Mr. Birla, made a remark with which I am in hearty accord. He said we ought to be able to face periods of bad seasons and ought not to have to rely on good seasons to see us through. I entirely agree. Our financial machine ought to be no fair-weather construction. We ought to be able to face bad periods, and that is what I had in my mind when, in the opening

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paragraphs of my own speech, I said that difficulties were opportunities, and that, if we could strengthen our system to overcome difficulties, it may be a permanent advantage to the country.

My Honourable friend went on to say that there was little hope of new taxation, or at least that we ought not to look to that as a method of strengthening our machinery. He said retrenchment should be the sign word in our programme. I have already made reference to that in my budget speech. Honourable Members will recall to mind the three reasons which I gave for seeking to make no change in our system of taxation this year. My second reason was that, before I suggested any change, I thought the time had come for the Government to review the whole of its expenditure. (Applause.) I think the time has come. It is already several years since the last Retrenchment Committee investigated affairs, and I think it is always a good thing to overhaul the machine from time to time. (Hear, hear.)

As to what was said by my Honourable friend, Mr. Birla, on the question of the state of the country, I do not entirely agree with his views. He is one of those, I know, who think that what this country is suffering from is really a shortage of currency. I think rather what the country may be suffering from is a shortage of capital, and I do not believe that any artificial increase in currency would really be a sound remedy for our present ills, but that is a very large and deep subject quite unsuitable for me to enter upon at this late stage. I look forward to many opportunities for discussing it with my Honourable friend, and perhaps, in the course of the year, we may come to see some daylight in the matter.

Then I come to my Honourable friend, Sir Purshotamdas Thakurdas, to whom I should like to express a special word of thanks for the way in which he met the hand of co-operation which I held out to him. Again I say to him, that I hope in the course of the coming months, we shall have many opportunities of discussing these problems together, and I shall always be glad to have the advantage of his advice, and I feel that I am fortunate to be able to rely upon it. There was one particular point which he made in his remarks. He said that he thought I had not paid sufficient attention to the industrial situation. I assure him that if in what I said I did not include lengthy passages on the industrial situation, it was certainly ever present to my mind. I recognise, for example, that one of my own first duties here is to study conditions in Bombay, and I hope to have an early opportunity of going to Bombay and learning something at first hand of the situation there. My Honourable friend also asked that the Government should take steps to provide some sort of statistics which would enable the country to judge of the general state of affairs. He distrusts the figures of railway traffic, and the figures of export and import trade, and he wants to turn to the prices of typical industrial shares. I have no doubt that information of that kind might be of value, but I do not think that the current market price of shares can be accepted as an adequate test, without a great deal of qualification and cross-checking. I think my Honourable friend himself showed us, in his speech, one of the reasons which seem to me to justify that remark of mine. He said that there were companies which in the year 1921—the year of the post war boom or rather

the end of the post war boom—had paid in dividends more rupees than the price at which the whole share stood to-day, and he quoted that as evidence of the parlous state of industry to-day. I think he anticipated, of course, the obvious retort, but yet I cannot refrain from making it. It must be true to say, if that is the case, that these companies distributed far too much of their profits in the post war boom, and did not set aside enough to strengthen their reserves against bad times, this is a common occurrence which happened all over the world. Even the most staid and serious business men lost their heads in that post war boom. There is no doubt that a great deal of the trouble to-day is due to the fact that the high profits which were made at that time were not utilised to be put back into the business to improve the machinery, and to leave all industrial enterprises in the best possible state to cope with bad times. Therefore the point which I wish to make is this: the fluctuations in the prices of industrial shares may be due not merely to external conditions of trade, but also to the efficiency or otherwise of those who are responsible for the management of those concerns. At the same time, I am fully desirous of taking advantage of my Honourable friend's suggestion, and, in consultation with the Honourable Member for Commerce and Railways, to consider whether we can get together more reliable statistics and figures which will throw some light on the real situation of the country. One of the most interesting things which has emerged in this debate and indeed in all my discussions with Honourable Members who are interested in the condition of this country, is that, to my mind, there is a general idea abroad that things are very bad and no one can quite say what is the reason for it, or why they are bad, or exactly how bad they are, and when you come to the condition of the people, whether it is really worse now than it was, say, ten years ago. I hope very much that we shall get some useful information out of the banking inquiry which we now propose to inaugurate. But, I quite agree that it is desirable to look for other means which may keep us in touch with the real condition of the country.

My Honourable friend Sir Victor Sassoon made, as usual, some very entertaining remarks. He tried to frighten us at the end by suggesting that he, as a whip, would next session be replaced by a scorpion. But he wields himself so very pleasant a whip that I almost cease to have any fears of the scorpion. (Laughter.) He also had some helpful suggestions to make and I hope to have an opportunity of taking them up during the next few months.

Then, I come to my Honourable friend Mr. Jamnadas Mehta, who started by wishing me god-speed in everything that I did, and ended on a somewhat less helpful note. I do not think it would be any use for me to attempt to follow him through his flights of what I can only describe as rhetorical finance. (Laughter.) I entirely disagree with most of his arguments, but it would be quite impossible for me to refute them in detail now. He objects, as we all do, to the necessity which has recently come upon us of putting up the Bank rate. I entirely agree with him that such a necessity is an undesirable one, but, when he compares our rate with the rate of the Bank of England, and says that it is only if the Bank of England rate is higher than the rate out here that the transfer of funds from one country to the other will be affected, then, of course, I entirely disagree with him. He said also: "The Bank of England rate has been put up from 4½ per cent. to 5½ per cent. and you put

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up your Bank rate to 6 per cent., which means of course that every one who wants to borrow money from the Bank, paying, as is normal, one per cent. over the Bank rate has to pay 9 per cent." He compares this 9 per cent.—that is the Bank rate, with the extra one per cent. added to it—with the 5½ per cent. which is the Bank of England rate. I call that an unfair comparison. The Bank of England rate goes up by one per cent. As the rates were more or less in equilibrium before, it is not an unreasonable assumption that, if conditions are such that it is necessary to put up the Bank of England rate by one per cent., it may also be necessary to put up our rates here by one per cent. I do not say it is absolutely necessary, but in this case, I do say, as I said to the House the other day, that, after very careful consideration, I came to the conclusion that it was the right course to take, and I still adhere to that opinion. It is quite open to Honourable Members to have a different opinion, but it was an opinion taken in the ordinary course of exercising one's function as currency authority, and as I said, when I answered Mr. Chetty's question in this House, if it is suggested that it was necessary because, on our present ratio, we cannot maintain the equilibrium of the exchange without some special artificial manipulation which no other country has to resort to, then I say, that is an entirely false implication. It was a purely normal transaction. I am sure that the Bank of England rate going up to 5½ per cent. was just as unpopular in England as our rise here was and probably the authorities were just as severely criticised, but it is one of those things which has to be done and I seek to offer no further defence for it. Then my Honourable friend quoted some figures, figures as to customs receipts, according to which he said that it was quite clear that, as far as the middle classes and the wealthy classes of this country were concerned, they were prospering, but that the poorer classes were not, because, he said, the customs receipts have increased just on those articles which the wealthier classes would use and buy. That at least has some comforting sides to it; for it shows that such extra taxation as has been raised through customs has fallen on the

5 P.M. classes who can best afford to buy. Moreover, a time may come when I shall be very glad to have my Honourable friend's speech to refer to as evidence that an import duty on sugar is not a tax which affects the poorer classes of this country. (Applause.) My Honourable friend complained that no national policy has been laid down for the customs tariff, and he used the same criticism as regards the railway tariff. Those are questions which will no doubt come up for consideration in the near future, particularly as regards railway rates.

Then, Sir, I come to the remarks made by my friend Maulvi Muhammad Yakub, in whose speech one passage occurred which was also repeated by my Honourable friends sitting on these Benches. He referred to the position of the Aligarh University, and to the omission to provide any funds for that University in the budget of this year. I should like to say at once that it was once recognised, when the matter came up before the Standing Finance Committee, that, if the Government gave special assistance to the Benares University, it was definitely accepting an obligation to give assistance on the same scale to Aligarh. (Applause.) The only reason why no amount appears at present is that the whole question of the organisation of the Aligarh University is at present under consideration.

and no definite scheme is ready according to which the money could be applied. But, I repeat that this is recognised by the Government that, as soon as the Aligarh University is ready with a scheme, it is entitled to point to what has been done to the Benares University and say "Now do something for us on the same lines". (Applause.)

Then I come to the speech of my Honourable friend Mr. Chetty. His remarks were, I think, on the whole, just and true. In fact, a great deal of his speech I could have made myself. (Laughter.) I do not quite agree with his criticisms as to the way in which we presented our figures, but that is a matter on which I am sure I can clear up any difference that exists between us. He asked me particularly to take account of the fact that, what the railways were allowed to spend in this country must depend, not on their capacity to spend, but on what the country could afford. He asked me to ponder over the state of affairs which existed to-day. I can assure him that I started pondering over it two days after I took over my present office, and the result is embodied in a programme settled with my Honourable friend the Member for Railways—a programme which is so fixed that we have now reduced our outstanding commitments—and if things should go badly—as I hope they will not—so that we are in difficulties as to finding increased capital in the following year, we shall be better able to control our capital expenditure without cutting short any undertakings half-way through completion.

Then, Sir, I come last to my Honourable friend Pandit Madan Mohan Malaviya. He spoke last and so his remarks are freshest in our minds. He appealed to me to keep an open mind on the question of the ratio. I thought I had made it clear in my own speech what were the reasons why I think it is essential that I should have no open mind on this subject. On all other questions, I am prepared to keep an open mind and learn by experience; but on this particular question it seems to me so great an evil that any uncertainty should be allowed to continue, that I thought it in the public interest that I should make as definite a statement as possible and reinforce it by that expression—to which alone, of all that I have said, he has taken exception—that the Government would use all the resources at its command to carry through that policy. That expression was used in no sort of aggressive spirit, but simply to show that the Government had taken a certain definite decision and could not go back upon it. And I feel sure that all Honourable Members who are connected with business will agree with me in this, that it is far better to be definite and decided on a point of this kind, and not to allow any opportunity to remain for speculation or for that uncertainty which is so damaging to business. (Applause.) I very much regret that I should have to differ with my Honourable friend over this. In every other way, I hope to be able to walk side by side with him and to get his assistance in studying the conditions of this country and in working up to those objects which he has at heart.

Sir, I do not wish to play any further with that rather hardly used word 'co-operation'. I believed myself that there was a certain field—the field of economic policy—in which it would be possible for us to co-operate, without either side being asked to weaken or depart from its political principles. The Honourable Mr. Kelkar has told us that the race of co-operators is extinct. I refuse to believe it; and at the end of this debate, I feel as confident as I did at the beginning—and much of

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what has fallen from the Honourable Members opposite has confirmed me in this belief—that we shall be able to find a large field in which we can work together for the economic interests of this country. (Loud and continued Applause.)

The Assembly then adjourned till Eleven of the Clock on Wednesday, the 6th March, 1929.

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